Good Practice in Trade Association Governance

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Introduction

Trade associations are complex organisations with special characteristics that require special governance arrangements. Over the last few years there has been a huge increase in the information about governance of trade associations, largely stemming from the work of the Trade Association Forum. This publication seeks to draw together this work, relevant American literature and the author's own experience, as chief executive of five trade associations and subsequently as a consultant, to produce a best practice guide for associations. The book is written from the perspective of a medium sized or large association, but is largely applicable to associations of any size.

Many people have contributed to this publication in various indirect ways. The author gratefully acknowledges, in particular, the assistance of Bob Kelley, Justin Greenwood, Richard Fairclough, David Leighton, Tony Baker, Anne DeCicco and Janette Gledhill in commenting on an earlier draft of this book.

However, the opinions expressed remain those of the author alone. While other views and practice have been drawn on extensively, I would not want the points made to be regarded as the gospel. There is room for debate on a number of them. I hope this publication will encourage that debate.

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A note on terminology

Trade associations use a variety of different names for governing bodies and officers. The differences between them are largely historic in nature. This paper uses a standard terminology as follows –

- A **trade association** is a collective body for organisations which provides representational and other services. A trade association is different from a professional body which comprises individuals. However, the two types of organisation share many characteristics including in respect of governance.
- The **board** is the supreme governing body of the association as prescribed in the constitution. This is not the most common term, although it is becoming so. Other terms currently used include council, national council, executive committee and management committee.
- The **chairman** is the chief elected officer. Other terms used are president and chair.
- The **chief executive** is the head of the full time secretariat. The term director general is used in most large associations. Other terms are executive director, secretary general (becoming less common but still widely used in professional associations) and manager (particularly in small associations). The term secretary tends to be most used where the association does not have any full time staff.
- The **executive committee** is a nominated group of board members effectively charged with undertaking the responsibilities of the board.

The report refers frequently to "the 1999 benchmarking study". This report *Trade Association Performance – Report of the 1999 benchmarking study of trade associations* (Richard Fairclough, Trade Association Forum, 1999) covered 140 associations. The views expressed are those of chief executives. The report uses the following size classification of associations -

> Large – annual subscription income over £1 million
> Medium – annual subscription income of £200,000 - £1 million
> Small – annual subscription income under £200,000.

Like most classifications this one is rough and ready. Many trade associations fund trade association services from commercial services (in particular conferences and exhibitions) and therefore are larger than their subscription income would suggest. However, the classification is sufficiently robust to allow broad generalisations to be made.

Chapter 1

An overview of modernising trade association governance

Many trade associations have governance structures that are inappropriate for the environment in which trade associations are now operating. They need to take urgent action to bring their governance arrangements up to date.

This first chapter explains the rapidly changing environment within which associations are operating and why governance arrangements need to be changed, and suggest five principles that should guide trade association governance arrangements. The remainder of the book covers in detail the various aspects of governance.

The special nature of trade associations

Trade associations have a number of characteristics that present their own special governance issues. Some of these are shared also by professional bodies and other non-market bodies. They are –

- In most trade associations some or all of the board members are elected rather than being selected.
- Members of the board often represent companies that compete with each other.
- Board members have a schizophrenic role in that they are responsible for governing the association while at the same time representing the interests of their companies.
- Board members often do not accept collective responsibility and may pursue their own individual, or narrow, ends.
- Boards may contain very different types of people from chief executives of major companies to third tier managers of big companies to chief executives of tiny companies.
- Board members are volunteers and may, for this reason, accord the board a low priority.
- The board's accountability is unclear and sometimes non-existent.
- Board members seem reluctant to challenge the executives even where they are able to do so.
- The board may contain representatives of both suppliers and customers for a particular good or service which brings its own tensions.
- Big members of the association can exert pressure outside of the board.
- It can be difficult to secure continuity of membership of the board and succession planning for the officers.
- Trade associations are not-for-profit organisations. Normal performance data like sales and profitability are not applicable. Members may well have different views about what the objectives of the association should be.

The traditional position

The traditional trade association governance arrangements can be summarised as follows –

- A committee driven approach. Issues were allocated to standing committees which operated on an upwards reporting basis. The secretariat serviced committees.
- Significant time commitment on officers.
- Membership of the board and its method of operation rooted in history.
- Reliance on long serving board and committee members.
- Minimal documentation of governance arrangements.
- No reviews of governance arrangements.

Such arrangements worked well in a stable environment when board predominantly dealt with policy issues relevant to their sector. Boards were seldom faced with having to take strategic decisions about the structure of their associations or alliances or mergers with other associations.

One problem with such traditional governance arrangements has been the slow speed of decision taking – although often this did not matter.

Why change is needed

Businesses are increasingly subject to a range of economic, technological and social factors which can force them to change drastically the goods and services they provide and/or the way that they provide them. Trade associations have largely been sheltered from such forces. Broadly speaking they have needed only to make incremental changes to the services they provide or the way that they provide them. However, this is now changing.

Eight inter-related factors are changing the operating environment for trade associations. They apply in all countries and all sectors, although their relative strengths vary substantially from case to case. In summary they are –

- An increasing degree of concentration within industries as a result of take-overs and mergers. This has generally reduced subscription income and disrupted board and committee membership.
- Globalisation of business such that an increasing proportion of business is in the hands of foreign companies and domestic companies have an increasing share of their business in foreign markets.
- The breaking down of barriers between markets and institutions which has led to a mismatch between the need for trade association services and the trade association structure.
- Deregulation and privatisation combined with a gradual shifting of policy-making to the European or global level.
- Information technology developments that should transform the way that trade associations work.
- A more rapid turnover of senior executives which has led to an equally rapid turnover in board membership.
- A streamlining of management structures and methods of operation within companies which has reduced the number of people available to serve on trade association committees and their willingness to tolerate traditional trade association practices.

- Developments in corporate governance for public companies and public bodies which are naturally having a spin off effect on other types of organisation including trade associations.

These forces are causing many associations to review their governance. Mergers have disrupted committee structures, and globalisation makes it increasingly difficult to involve sufficiently senior people in national trade associations. Many a chairman has been the victim of a merger of his company and has been faced with the choice of standing down quickly or remaining in office but without a position in the industry. Busy people running big businesses will not commit themselves to serving on a trade association governing body if this requires monthly meetings for three years plus numerous special committees. Top people will not commit themselves to be nominated one September to serve two years as deputy chairman from the following April and then two years as chairman.

More importantly, trade associations now need to be able to address major strategic and commercial issues and, where necessary, to do so quickly. This requires that boards comprise people of the necessary calibre and that they operate in an efficient manner.

The process of change

The good trade association seeks to review its governance arrangements before it is hit by a crisis that necessitates drastic action. Ideally, the need for a governance review should be a consensus decision that the elected officers, the board and the staff are fully behind. A review needs to be completed quickly to minimise uncertainty but not so quickly as to lead to accusations of bulldozing with the danger of leaving some stakeholders being left behind in the process

A governance review can be conducted entirely internally by an association – particularly now that it is possible to draw on the experience of other associations and trade associations generally. Often, it is helpful to involve an outsider, either a consultant to undertake the review or an individual to chair the committee charged with responsibility for the review.

The review itself must involve widespread consultation and the resultant report should be a persuasive and stand-alone document with clear recommendations and a timetable for action.

The new governance arrangements

Reviews of governance generally lead to fairly similar conclusions based around five key principles. These are amplified in the following chapters.

The first principle is that the **board should be representative** of the membership. This principle is often the most difficult to achieve, particularly for associations with many members or where the members have widely differing characteristics. It may not be possible to please everyone all the time. It is sometimes said that every member of a trade association believes that the association is dominated by a group of members of whom they are not one. Depending on the nature of the association, representativeness can be achieved by election or selection. It is common practice to reserve a particular number of seats for certain categories of members. However, once elected, board members must serve the interests of the whole association.

The second principle is that the **board should be accountable** to the members. In some cases accountability can be achieved by elections although this is not generally effective in a trade association. Accountability is better achieved by effective two-way communication with the members within a framework that includes the purpose and objectives of the association.

The third principle is that the **governance arrangements should be transparent**. This follows on from the accountability principle. The selection process for board members, if there is one, must be transparent. More generally the entire governance arrangements should be documented and readily accessible to the members.

The fourth principle is that there must be **a proper distinction between governance and management**, one of the principles in the Combined Code in respect of listed companies. Boards must concentrate on the major issues such as the strategy and direction of the association, possible restructuring, the budget and policy priorities. The chief executive must be allowed to get on with the day-to-day management. Only if there is such a distinction will industry leaders be willing to become involved in the association.

The fifth principle is that governance arrangement should be sufficiently **flexible** such that they do not quickly become outdated as circumstances change. One way to achieve this flexibility is to have a short simple constitution which delegates as much as possible to the board. An example of such a constitution is set out in Appendix 2. A second way to achieve flexibility is to move away from working through standing committees and towards working with time limited project groups.

Arguably, there is a sixth principle **– transparency and accountability to the outside world**. This derives from the fact that trade associations generally seek to participate in the policy making process by claiming to be representative of a particular sector.

Chapter 2

Recent developments in corporate governance

Trade associations have their own special characteristics. They are not public companies – although their members may be, and they are not quangoes – although they are similar in nature to these organisations. Developments in corporate governance for both public companies and quangoes are therefore relevant to trade associations and should be taken into account by them.

Quangoes
The Committee on Standards in Public Life (the Nolan Committee) has set out 'seven principles of public life' which it believes should apply to all in the public service. These are –

- **Selflessness** Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.
- **Integrity** Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.
- **Objectivity** In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
- **Accountability** Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- **Openness** Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
- **Honesty** Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
- **Leadership** Holders of public office should promote and support these principles by leadership and example.

These principles seem broadly applicable to trade associations if the word "public" is replaced by "association". Indeed, they are relevant not just to the board but also to staff and to staff of members when they are representing the association.

Public companies
There has been a huge amount of work on governance arrangements for public companies. Much of this has now been consolidated into *The Combined Code*, published by the Committee on Corporate Governance in June 1998. The Code is specifically concerned with public companies and some of its provisions are therefore not relevant to trade associations. However, the principles are being widely adopted by organisations

that are not public companies. The section on directors is particularly relevant to trade associations.

