

BOARD OF DIRECTORS OF NON-PROFITS

What to do with board members who don't do anything

There are two things you must do in the case of a board member who is not participating. First, you must do something. The problem is likely only to get worse, and non-participating board members have a demoralizing impact on even the best of boards. Second, be confident and hopeful. Many board members just need a little reminder to be more conscientious, and others will be grateful that you've given them a graceful way to relinquish tasks or even leave the board. Things will work out.

Short term strategies

- ⇒ **Check to be sure that expectations** were made clear to the board member before he or she joined the board.
- ⇒ **Hold a board discussion** at which expectations are reconsidered and re-affirmed. Agree on a list of expectations for every board member.
- ⇒ **Be sensitive** to possible health issues or personal reasons why a good board member isn't participating as much as he or she has in the past.
- ⇒ **Transfer responsibilities** to

Source: <http://www.compasspoint.org>

someone else. "I'm concerned about finishing the revision of the personnel policies. Since you're so busy, maybe it would work out for the best if John took your notes on the policies and developed a first