There are six principles –

- **The board** Every listed company should be headed by an effective board which should lead and control the company.
- **Chairman and CEO** There are two key tasks at the top of every public company – the running of the board and the executive responsibility for the running of the company's business. There should be a clear division of responsibilities at the head of the company that will ensure a balance of power and authority, such that no one individual has unfettered powers of decision.
- **Board balance** The board should include a balance of executive and non-executive directors (including independent non-executives) such that no individual or small group of individuals can dominate the board's decision taking.
- **Supply of information** The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.
- **Appointments to the board** There should be a formal and transparent procedure for the appointment of new directors to the board.
- **Re-election** All directors should be required to submit themselves for re-election at regular intervals and at least every three years.

With the exception of the provisions on executive directors all these provisions seem relevant to trade associations. They are particularly relevant to those associations whose members are public companies and whose representatives increasingly will expect the same standards to apply to boards on which they sit as apply to their own boards.

Trade associations

As trade associations have no formal status there has, of course, been no overall review of their governance arrangements. However, two development have reinforced the market trends noted in the first chapter which have required new governance arrangements –

- The speeches by Michael Heseltine in the early 1990s and the subsequent publication by the DTI of the *Best Practice Guide for the Model Trade Association* caused a number of associations to review the way that they operated. The guide itself was concerned with functions and said almost nothing about governance.
- Trade associations themselves have increasingly sought to improve their effectiveness, in particular through benchmarking exercises and other activities of the Trade Association Forum. Associations now have access to comprehensive information on governance arrangements and the business of trade associations generally.

The American experience

The American trade association industry is far bigger than its British counterpart and accordingly the science of association management is better developed and documented. Notwithstanding the major differences between American and British associations – in particular in respect of the legal and social environment – the American experience gives a useful additional perspective. A major report on trends in American associations (*Facing the Future*, ASAE Foundation, 1999) concluded: “The inability of current governance models to deal with an increasingly complex, fast-paced environment will require a cultural shift for most associations”. Other observations were –

- There is no one right approach to structure or governance.
- Associations tend to change the bylaws at the first sign of difficulty rather than thinking through the issues in determining whether function or form needs to be addressed.
- Associations prefer to make changes to structure or governance rather than culture.
- Members are rarely interested in governance or structure.
- Evaluation criteria are rarely established before governance change is initiated.

The study also concluded that future boards must focus on member value and responsiveness and that the composition of the board must reflect the future of the membership. The American experience is examined in more detail in Appendix 10.

Chapter 3

The board – composition, structure and accountability

A trade association needs a top quality board comprising people who are recognised inside and outside the industry as industry leaders. A trade association board comprising third tier managers or semi-retired people will command little credibility. To achieve a top quality board requires the appropriate procedures in two areas -

- Composition, structure and accountability of the board.
- The way the board manages its business.

This chapter covers the first of these two points; the next two chapters cover the second point.

Composition

Trade association boards vary considerably in size. The 1999 benchmarking study showed a range from 3 to 129. The lower and upper quartiles were 12 and 23, and the median was 17. Larger associations tend to have larger boards. The median for small associations was 11, for medium sized association it was 18 and for larger associations it was 22.

The problem for all associations is to balance representativeness with efficiency. A board of 17 would generally be regarded as too large in the commercial world, but in trade associations it is often worth paying a price in terms of loss of efficiency in order to satisfy all members that their interests are being adequately represented. An association should regularly review the size of its board. If an industry is shrinking in terms of numbers of companies then it may make sense for the association to reduce the size of the board to match.

To achieve the necessary quality of the board, rules are needed to ensure that only sufficiently senior people qualify for membership and that people leave the board when they retire from active involvement in the industry or change jobs. Age limits used to be common but these are no longer appropriate given the trend towards earlier retirement. The following restrictions can be used depending on the nature of the association –

- Board members must be in full time senior management positions in member companies (possibly restricted further to board or chief executive positions).
- Board members automatically stand down from the board if they cease to hold an executive position in the company in which they were employed when they were appointed. This is designed to prevent people staying on the board when they move to a non-executive position or if their company is taken over and they no longer have a senior position. Co-option can be used where the board considers that a person who loses his place under this rule should remain as a member of the board.
- An absolute restriction on the period for which elected members can remain on the board, for example two three-year terms.

The 1999 benchmarking study showed that the median number of board places taken by chairmen or chief executives was 80%, the proportion being slightly higher in larger associations. While this seems broadly satisfactory it suggests that a significant number of board members are not in the "industry leaders" category.

Depending on the nature of the association it may be sensible to have a specific number of places reserved for certain categories of members. This is least appropriate where an association has a small number of members that are broadly similar to each other. It is most appropriate where there are many members that neatly fall into certain categories. Over half of all associations have such provisions.

A trade association's credibility and effectiveness are enhanced if the chief executives of the largest members are on the board. It also makes sound sense for any organisation to keep its largest members satisfied, and for a trade association board membership is a way of achieving this. Many associations have rules which provide for the largest members (between two and five) automatically to nominate a member of the board. This is appropriate only if the largest members are significant is size in relation to the whole membership.

The remaining members of the board can be selected/elected on a single national basis or on a size basis, a regional basis or a category basis. Which basis is appropriate will depend on the association; generally it is fairly obvious. However, many associations find that a basis can become inappropriate. For example, some associations have had a regional basis that has become increasingly inappropriate as a result of restructuring of the industry. It can then make sense to move to a size basis.

The 1999 benchmarking study showed that 13% of associations used selection for appointments to the board, 47% used elections and 40% used a mixture of the two. Where there are genuine elections then the question of voting rights arises. In an association of many small members, one member one vote on a national/regional/size/category basis makes sense. Generally, however, larger members will expect more votes. A simple way to achieve this is to give a member one vote for each £1 (or £100 or £1,000) of subscription income. (However, if the large companies are automatically entitled to nominate a member of the board there is a question as to whether they should also be allowed to vote for other board members.) Alternatively, a voting scale can be devised. However, often voting is irrelevant, as in many associations there are no meaningful votes. Rather, the problem is persuading people to stand in the first place.

There is room for a great debate as to whether association executives should be on the board. The normal practice is that they are not. This is defensible notwithstanding the Combined Code because trade associations are member organisations and it is proper that the board comprises representatives of the members. In some associations the chief executive is formally a member of the board. It is probably not greatly relevant whether or not he or she is. In practice the chief executive must be recognised as a "managing director" if the job is to be done properly. It is very unusual for other executives to be on the board. Other than giving the executive concerned additional status there is little justification for this and it can cause problems. Where this practice if followed it is essential to have a separate committee that has total responsibility for senior staff matters and which wholly comprises elected members.

Is there a case for a trade association board to have any independent directors? Very few associations do and the case for them is weak, although perhaps getting stronger. The purpose of independent directors on the board of a commercial company is to protect the interest of the shareholders and to provide a constraint on and a support to the executives. Neither rationale usually applies to trade associations. The case for an independent board member is stronger where there are particular governance issues (generally conflict between factions of the board) or the association has been going through a difficult period and needs some ongoing outside support. Where an independent director is thought appropriate the right candidate could be a chief executive of another trade association, an elected officer in another association or possibly an academic or consultant.

In some associations where there are two very large members, an independent chairman is appointed as the only means of keeping both members happy. An independent chairman can also be a useful tactic for a new association, particularly where any candidate from the industry would be unacceptable to parts of the industry.

Most trade associations provide for co-options to the board. This should be used sparingly, and typically to fill vacancies that occur during the year. Co-opted members should automatically stand down, but be eligible for election at the following AGM. Co-options should not be used to keep elder statesmen on the board. If people have a particular contribution to make at board meeting then they should be invited to meetings as appropriate and not given the status of board members. A trade association is devalued if its board is seen to comprise people who are not active in the industry.

Executive committee

The term "executive committee" can mean almost anything. In this chapter it is used to mean a group of board members who, in effect, exercise the powers of the board. This is quite different from an "officers' group" which might meet before board meetings and which may have some responsibility for finance and other matters.

A key question for a trade association is whether there should be a small executive committee that, in effect, runs the association. This concept sounds attractive and overcomes the efficiency problem that results from trade association boards being too large. The problem is that it devalues the board and thereby makes it difficult to attract members to serve on the board. There is resentment if the board members feel that their role is merely to rubber stamp what the executive committee has decided.

The ideal is to have a small enough board (say under 15) such that an executive committee becomes unnecessary. Where a board has over 20 members an executive committee becomes almost essential. The board then becomes something of a parliament with probably four meetings a year to consider major issues. The relationship between the board and the executive committee needs very careful handling in such cases.

Nominations committee

Every trade association needs a committee to handle staff matters and the composition of the board itself. This committee is typically called the nominations committee or selection committee. In some cases an executive committee may perform this role. The committee should comprise the chairman, the chairman-elect (or deputy chairman), the past-chairman (if still a member of the board) and perhaps two “backbenchers” (who may well recognise that being invited to join the nominations committee is a sure sign that they are not in the running for the chairmanship).

The nominations committee should have the following functions –

- To review the performance of the chief executive and to make a recommendation to the board on the salary of the chief executive.
- To be responsible for appointing a new chief executive – and where necessary dismissing an existing one.
- To settle the salaries of the senior management team on the recommendation of the chief executive.
- To make guidelines (possibly subject to the agreement of the board) on the salary review for other staff.
- To recommend to the board candidates for the office of chairman (and other positions where these exist).
- To manage the “selection” part of the process of appointments or elections to the board. This can include identifying suitable candidates and persuading them (or their companies) that they should stand for election and also managing the co-option process to fill vacancies that occur during the year.

The chief executive should be secretary to this committee and should play a major part in its deliberations.

Chairman’s group

In practice, and in some cases in theory, there will be an inner cabinet comprising the chairman, any deputy chairmen, perhaps the chairman of a major committee and perhaps also the chief executive. This group may have the formal title of “executive committee” or “chairman’s committee” or “officers’ group”. The main purpose of such a group is to provide a sounding board for the chairman and the chief executive, particularly in the early stages of a major issue. Such a group may also have some of the functions attributed to the executive committee or nominations committee as described earlier. As for executive committees in the normal sense, it is important that the board should not feel that its power is being usurped and that there is clarity as to the role of such a group in relation to the board itself and other committees.

Accountability to the membership

The board of an association needs to be accountable to the members in a number of ways. The first is through a transparent election/selection process. This is obviously easier to achieve where there are elections – which is why it is preferable for members to be formally elected even if in practice they have been selected. The process should be documented and readily available to members.

More generally, the governance arrangements as a whole should be clearly documented. This could be through a stand-alone document or as part of a more general guide to member services. Some associations have a more detailed publication or paper specifically for members of the board, committees, panels and working groups. Which medium is appropriate for a particular association is a matter for judgement.

An annual report to members is a basic accountability requirement. However, many association annual reports are poor with there being no obvious indication of what the publication is trying to achieve. All too often there are long boring lists of meetings held or documents submitted coupled with poor quality photographs of the officers at social functions. An annual report can be one of the key documents an association produces. It should explain the association's aims, objectives and priorities and how these have been pursued. If these key features are not in the association's annual report, they should feature elsewhere, such as the association's website.

Annual accountability is however not sufficient. Good practice is to disseminate the results of board meetings, sanitised as necessary, to the members as soon as possible after board meetings. This can be done either in a regular newsletter or electronically.

Where there are regional associations or forums then accountability can be further enhanced by board members attending such meetings and dealing with issues raised by members and explaining why the board has acted as it has.

Depending on the nature of an association it may be possible for each member to be able to identify with a particular board member, particularly where the board is elected by region, by size of member or by category of member. Members will feel more confident if they know there is at least one board member who has the specific task of representing their interests and to whom they can talk directly if necessary.

Wider accountability

Trade associations have a privileged position in respect of access to officials, regulators and ministers, and sometimes to early drafts of government papers. They are also quoted by the media as representing a particular sector. Unlike in many other countries there is no requirement on trade associations in Britain to register or to publish any information about themselves. The good trade association does this any way, although often not systematically. A model accountability statement, which could be included in an annual report or published on a website, is set out in Appendix 3.

Chapter 4

Role of the board

The role of the board falls into five main categories: setting the framework for the association, formal responsibilities, agreeing an annual plan and budget and reviewing annually key issues, handling major one-off events, and dealing with specific policy issues.

Setting the framework
A trade association can operate best if it does so with a framework which has been agreed by the board and communicated to and accepted by staff and members. From time to time there may need to be a fundamental review of the framework and at the least it should be reviewed annually as part of the planning process.

The framework should include –

- A mission statement eg "The British Widgets Association provides a service to widget manufacturers by helping to establish a favourable operating environment, by providing a forum for discussion of industry issues, and by providing information to assist them in their business."
- A set of objectives, eg to improve the competitiveness of members, to improve the public image of members, to negotiate terms and conditions of employment (in the case of employers' associations).
- A statement of how the association operates, covering, for example, the board setting priorities and settling policy, the secretariat implementing policy and representing the association, working with other associations, working with government.
- The committee structure and the terms of reference of the committees which report to the board.
- A strategic plan.

Most associations have such a framework in place but often it is not documented. It makes sense to do so to ensure that there is a generally accepted understanding, particularly by the board, of what the association is trying to do and how it does it.

Formal responsibilities
Most trade association boards have some formal responsibilities that derive from their constitution.

Boards frequently have the authority to admit new members. There has been a change in practice in this respect over the years. Traditionally, boards were given absolute discretion in respect of membership. This could be used as a means of restricting competition. This discretion has become increasingly difficult to justify, particularly given a general desire to encourage new businesses. A board that seeks to exercise discretion in respect of membership needs to be very careful that it does not transgress competition law, run the risk of legal action, or diminish its own status as a representative body. It is preferable for the constitution or the board to set out transparent and defendable membership criteria. If a company meets those criteria then it can automatically be entitled to membership on paying the appropriate subscription and agreeing to be bound by the constitution.

Where an association wishes to restrict membership to companies which meet certain standards (for example complying with an onerous code of practice or a minimum period of trading or financial resources) it should do so carefully and with appropriate legal advice. The same applies to attempts to expel members because of the way that they conduct their business.

There is no easy half way house in this area. Either an association automatically accepts into membership any company that meets reasonable criteria and has no disciplinary powers, or it operates a formal system with the appropriate legal checks and balances.

A board will also have some basic housekeeping functions – such as authorisation limits for expenditure and cheque signing, signing off the annual report and accounts and authority in respect of staff matters. These can be recorded in standing orders or in board resolutions.

Annual reviews

There are four major annual reviews that the board should conduct.

The first is to agree an **operational plan and budget** for the following year and to set the subscription scale. The annual operational plan should include policy priorities (both purpose and target) and success criteria. This should be the culmination of the annual planning process, in turn part of the strategic planning process, a subject that is outside the scope of this paper. There needs to be a common understanding of the priorities for the association in the coming year, particularly if there is a major change in priorities or the need to increase subscription levels. Members will often have sophisticated planning arrangements on their own boards and increasingly expect a businesslike approach from their trade associations.

The second review should be of the **market position of the association**. In a rapidly changing business environment and industrial structure the demand for trade association services changes equally rapidly. The annual review should examine the changing structure of the sector represented and should look at the position of the association in relation to other associations. The analysis should look horizontally (associations representing companies in the same or similar markets) and vertically (associations representing suppliers and customers). The review should analyse the need for possible alliances or coalitions and should consider the need for the creation of a federation or a merger. This must obviously be done in a sensitive way to avoid raising undue aspirations or concerns among the members and the staff. Sometimes, this annual review may lead to a more fundamental review, for example where an association sees its market position deteriorating, perhaps because of mergers of members or the activities of other associations.

The third review should be of the **governance of the association** and the operation of the board itself. This review can use a checklist such as that set out in Appendix 1 to this paper. As with the review of market position an annual review may sometimes lead to a more fundamental review. This will be necessary where there is dissatisfaction either among board members themselves or among the membership. An annual governance review is still not common practice among associations. The 1999 benchmarking study showed that only 39% of governing bodies reviewed their performance each year, with the proportion being higher for smaller associations.

A note of caution is needed here. Constitutions can be difficult to change and the process of change may result in wider issues being raised at an inappropriate time. It is probably the case that many associations do not comply with their constitutions in every respect. Examples can include failing to produced the annual report and accounts by the specified date, not electing deputy chairmen of certain committees and not having the specified number of members on a certain committee. Many associations turn a "blind eye" to such technicalities and rightly assume that no one will challenge the breach. This is probably acceptable but does run some risks, the major one being where an association has the power to take disciplinary action against a member in which case "due process" is essential. However, the prudent association will not wish to follow a blind eye approach for long. When a constitution is amended it makes sense to adopt the simple and flexible model, exemplified in Appendix 2, which avoids the need for a blind eye approach.

The final review should be of the **performance of the chief executive**. In practice, this should be done by the smaller nominations or selection committee but the results must be reported to the board and be open to discussion by the board. Where the chief executive is effective then the discussion may be brief. Where some members have concerns about the chief executive then it is proper that these are aired, privately, at a meeting of the board.

Handling one-off events

Major one off events that the board must handle should generally stem from one the subjects of the annual review, either directly as a result of the review or because of something that happens during the year. Such events include –

- A major budgetary problem such as the resignation of a large member or a revenue shortfall (for example, resulting from a sharp reduction in income from an exhibition).
- A governance crisis.
- A merger or the creation of a federation.
- The dismissal or appointment of a chief executive.
- A major policy issue.

If a board is lucky it will have no such issues at all in a year; the unlucky board may have to deal with all five. It is in handling such major issues that board effectiveness, and leadership by the officers, is most strongly tested.

Conducting a major governance review

The previous section identified the possible need for a major governance review. It is appropriate to analyse this subject in some detail. In practice it is unlikely that an association which has a regular annual review of governance will suddenly need to conduct a major review – because it will have made the necessary incremental changes to its governance arrangements over time. Rather, it is the association that never reviews its governance arrangements – or for that matter the performance of its chief executive – that is likely to find the urgent need for such a review.

The following factors suggest that a major governance review is needed –

- The quality of the board members is declining, in particular industry leaders do not want to be on the board.
- It is difficult to attract good quality candidates to become chairman.
- Progress is not made at board meetings with the same issues being discussed at successive meetings.
- Board members themselves behave unreasonably by failing to read board papers before meetings or seeking to re-open issues which have been settled.
- The members and staff have little confidence in the board.
- Committees below the board fail to operate effectively.
- Board meetings are effectively dominated by a small group of members.
- Attendance at board meetings is poor.

In fact such an association probably has a management problem as well as a governance problem. It will be ineffective in its operations and could well be losing membership.

Where associations are in such a position there is the danger of a self-reinforcing downward spiral. What then will be the catalyst for change? There are a number of possibilities –

- A newly appointed chairman, as a condition of taking on the chair, might insist on a review.
- Similarly, a newly appointed chief executive may be able to insist on such a review as a condition of taking the position, or may be able to persuade a board that such a review is needed.
- One or more of the largest members may insist on such a review – with the threat that unless there is one they will withdraw from the association. In practice, this is often the catalyst, as an association has no choice but to respond to such demands.

There may well be a combination of the three forces, even to the extent of a modest conspiracy. For example, a chief executive may see the need for change but knows he could not persuade his or her chairman and board to conduct a review on the "turkeys don't vote for Christmas" principle. The chief executive might then conspire with one or more major members. Another common scenario is that the board well understands that the problem is the quality of the chief executive, but instead of addressing this directly goes through the motions of a governance review which will conclude that "while the practice of having a secretary general has served the association well in the past there is now a need for a step change to reflect the changing position of the industry. A director general should be recruited who would……."

How should the review be conducted? A review can be done in-house or by consultants or by a mixture of the two. The preferred option depends on where the problem is. There is a strong case for the chief executive not being part of the review process although obviously those conducting the review will need to talk to the chief executive. The review will almost certainly conclude that the chief executive needs to be given more authority and such a recommendation carries less weight if the chief executive is a party to it. If the composition of the board is part of the problem then it makes sense to make greater use of outside consultants. In any event a steering committee will need to be established. It needs to be very carefully selected such that the people who are part of the problem are not in the driving seat for the review itself.

A full scale review should begin by establishing the role and objectives of the association and should include the following work –

- Desk research, perhaps using the checklist in Appendix 1 as a guide.
- Discussion with board members, perhaps preceded by a standard questionnaire.
- Discussion with industry leaders not on the board.
- Discussion with the chief executive and other senior executives.
- Possibly a survey of committee members or even the whole membership.

It is probably sensible to use consultants to do this groundwork as people are likely to speak more freely than if they are speaking to someone who will have an ongoing role in the association.

The steering committee will always need to bear in mind that such a review, conducted in response to real concerns, will have to address management as well as governance issues. Where there is a management issue expert handling is essential.

Handling policy issues

Some boards handle all major policy issues; others handle none at all. It is important that there is a shared understanding between the board, the committees reporting to it and the staff as to what the board's role is. Committees become frustrated if the board seeks to second guess what they have done, but boards may be dissatisfied if committees become too independent. For the most part this is for the chief executive to keep an eye on and sort out if necessary, for example by telling the board that it has no authority to make policy in a particular area because this has been delegated to a committee. This again emphasises the need for sound documentation of the respective responsibilities of the board and the committees reporting to it.

Chapter 5

Good practice in board management

All too often trade association board members are given little or no induction and no past board papers or key documents, and are expected to work out for themselves how the board works. In the more old-fashioned board, new members are expected to be seen and not heard for their first few meetings. This sort of approach is no longer appropriate, particularly given the more rapid turnover of board members. A few simple procedures can help new board members become effective and improve the efficiency of the board generally. For the most part there is nothing special to trade associations about these arrangements; they are much the same as those applying to any governing body.

Standard information pack

Board members should be given on appointment a board member information pack. This probably needs updating annually and it makes sense to reissue it to all current board members at approximately yearly intervals. The pack should include –

- A full list of board members including their positions in their companies, the category of board member to which they belong and full contact details.
- Details of the senior and other relevant staff – position, responsibilities and contact information.
- The constitution of the association and the standing orders of the board.
- The most recent annual report, list of members and standard promotional information about the association.
- A list of dates and times of board meetings and other functions which the board members are expected to attend. The list should include details of major issues considered by the board at particular meetings, eg review of governance in January, review of market position in April, staff salary review in July, and operational plan and budget in October.
- Any key board papers such as the most recent reviews of governance and market position.
- A description of how the board operates – covering the other points made in this chapter.
- The mission statement and objectives of the association and the current strategic and operational plans.
- The annual budget.
- The committee structure.

New member induction

The standard information pack is particularly useful for new board members. It should be supplemented by the most recent set of board papers and minutes. Good practice is for the documents to be sent by the chief executive with a covering letter welcoming the new member to the board. If possible the chief executive should try to meet a new board member prior to his or her first meeting to discuss the role of the board and to discuss any issues. A personal letter from the chairman can help make board members feel particularly welcome. It is usual practice for the chairman to welcome new board members at their first meeting and to encourage them to contribute at the earliest possible opportunity.

Standing orders

The board should have a brief set of standing orders covering, in particular, the responsibilities of officers, committees reporting to the board, the role of the chief executive and financial authorisations. Some associations cover these items through other means such as the constitution itself, board resolutions, job descriptions for officers and terms of reference for committees. The merit of using standing orders is that everything is in a single document that is easily accessible.

Number of meetings

The 1999 benchmarking study showed that the median number of board meetings was four a year, the upper quartile was six and the maximum was 12. One would expect the figure to be higher for those associations where the board, rather than an executive committee, is the effective governing body. However, it is not clear that this is the case; the number of meetings held by executive committees is broadly similar.

Conduct of meetings

Good practice for committees generally is for agendas to be distributed at least a week before meetings and for minutes to be distributed within a week of meetings being held.

The structure and content of board papers is one of the key determinants of the effectiveness of a board and an association. In too many associations board members are sent thick agendas – often over one hundred pages. Most of the papers have been produced for other purposes and often there is no clear indication of what the board is supposed to do with them.

Committees tend to discuss what is put in front of them. If board papers deal with micro management issues and include many pages of operational reports then the board will be encouraged to try to micro-manage. If papers deal with major strategic and policy issues then the board will be more inclined to focus on its proper role. Deciding what should be on board agendas – and what should not be – is a key function of the chief executive.

Board papers should be drafted so as to be consistent with the role of the Board. Good practice is to limit board papers to two or three pages with any supporting documents being in appendices, but even these should be limited in length. Board papers should have a standard format and should always stand alone. They should always state who the author is, the subject of the paper and the recommendation to the board. A model board paper is set out in Appendix 4. All board papers should be quality checked – to make sure that they conform with the agreed format, are free from errors and address the issues properly. This will usually be the task of the chief executive, although in larger associations the role might be delegated to a board secretary. However, the sensible chief executive will want to see the whole agenda before it is distributed. He or she will also have discussed the agenda with the chairman and perhaps gone through a draft of any particularly sensitive papers.

There should be no need for a well written board paper to be “introduced” by the relevant member of staff, still less “spoken to“. Board meetings are for discussion of key issues, not for the staff to speak at length about issues that are or should have been covered in a board paper. The chief executive should contribute to those discussions as an equal of the board members and other senior staff should also be expected to contribute.

A board that gets through its business quickly on the basis of well written papers is an efficient board that will attract industry leaders. A board that meets for three hours with a 100 page agenda comprising a rag bag of papers will attract time wasters.

There are two basic types of board minutes –

- Brief minutes that simply record decisions, eg “The board considered the budget for 2001. It was resolved that an expenditure budget of £900,000 be approved.” Ideally, such minutes should be stand-alone and should not require cross-referring to board papers. A minute such as the following is not very helpful: “The board considered the policy to be adopted in respect of the DTI paper on regulation. It was resolved that the proposals set out in paragraphs 13 and 19 of the Director General’s report be adopted.” Ideally, what the board is being asked to agree will be summarised in the agenda paper and the words can simply be reproduced. Indeed, the good chief executive/board secretary should be able to turn an agenda into a set of minutes very quickly.
- Some boards prefer more discursive minutes that summarise the board paper and set out who said what in the debate. This is particularly useful for board members unable to attend a particular meeting. However, such minutes should always end with exactly the same resolution as the brief minutes.

The board should decide what type of minutes it wants and should review that choice annually as part of the review of governance.

The board outside of board meetings

The good board member wants something more than merely turning up to and contributing at board meetings – and can also contribute much more. Board members must feel they occupy a very special position and the chief executive should use them accordingly. This includes –

- Invitations to social events, such as lunches with guests of the association.
- Communicating with board members between board meeting when there is something which board members would wish to know – e-mail makes this much easier.
- Sending board members relevant correspondence and even newspaper and journal articles to ensure that they are fully up to date.
- Phoning board members to ask for their views on major issues.
- Asking board members to represent the association at social or other events.

Annual review of board performance
Either as part of the annual review of governance or separately, the board should review its own performance. One part of this should cover the board meetings including -

- Adequacy of agendas and minutes.
- Handling of meetings.
- The matters the board is asked to consider.
- Communication with board members outside of meetings.
- Quality of board papers.
- Quality of discussion at board meetings.

The really brave board can enhance this review with a self-appraisal by board members themselves.

The subject of board evaluation is considered in more detail in Appendix 8.

Chapter 6

Role of the chairman

A good chairman is vitally important to a trade association. A top class chairman will help give confidence to the members and the board and will leave the secretariat free to get on with running the association. By contrast, a poor chairman can at best be a nuisance, by absorbing resources, and at worst a disaster. As for the board itself, having a good chairman is a matter of both selection and practice.

Selecting the chairman
Very few associations allow the members to elect the chairman. This is a more common practice in professional bodies, often with unfortunate results. Normal practice is for the chairman to be selected from the board, in practice by a nominating committee. The problem in the recent past has tended to be persuading the best candidate to take on the chair rather than identifying the best candidate.

Ideally, the chairman should be a recognised industry leader, that is a full time chief executive of one of the leading companies or an exceptionally able chief executive of a smaller company. Poor quality chairmen are most likely to be appointed where a "buggins turn" principle operates or where the time commitment is so great that only someone with lots of time (that is someone who has lost his or her executive position) is able to take on the position. The "buggins" principle was alive and well until quite recently with the chairmanship being decided on the basis of seniority or whose turn it was (by region, by size of member or by category of member). Most associations have, of necessity, now got rid of the "buggins" principle although there are still some bugginses around who expect the call.

The most able people will be attracted to the chair if most of the following conditions are met –

- There is no formal run-in period, such as one year as junior vice chairman and one year as senior vice chairman before taking of the chair. Rather, the chairman-elect should be identified about six months before the period of office starts.
- The term of office should be one year with a maximum of two terms. A two year period of office is the norm but the arrangement should be kept sufficiently flexible to allow top quality candidates to serve for just one year.
- The time commitment during the period of office should be limited, ideally to chairing board meetings and leading the board generally, presiding over a few major functions, attending, and leading at, some key meetings, and liasing with the chief executive.
- The board comprises top quality people such that the chairmanship is regarded as an honour.
- The association is highly regarded.

Period of office and time commitment

The 1999 benchmarking study reflects these points in respect of period of office and time commitment. In 54% of associations there was a two-year period of office, in 26% of associations it was one year and in 14% it was three years. Significantly, in the larger associations a one year term of office was most common (41% of associations as against 39% with a two year term).

The median number of days a month spent on association business was two, the upper quartile was four and the maximum was 20 – presumably in the case of an executive chairman.

Job description

There is an increasing, and desirable, trend for there to be a job description for the chairman. This should flesh out what is the constitution and standing orders and should be fully documented. A sample job description is set out in Appendix 5.

Leading and managing the board

The chairman’s role in leading and managing the board of a trade association is much the same as it is for any committee. The chairman has to conduct meetings efficiently and fairly. The chairman must be fully familiar with the agenda (unlike other board members he or she cannot skip a particular paper) and must keep the meeting moving and ensure that clear decisions are reached. “Fairness” is a particular issue in trade association boards. The members probably compete with each other and some may compete fiercely with the chairman's company. The chairman must ensure that everyone has an opportunity to contribute and is treated fairly and equally.

The chairman will play a major role in selecting the board (where boards are selected) and also his or her successor. This requires tact and diplomacy, particularly where some people are going to be disappointed.

Occasionally, the chairman will need to speak privately to a board member about his or her conduct. At one level there are things that board members should not do, such as criticising the staff at board meetings, personally attacking other board members, being rude or simply being boring. Where a board has a board appraisal system then the chairman must conduct it. At another level are things that board members should do but which some do not do. These include not attending meetings and not reading board papers before a meeting. In fact, such people are generally tolerated because they are not a nuisance. Where, however, such members are nominated by a member or region the chairman may wish to find a way of suggesting delicately to the nominating body that they should find a new nominee.

Presiding over the AGM and major social functions

The chairman must preside over the annual general meeting, the annual lunch or dinner if there is one, and perhaps other major social functions, such as a dinner for MPs or a lunch for other industry bodies. Some boards may also have regular board lunches with guests such as ministers, MPs, civil servants, regulators and journalists. Generally, these simply require being a good host.

Whenever the chairman is speaking on association business the message must be the association message, written or approved by the chief executive. Of course, many good chairmen ad lib and do not want to read someone else's speech, but even when they are doing so they must stick to the party line.

One thing a chairman must never do is to promote his or her company when speaking at association functions. Indeed, the chairman should bend over backwards to avoid this.

Working with the chief executive

A chairman and a chief executive complementing each other and working well together is a pre-requisite for a top quality association. By contrast, a chairman and a chief executive who compete, particularly for publicity, and who seek to undermine each other, can be disastrous. Having the right people as chairman and chief executive goes a long way to ensuring a good working relationship.

A few simple rules can help associations get the most out a chairman/chief executive relationship and deal with the inevitable crisis that will occur from time to time.

There should be common understanding of the respective roles of the chairman and the chief executive. This should cover in particular how correspondence is dealt with, responsibilities for representative work and how invitations are handled. It is sensible for these to be developed between a chairman and chief executive who have a good working relationship and documented, as they will be most useful subsequently when the relationship is not so good. A model working agreement between a chairman and a chief executive is set out in Appendix 6.

The chairman should not get involved in management issues, in particular staff issues that must be wholly the responsibility of the chief executive. The staff must never be in a position of not being clear who they are reporting to or being able to go over the head of the chief executive to the chairman.

The chairman and the chief executive should have open and regular communication. A regular, say fortnightly, round-up meeting is good practice in addition to essential communication on particular issues. Such meetings can be particularly useful to consider broader and longer term issues.

The chairman and the chief executive must not waste each other's time. The chief executive should not bother the chairman on matters that do not require his or her attention, and the chairman should not ask for information or briefings to satisfy his or her curiosity.

The chief executive should use the chairman as a sounding board. The chairman should be in the best position to judge the likely reaction of the board and the members to an idea and should be able to have a constructive input. This rule also helps the chief executive protect his or her back.

Finally, the chairman and the chief executive should operate a "no surprises" rule. The chief executive should always give the chairman warning about possible problems, for example in relation to the budget, a difficult member or the senior staff. The chairman must hear these first from the chief executive, not from another member of the governing body or agenda papers. Similarly, the chairman should not be doing anything behind the back of the chief executive (except when it is necessary to part company with the chief executive).

Being the chief executive's employer

Formally, the chief executive reports either to the chairman or to the whole board, with in practice the chairman being delegated this task, perhaps with two or three other officers. When things are going well this is not an arduous responsibility, and generally comprises giving the chief executive a good pay increase each year. However, this is not sufficient. The employer role must be taken seriously. If it is not it will be more difficult, and expensive, to get rid of a poor chief executive, and more difficult to keep a good chief executive. Most boards – and chairmen – rather ignore the chief executive from the employer's point of view. Some boards have been in the absurd position of not one person having the chief executive's contract of employment, which has been discovered only when they wanted to fire him or her. Conversely, some chief executives have found that promises made by one chairman have not been kept because the next chairman knew nothing about them.

There are two basic rules for getting the formalities right.

The first is to ensure that there is a full understanding of the chief executive's job description, terms and conditions of employment and reporting relationship – whether to the chairman, to a committee or to the whole board. The chairman and other officers should have all the necessary documentation including the contract of employment, salary history, arrangements for reviewing the salary and the results of any previous appraisals. A model job description for a chief executive is set out in Appendix 7.

The second rule is for there to be an annual performance and salary review. This should be conducted by the chairman and perhaps one other officer (the past chairman if the chairman is fairly new, the chairman-elect if the chairman is nearing the end of his or her term) and the results documented as for all other staff. Some associations include an outsider in the review panel – typically a chief executive of another association.

Many associations fail in respect of the second rule. The 1999 benchmarking study showed that in only 45 % of associations did the chief executive agree annual personal objectives with their chairman and only 52% had an annual appraisal. The proportions were highest for the large associations – 54% and 60% respectively.

Chapter 7

Committees, panels and project groups

The changing committee structure

Until recently the typical trade association had a network of standing committees, sub-committees and panels to which issues were referred as they arose. The system was time consuming for both the members and the secretariat. This old-fashioned structure has broken down under pressure from a number of different directions –

- The more rapid turnover of senior executives has led to an equally rapid turnover of committee membership and the advantage of continuity has been lost.
- Many new issues have tended to cut across committee boundaries.
- Standing committees have failed to deliver, generally because their composition has been wrong. Their membership has included some people well past their prime but whom it has proved impossible to dislodge and others who have been chosen for reasons not relevant to the issues the committee is now being asked to discuss.
- Some matters that have been within the province of committees are now the responsibility of the chief executive. Committees covering public relations, social events and finance and general purposes have been particularly superfluous.
- The membership of some committees has been too large because they have assumed a key role in communications and those outside the committee membership have been left in the dark.
- The resource cost of running committee – staff and member time – has increasingly been understood.

The modern trade association has relatively few standing committees, and those that remain may do so for political rather than real reasons. Rather, the modern approach is to have time-limited project groups to handle particular issues. Such working groups are given a specific task and are expected to cease to exist when that task is finished. They may have delegated authority to settle an issue (for example to establish an electronic marketplace for the sector or to settle the terms of an agreement with another industry body) or they may report back to the board (for example on matters such as a new subscription scale).

These trends were reflected in the 1999 benchmarking study. In 27% of associations (46% for larger associations) the committee structure had changed significantly in the previous two years. The number of permanent committees was fewer in 61% of associations, but higher in 39%. 82% of associations reported more time limited working groups.

Basic rules for the operation of committees

Standing committees and project groups should all follow some basic rules to ensure good governance. Most of these rules should be summarised on one page to act as a permanent source of reference for the committee and for the board. An example of such a document is given in Appendix 9.

Any committee or project group must have clear **terms of reference**; ideally these should be brief because the longer they are the more room there is for confusion. The terms of reference should be set by reference to the policy priorities of the association and laid down by the committee to which the relevant committee or project group reports. The common practice of asking committees to write their own terms of reference is fraught with danger.

There must be a clear **reporting relationship** that should include the extent to which the committee or group has delegated authority.

The **chairman and membership** of the committee should be stipulated by the organisation establishing the committee. If the committee is to have powers to co-opt this should be made clear. The members must be carefully chosen to ensure that they are capable of undertaking the required task, but also bearing in mind the need to satisfy all groups and types of member that their interests are being adequately taken into account. The chairman needs to command the confidence of the members and to have the necessary chairmanship skills. It is particularly important to prevent the chairman from promoting the interests of his or her own company.

It is increasing common practice for there to be job descriptions for the chairman and members of committees and project groups. These can be job descriptions for all committees and project groups and included in a general governance publication. Alternatively they can be specific to each committee or project group although this runs the risk of being both bureaucratic and inconsistent.

A member of the secretariat should be appointed to be **secretary** to each committee and project group. The secretary's role is not simply to take the minutes but rather to act as the link between the permanent secretariat and the committee. The secretary must prevent the committee going outside its terms of reference or doing anything that conflicts with stated association policy and practice.

More generally, the principles set out in Chapter 5 are largely applicable to the operation of any trade association committee or project group.

Review

As part of the annual review of governance the existence of every committee and project group should be considered. Some associations require each committee to consider its own future once a year and to make the case for it continuing in being by reference to the policy priorities of the association. Where a committee survives the annual review then its membership should be reviewed on an annual basis to ensure that it continues to meet what is required and does not comprise people who longer have a senior position in their company but hang on to trade association committee membership.

Chapter 8

The role of the chief executive

This chapter is concerned only with the chief executive's role in respect of governance of the association, rather than the more important role of managing the association.

The formalities

The chief executive's governance responsibilities should be formally recorded in the job description – for example "responsibility for ensuring that the association's constitution, the standing orders of the board and any relevant legislation are complied with". This formal responsibility may also be recorded in standing orders and in any general publication on the association's structure and governance. In the annual review of governance the chief executive should confirm that this requirement has been complied with during the previous year.

Staff responsibilities

The chief executive's contract should formally give full responsibility for the management of the association including all staff matters. Typically, standing orders will specify responsibility for setting salaries; for example the salary of the chief executive should be set by the board on the recommendation of the nominations committee, the salaries of the senior management team should be set by the nominations committee on the recommendation of the chief executive, and all other salaries should be settled by the chief executive subject to remaining within the budget and/or any guidelines made by the nominations committee or the board. The chief executive will, of course, play a major role in determining the budget and any guidelines.

Every association now needs a disciplinary procedure and a grievance procedure. These should stop with the chief executive. Allowing an appeal to the chairman is fraught with danger. If the chairman overrules the chief executive the latter's credibility is seriously undermined.

Complaints against the chief executive

Chapter 6 covered the relationship between the chairman and the chief executive, and pointed to the need for the chief executive to be "managed" such that poor performance can be identified and dealt with and good performance encouraged and rewarded. The annual appraisal and ensuring that the officers have all relevant documentation about the chief executive are the key points.

However, it is also necessary to cover grievances against the chief executive. The obvious option is for such grievances to go straight to the chairman or to a senior member of the board (perhaps a past-chairman) nominated for this purpose.

Reviewing governance arrangements

The chief executive should take prime responsibility for the annual review of governance. This should draw the attention of the board to areas where the constitution is not being complied with or where there is a danger of this occurring in the foreseeable future and, more importantly, to the need to make changes in the light of changing circumstances. For example, falling membership may make regional boundaries inappropriate, mergers may make voting and subscription arrangements inappropriate and turnover of staff in member companies may make rules on committee membership inappropriate. The chief executive should suggest where changes are needed, either immediately or in the future.

Chapter 9

The special position of federations

The expression "federation" covers a wide spectrum of arrangements from informal quarterly liaison meetings over lunch to complex organisations with several layers of governance and management. The position of federations is covered in detail in the author's'report *Models of trade association co-operation.* This chapter summarises that analysis.

Structure

There is no one structure for federations. (The term is taken to include confederations. While there is scope for endless debate about the differences between associations, federations and confederations, in practice there is little correlation between the name used and the actual structure in operation.)

The first type of federation is the regional one. That is, the members of the federation also belong to a regional association. But within this broad category there are –

- Federations where members join regional associations that are powerful in their own right and which collectively control the central organisation. For example, they would have automatic seats on the governing body. The regional chairmanship is likely to be a much sought after prize and carries considerable status.
- Federations where members join the central body and are allocated to a regional association that exists largely for social and networking purposes with the real power resting at the centre.

The differences between these two groups will be accentuated if the regional associations employ their own professional staff. In practice there may be little difference between the second type of association and a unitary association with regional committees or associations.

The second type of federation is the institutional one. Again, there are two models –

- Federations where companies join the central body and automatically become members of the relevant association or associations. The central organisation levies a single subscription and decides how this is to be allocated between the various activities of the association, often without funds being specifically earmarked for the constituent associations.
- Federations where companies join the constituent associations which in turn are the members of the federation. Power then rests largely with the constituent associations. The central body may be very weak with no full time staff of its own.

As for the regional federations the differences between the two types are accentuated if staff are employed directly by the constituent associations and the central organisation. And, again as for regional federations, there is little difference in practice between the first type of federation and a unitary association with special interest groups and committees.

There can be variations within these four broad categories. For example, in some sectors the federation comprises managed associations without their own staff and serviced associations with their own staff. In some federations the big companies join the federation centrally while smaller companies join the constituent parts. And in some federations the members are themselves federations.

Governance tensions in federations

In practice, many federations are permanently under pressure because of a number of tensions that are inherent in the concept –

- Tensions between the chief executive of the federal organisation and, where they exist, the chief executives of the constituent associations.
- Tensions between the elected officers of the parent organisation and the constituent associations.
- Tensions as a result of having a number of chairmen each with their own agendas.
- Tensions over funding, perhaps over the allocation of funds between associations, or the amount of the resources taken by the central body, or the structure of the subscription scale.
- Tensions over particular policy issues where, for legitimate reasons, the individual associations have different interests.

The regional federation model is a difficult one to make work and requires a great deal of managing. In practice the regional associations are likely to be doing much the same thing. Yet they may each have their own offices and staffs and committees. There are probably few industries where a new regional federation structure would be appropriate. However, some existing regional federations work well and there would be strong resistance to change from the members and the staff. Such federations are difficult to maintain in sectors where the members are increasingly national rather than regional. They work best in sectors where there are a large number of small members who operate only at local or regional level.

The case for sectoral federations is much stronger – where there is an easily definable sector with discrete subsectors. The normal pattern is for members to belong to the constituent associations – with which they will identify rather than the federation. However, in a number of federations, the large companies belong to the central federation – meeting their desire to belong to an association where the other members are like them.

Good practice in the governance of federations

The key issue in effective governance of federations is the staff structure – which tends to go with the balance of power between the centre and the constituent members. One model that generally seems to work well is where there is a single secretariat. Each constituent part of the federation has a nominated secretary who is responsible for servicing its governing body, although one person could possibly service all the members. The chief executive has to ensure that the resources of the whole organisation are used to their best effect and that all the members are content. The more that a particular staff member is identified with a member of the federation rather than the federation as a whole the greater the risk of tensions. These will be magnified if a member of the federation has a strong chairman. A key test is whether the chief executive has sole power to deploy staff, always bearing in mind the constraints of deploying staff in any organisation.

At board level it is essential that there is a common understanding of the relationship between the central body and the constituent parts, and moreover a relationship which works. This has to be documented and reviewed annually, albeit with the danger that there will be a continuous review.

Perhaps the key point that makes the governance arrangements for a federation work is leadership – by all the chairmen of the member associations and the chief executive of the federation itself. It is also inevitable that the chief executive will have to spend a high proportion of his or her time trying to hold the federation together. With some federations there comes a time when this effort is no longer worthwhile.

Appendix 1

The good governance checklist

This checklist draws on the analysis in this book. It distinguishes between output measures – in practice do governance arrangements work, and input measures – do governance arrangements meet theoretical tests of good governance. The output measures are the more important, but the input measures help to ensure that output results are satisfactory and will remain so the in the future. Like the whole of this book, this checklist comes with a health warning. Most of it is applicable to most trade associations but none of it should be taken as the final word on the subject.

Board composition

There are three output measures –

- Does the board include a significant number of recognised industry leaders?
- Is the board recognised inside and outside the industry as being representative of the industry?
- Is the board recognised as being capable of bringing the necessary leadership to the association and the industry?

The input measures are –

- Is the board the correct size – 12 and 23 are the lower and upper quartiles for trade associations generally. The appropriate size for a particular sector will depend on its nature.
- Is there a requirement that board members should be in full time senior management positions in members?
- Is there a requirement that board members should stand down if they lose their positions in their companies?
- Is there a time limit on board membership – two three-year terms for example?
- If the largest members are of a significant size do they each have the right to nominate a board member?
- Where there are elections are the constituencies – size, category or region – appropriate?
- If there is provision for co-opted members is there a requirement that they should stand for election at the next AGM?
- Is there a committee of the board charged with seeking to ensure that the board remains representative and effective?

Board structure

The output measure is that the board conducts its business efficiently with each member being satisfied with their involvement in the policy making process.

The input measures are –

- If there is an executive committee (which becomes more necessary if the board has over 15 members) is the relationship between it and the board clear and acceptable to those board members not on the executive committee.
- Is there a committee of the board specifically charged with handling the relationship with the chief executive and the composition of the board and the officers?

Board accountability
The output measure is that the members are satisfied with governance arrangements generally, the way the board is selected and the information provided about the board's deliberations.

The input measures are –

- Is the process for election or selection for the board transparent, documented and known to members?
- Does the annual report (or other documents) explain the association's aims, objectives and priorities and how they have been pursued, rather than comprising departmental reports and pictures of officers at social events?
- Is a report of board meetings sent to members immediately after each meeting?
- Where there is a regional organisation do members have the opportunity to question representatives of the board at regional meetings?
- Are the governance arrangements fully documented?
- Is the association transparent to the outside world?

Role of the governing body
The output measure is that the board deals with the major strategic and policy issues and does not attempt to micro-manage.

The input measures are –

- Has the board agreed a mission statement?
- Has the board agreed an over-riding set of objectives and a statement of how the association operates?
- Has the board agreed the terms of reference and structure of the committees that report to it?
- Does the board agree an annual operational plan and budget?
- Does the board conduct a regular (preferably annual) review of the market position of the association?
- Does the board conduct an annual review of the governance of the association, including its own role?
- Does the board review annually, largely through a sub-committee, the performance of the chief executive?
- Is there are clear understanding of the respective policy roles of the board and the committees reporting to it?

Good practice in managing the board
The output measure is that each member of the board should be satisfied that the board operates efficiently.

The input measures are –

- Is a comprehensive information pack given to board members annually?
- Is there a new member induction process involving the chairman and/or the chief executive?
- Is there a set of standing orders covering in particular the responsibilities of officers, committees reporting to the board, the role of the chief executive and financial authorisations?
- Are agendas distributed at least a week before meetings and minutes within a week of meetings?
- Do the agenda and the board papers deal with major strategic and policy issues rather than management issues?
- Are board papers brief (no more than two or three pages – with appendices if necessary), to a standard format, well-written and stand-alone documents?
- Has the board decided whether it wants minutes that record only decisions or rather minutes that record the discussion?
- Are minutes stand-alone documents which always clearly record decisions?
- Does the board conduct an annual review of its own operation?
- Are board members involved in the association's affairs between board meetings?

The Chairman
The output measure is that the chairman is a recognised industry leader, gives confidence to the board and the members and concentrates on the big issues without interfering in the management of the association.

The input measures are –

- Is the length of the time period for which a chairman is committed (between one and two and a half years) sufficiently short?
- Is the time commitment while in office limited – preferably to no more than three days a month?
- Is the chairmanship regarded as an honour?
- Does the chairman conduct board meetings in an efficient manner?
- Does the chairman speak privately to board members about their conduct where necessary?
- Are there arrangements in place to ensure that when the chairman speaks he does so according to agreed association policy?
- Is there an acceptance that the chairman never promotes his or her own company?

The chairman/chief executive relationship
The output measure is that the chairman and the chief executive work together as a team.

The input measures are –

- Is there a common and documented understanding of the respective roles of the chairman and the chief executive?
- Does the chairman keep clear of management issues?
- Do the chairman and the chief executive have regular and open communication?
- Do the chairman and the chief executive make good use of each other's time?
- Does the chief executive use the chairman as a sounding board?
- Do the chairman and the chief executive have a "no surprises" rule?

The chief executive's employer
The output measure is that the employer/employee relationship is conducted to the mutual satisfaction of both parties.

The input measures are –
- Is there a full understanding by the chairman and relevant committee of the chief executive's terms and conditions of employment, job description and reporting relationship?
- Is there an annual performance and salary review of the chief executive that is properly documented?

Committees, panels and project groups
The output measure – more vague than most others – is that the committee structure operates efficiently in helping the association achieve its objectives.

The input measures – also less precise than in other areas – are -
- Has the association made a sufficient move away from standing committees and towards time limited project groups?
- Is there a standard reference sheet for each committee, panel or project group giving its membership, terms of reference and reporting relationship?
- Are the terms of reference and chairman settled by the superior committee?
- Is there an annual review of the need for each committee and its composition?
- Is there a clear understanding of the roles of committees and the executive staff?

The role of the chief executive
The output measure – in respect of governance only – is that the association complies with the law and its own constitution.

The input measures are –
- Is the chief executive (or in the case of some large associations a board secretary) specifically charged with complying with the constitution and other requirements and is he or she asked to confirm annually that this has been done?
- Are their arrangements to handle grievances against the chief executive?
- Does the chief executive play a major role in reviewing governance arrangements?

Federations
The output measure is that the federation is stable, without the threat of one or more members breaking away.

The input measures are –

- Is the staff structure logical with clear reporting relationships through to the chief executive?
- Is there a common understanding of the relationship between the federation and the members?
- Do the elected officers give the necessary leadership?

Appendix 2

Model constitution

Introduction

1. The name of the Association shall be the "British Widgets Association" (referred to in this constitution as "the BWA").

2. The BWA was established on 10 November 1994.

3. The BWA has the following mission statement -

> "The British Widgets Association provides a service to widget manufacturing companies by helping to establish a favourable operating environment, by providing a forum for discussion on non-competitive issues, and by providing information to assist them in their business."

Objectives

4. The BWA shall have the following objectives -
   - (a) To be a central representative body to put the views of widget manufacturing companies to Government departments and agencies, Parliament, the European Commission and Parliament and other relevant organisations.
   - (b) To be a research and statistical centre, to aggregate and publish statistics, and to provide analysis on widget manufacturing and other relevant market information.
   - (c) To be a technical centre providing commentary, guidance and advice on all legal and other regulatory developments of relevance to widget manufacturing.
   - (d) To provide a forum for the exchange of non-competitive information.
   - (e) To promote the widget manufacturing industry.

Membership

5. Any company which manufactures widgets is entitled to become a member of the association on payment of the appropriate subscription and written agreement to be bound by the terms of this constitution.

6. A company may resign at any time but will not be entitled to any refund of subscription. Membership of the association will automatically lapse if a subscription is not paid within three months of the date of the request for payment.

Associates

7. The Board shall, at its discretion, admit as an associate of the BWA any organisation that does not manufacture widgets but which is otherwise interested in the business. Associates shall be entitled to receive most publications and other literature prepared under the auspices of the BWA, and otherwise is entitled to participate in the affairs of the BWA as decided by the Board.

Finance of the BWA

8. The financial year of the BWA shall be the calendar year but this may be changed by resolution of the Board.

9. The subscription scale shall be set by the Board.

10. Associates shall pay an annual subscription fixed by the Board.

Meetings of the BWA

11. The BWA shall hold an annual general meeting not later than four months after the end of each financial year. At least 10 members of the BWA, or the Board, may at any time require the Secretary to convene a general meeting of the BWA. In convening such a meeting the Secretary shall give not less than 21 days notice to members. At meetings of the BWA each member shall have [one vote/one vote for each £X00 of subscription income].

Board

12. The affairs of the BWA shall be directed by a Board comprising -

(a) A representatives of each of the two largest companies in membership.
(b) Six members elected on a [national/regional/size] basis, each member serving for a three year term. The Board may make bylaws governing the conduct of elections and the voting entitlement of members.
(c) A member nominated by each committee designated by the board as a major committee.
(d) No more than three members co-opted by the Board. A co-opted member shall resign at the next AGM but be eligible for election.

13. A member of the Board shall cease to be a member if he or she resigns, or ceases to hold office in, the institution in which he or she has hitherto held office or if a nominating body withdraws its nomination.

14. Each member of the Board shall have one vote. The Chairman shall have a second, or casting, vote in the event of equality.

Executive Committee

15. There shall be an Executive Committee comprising the Chairman, the Deputy Chairman and two other members appointed by the Board. The Committee will have shall monitor the financial affairs of the Association, responsible for the terms and conditions of employment of the Director General, shall propose to the Board candidates for the office of Chairman and Deputy Chairman and shall otherwise have responsibilities as determined by the Board.

Chairman and Deputy Chairman

16. The Board shall, at its first meeting in each financial year, elect a Chairman to hold office until the first meeting in the following financial year. The Board shall also elect a Deputy Chairman. No person may hold the office of Chairman, or of Deputy Chairman, for more than two consecutive years. In the event of the Chairman or the Deputy Chairman resigning or ceasing to be a member of the Board, the Board shall have power to elect a replacement to serve for the remainder of the term, this period of office not counting for the purpose of the requirement in the previous sentence.

Committees, project groups and panels

17. The Board may establish and maintain sub-committees and project groups, and may delegate matters to them.

18. The Board may appoint technical panels to advise and assist it.

Director General

19. The Board shall appoint a Director General who shall be responsible to it for the management of the Association and who shall also be the principal representative of the Association and the principal policy adviser to the Board.

Annual report and accounts

20. The Board shall cause the appropriate accounts to be maintained.

21. Auditors to the association shall be appointed annually at a general meeting of members.

22. The Board will cause an annual report and audited accounts to be prepared and sent to members within three months of the end of the financial year.

23. The members may question the Board on the contents of the annual report and accounts at the AGM.

Delegation

24. The Board and the Director General may delegate any of their powers.

Revision of the Constitution

25. This constitution may be amended by the BWA at a general meeting provided that 75% of the votes cast are in favour of amendments of which prior notice has been given.

Winding up of the association

26. The association may be wound up or merged by resolution of a general meeting. Such resolution may specify how the assets of the association shall be used.

Appendix 3

Model accountabilty statement

A trade association should be totally transparent as to its membership, the markets it seeks to represent, its governance and its policy views.

Status statement
Each association should have a status statement that should be posted on its website, and included in its annual report, any list of members and any promotional material.

The statement should comprise –

- Usual contact details – name, address, phone, fax, e-mail and website.
- Name of chief elected officer and position in his or company (not necessarily appropriate to be included in a list of members or promotional material).
- Name and title of chief executive.
- Mission statement.
- Description of market covered.
- Number of members and percentage of market covered by volume of business.
- Relationships with any related bodies.

Annual report
Each association should publish and make available on request an annual report or other document or documents (including a website) that should include –

- The information that is in the transparency statement.
- A list of members. [Where membership exceeds a certain number, the names of the largest members and a description of the membership.]
- A list of the officers and the members of the governing body together with their positions in their companies.
- A summary income and expenditure account and balance sheet. Subscription income should be specifically identified.
- A list of formal policy papers published during the year and details of how they can be obtained.

Policy submissions
Other than in exceptional cases, formal policy submissions should be public documents and available either at no cost or at no more than a reasonable handling charge.

Formal policy submissions should include a statement of the sector covered by the association and the market share its members represent.

Appendix 4

Model board paper

[The format suggested here is one of a number of possibilities. Some associations reverse the final three items; that is after the issue is set out, the recommendation is made followed by discussion and then the background.]

Board meeting
13 June 2000
Item No.6

Association response to draft pollution regulations

The issue
The association's response to the DETR's draft regulations on pollution control, issued on 17 May 2000. The response is required by 30 July 2000.

The secretariat has been liasing with other trade associations and the CBI and proposes that as far as possible a common approach should be agreed, even if this means giving way on the tolerance point.

Background
[A brief history of the proposal and summary of earlier association work. Relevant documents can be included as an appendix.]

Discussion
[About a page setting out the main arguments that have led to the recommendation.]

Recommendation
That the Board adopt the following policy –

- Broadly accept the thrust of the proposed regulations.
- Seek to delay implementation for one year to allow the industry time to adjust.
- Seek to increase the tolerance level above the minimum standards from 5% to 10%.
- Seek dispensation for companies with a turnover of under £400,000 a year.

Martin Jones
Policy Director
1 June 2000
Tel: 020 7123 4567
E-mail: M.Jones@abc.org.uk.

Appendix 5

Model job description for Chairman

Job Title:
Chairman

Responsible to:
The Board of the Association.

Main purpose of job:
To be responsible for leading and managing the Board; to be the guardian of members' interests, and to exercise the association's responsibilities in respect of the employment of the Chief Executive.

Nature of job:
The Chairman's role is non-executive. The Chairman needs to have an excellent working relationship with the Chief Executive who is responsible for the management of the association. The Chairman and the Chief Executive will agree and document a working relationship [see Appendix 6] and will regularly review the operation of that relationship.

Main duties/tasks:
1. To lead the Board in exercising its responsibilities and to manage board meeting and the business of the board generally efficiently and impartially.
2. To motivate the elected officers and members of the Board.
3. To be the guardian of the interests of the members by ensuring that the association pursues its agreed objectives.
4. To be responsible for all aspects of the association's relationship with the Chief Executive, including terms and conditions of employment, and annual appraisal and salary review. In exercising this function the Chairman shall be bound by commitments made by his predecessors and shall, as far as possible, consult his or predecessor, and, when known, successor. The Chairman shall pass over all relevant papers to his or her successor.
5. To deal with any grievances against the Chief Executive in accordance with the Association's grievance procedure.
6. To maintain regular contact with the Chief Executive and the other elected officers.
7. To preside over the AGM, any general meetings and major social functions.
8. To lead the Association's representation at meetings when required.
9. To chair the Nominations Committee and to take the lead responsibility for identifying his or her successor.

Job requirements
1. Credibility in the industry and outside.
2. Leadership and chairing skills.
3. A commitment which in normal circumstances will average two days a month.

Appointment:
The Chairman is elected by the Board on the recommendation of the Nominations Committee and serves for a one-year term. The Chairman may be elected for a second one year term.

Appendix 6

Working relationship between the chairman and the chief executive

Basic propositions

1. Managing the association's business is the responsibility of the chief executive, in accordance with strategy and policies approved by the board. The chief executive is responsible to the chairman for the management of the association.
2. The chief executive's primary strengths are in policy formulation, representation, contacts outside the industry and management of association operations.
3. The chairman's primary strengths are knowledge of the industry and credibility and contacts within the industry.
4. What can reasonably be delegated to the chief executive should be, particularly in respect of outside representation.

Method of working

1. Letters addressed to the chairman (except those marked personal which will be forwarded) will be opened by the chief executive and dealt with as follows –

- Invitations will be forwarded with a recommendation (either accept if possible, optional, low priority, avoid). Deputies and secretariat can deputise on many occasions. When an invitation cannot be accepted, ideally it should be returned to the chief executive so alternatives can be considered.
- Letters from outside the industry will be answered beginning with the words: "The chairman has asked me to reply …". They will not normally be copied to the chairman.
- Letters from members (except those that confuse the role of the chief executive and chairman) will be forwarded with a draft reply. Copies of final replies should be sent to the chief executive.

2. Other than letters on board business or of a personal nature, the chairman will not normally send letters on association business.
3. The chairman will be asked to be involved in meetings only where essential.
4. The secretariat will be responsible for board minutes and agendas. Agendas will be discussed with the chairman.
5. The chief executive will copy to the chairman key submissions and correspondence.
6. The chief executive and the chairman will keep each other informed about emerging policy issues and developments affecting the association's strategy and the industry and these will be discussed informally at liaison meetings.
7. The chief executive and chairman will have meetings every two weeks to review the chief executive's management of the association and to consider key strategic and policy issues.
8. The chairman's and the chief executive's secretaries will liase regularly on diaries, in particular about days when either are on holiday or out of the country.

Appendix 7

Model job description of chief executive

Job Title:
Director general

Responsible to:
The Board of the Association with the Chairman normally being the representative of the Board

Main purpose of job:
To be responsible for the development and implementation of policy issues, for maintaining a high profile representative role for the industry, and for the management and operation of the Association.

Nature of job:
An inherent characteristic of the job is the need for the Chairman and Board of the Association to trust the integrity of the Director General and to recognise the need for him or her both to have contacts with political figures and other opinion formers, and to speak publicly on industry issues before there has been an opportunity for the Chairman or Board to discuss them. Conversely the Director General must recognise that he or she will always be seen as speaking for the industry and with the implied authority of the Board and so must exercise appropriate discretion.

Main duties/tasks:

1. To lead the association, to be the principal policy adviser to the Association and to be responsible for ensuring that the whole of the Association's policy work is carried out efficiently and effectively. This includes –

(a) monitoring the political, economic, legislative and regulatory environments relevant to the industry;
(b) developing policies and proposing policy priorities for the Board's consideration;
(c) ensuring co-ordination and compatibility of policy work through the Association.

2. To be the Association's principal spokesman with general responsibility for the efficient exercising of the Association's representational work. This includes –

(a) ensuring that regular contact is maintained on both a personal basis and by the Association generally with relevant Ministers, MPs, civil servants, journalists, regulators and other opinion formers;
(b) ensuring that the Association's policies and views are adequately communicated to appropriate target audiences – this will include appropriate media appearances and interviews and addressing relevant conferences and seminars;
(c) ensuring that the Association is represented in other fora as appropriate.

3. To ensure that the Association provides a high quality and cost effective service to its members; to attract new members and retain the support of existing members; to ensure the timely and efficient provision of relevant information to members; to keep members informed of the Association's activities; to maintain direct regular contact with individual members; and to ensure that the various interests of members are adequately taken into account in the Association's work.

4. To be responsible for the finances of the Association, including the preparation of the annual budget, the maintenance of adequate financial controls, and the monitoring and reporting of expenditure against the budget; and to make recommendations on subscription levels for the Board's consideration.

5. Subject to any guidelines agreed by the Board– to be responsible for all matters relating to the employment of staff.

6. To be responsible for the internal administration of the Association; for ensuring that the Association's constitution is adhered to; and that the Association complies with all relevant laws and regulations.

Appendix 8

Board evaluation

This appendix is largely borrowed from an American publication *Achieving excellence in association governance* by Anne DeCicco.

The first part is adapted from an individual board member self-evaluation used by the Texas Hospital Association. A 1 - 5 scale (very satisfied to not at all satisfied) is used in response to the questions-

How satisfied are you that you–

- Understand the association's mission, objectives and method of working?
- Support the mission, objectives and methods of working?
- Have a good working relationship with other board members?
- Are knowledgeable about the association's major programmes and services?
- Are able to express a dissenting vote or voice concerns about a recommendation with which you disagree?
- Strive to represent the views and interests of the general membership during board meetings?
- Read and understand the Association's financial statements?
- Act knowledgeably and prudently when making recommendations about how the association's funds should be spent or invested?
- Prepare for and anticipate at board meetings, and other association activities?
- Take advantage of opportunities to enhance the organisation's public image when speaking to relevant opinion formers?
- Take advantage of opportunities to enhance the association's image when speaking to members and potential members?
- Are able to meet the time commitments to the association?
- Are able to attend regularly scheduled meetings?
- Respect the confidentiality of the board's meetings?
- Suggest agenda items for future board meetings?
- Advise and assist the chief executive when your help is requested?
- Are heard and considered when you give your opinion and views?
- Find serving on the board a **rewarding** and satisfying experience?

The second part is a board meeting evaluation. Similarly, a 1 – 5 scale (high to low) is used in response to the questions –

Please evaluate this board meeting –

- Evaluation of overall board meeting.
- Does the agenda deal with issues that are properly a matter for the board?
- Indicate the usefulness of the agenda materials provided in advance of the meeting.
- The agenda focussed on the following key strategic areas. Rate each with regard to the quality of the Board's strategic discussion and outcomes. A rating of 5 would indicate a very strong strategic discussion, while 1 would indicate the lowest rating –

[list of major items on the board agenda]

- Rate the quality of the meeting room and the arrangements for the meeting.
- Length of meeting.
- What is your best suggestion for further improving the quality of the association's meetings?

Appendix 9

Model reference document for a committee or project group

Pollution project group

Established
By board resolution on 23 May 2000.

Terms of reference

(a) To ascertain the current level of pollution caused by the industry in the context of pollution generally.
(b) To estimate the impact of the draft pollution control regulations published by DETR on 16 May 2000.
(c) To recommend to the Board, not later than 30 September 2000, the approach which the Board should take in making representations on the draft regulations.
(d) After the Board has considered the recommendation in (c) above and agreed the approach, to prepare a draft response, for consideration by the Board, to the draft regulations.
(e) To liase with other trade relevant associations.

Membership
John Smith (Managing Director, Ajax Engineering) Chairman
David Evans (Technical Director, United Alloys)
……………………………..
……………………………
…………………………..
…………………………..
…………………………..

Martin Davis (Policy Director) Secretary.

Appendix 10

The American experience

In 1999 the American Society of Association Executives published a study (*Facing the Future)* on trends and issues facing associations. This followed a major survey of the views of association executives.

In that survey, 41% of respondents said their association had changed the governance structure most often by reducing board size; changing board composition (including a shift from regional representation); eliminating standing committees in favor of ad-hoc, project-based task forces; and lengthening board terms (for instance, going from one-year terms with complete board turnover each year to two-year, staggered terms). One specific point that was noted was using technology to speed and enhance the governance process.

The study identified governance as one of 14 major themes with the general conclusion being: "The inability of current governance models to deal with an increasingly complex, fast-paced environment will require a cultural shift for most associations".

The study made three observations about association governance –

- Current governance models are outmoded and obsolete. Another ASAE Foundation study had concluded that "Twenty-first century associations are laboring with 19th century structures …………process often strangles effective, timely decisions on substantive issues and is often reinvented annually". Other observations included –
    1. There is no one right approach to structure or governance. This must follow fundamental questions about the association and its business.
    2. Associations want to change bylaws at the first sign of difficulty rather than thinking through the issues in determining whether function or form needs to be addressed.
    3. Associations pay little attention to how their culture influences "the way we do business around here", preferring instead to make changes in structure or governance.
    4. Members are rarely interested in association structure or governance.
    5. In too few cases to associations establish evaluation criteria before initiating organisational or governance changes.
- Future boards must focus on member value and organise for responsiveness. "Associations will need to create new governance forms based on collaborative and flexible processes that focus on delivering increased value to members within a shortened time frame. The use of technology will play a key role in enabling boards to communicate and collaborate in between face-to-face meetings."
- The composition of the board must reflect the future of the membership. The proper mix of future, current and historical perspectives will be required. The board must be composed to balance three issues -
    1. How to reflect the future diversity of the membership, 5 – 10 years out in terms of generation, gender, ethnic composition and experience level.

2. How to adequately represent the current membership.
3. How to retain an historical perspective and lessons learned from previous boards.

The study identified the following potential shifts –

- From traditional political agendas and internal focus to anticipating members' needs in the future and changes in the environment.
- From low-performance to high-performance boards.
- From internally focussed accountability measures to boards held accountable for creating member value.
- From streamlining the board to achieve incremental gains in efficiency to reinventing governance in the 21st century.
- From technology restrained to technology competency as basic leadership criteria.
- From changing the bylaws to fix today's problems to altering the board culture for future flexibility.
- From board and leadership relatively homogenous to diversity rules.

One of the leading American writers on governance issues, Anne DeCicco, in a conference paper, identified an eight point futures scenario about association governance –

- The board of directors will evolve to look and act like a corporate board. Its agenda, management and composition will be more corporate in nature.
- The average size of the board will decrease significantly as a result of associations moving away from constituency representation on their boards; standing committees with ex-officio board seats being replaced by ad-hoc work groups; and boards needing to think and act more strategically – which cannot be achieved with a large board.
- Committees will become unnecessary because member input will be received through various technologies. This kind of member input will be acknowledged as being more timely and representative of a broader audience than what committees previously provided.
- The composition of the board will broaden to include individuals representing companies with whom the association has a partnership and the executives of other associations.
- There will be fewer and less frequent board meetings.
- The association executive will be that – an executive trained in association management and engaged to manage all aspects of the association as a business. There will be no board involvement in operations and, as a result, as in the corporate world, the association executive will be positioned as the "leader" of the organisation. The executive will be a voting member of the board.
- Accountability and ethics will be the critical priorities of the board. A strong emphasis will be placed on ensuring the association is an accountable organisation.
- Strategic governance will be the model. This is described as follows: "The board and the staff executive focus together on the future and the organization's growth and progress. The product of this work is the creation of the association's strategic framework that is a tool for creating the association's future and monitoring the

association’s progress towards its strategic priorities.” Ms DeCicco continues: “In this model the board is a deliberative, strategically focussed body. The board’s program of work is the development of the strategic framework that consists of the association’s vision, mission, organizational values, and strategic issues, and assessing organisational performance”.

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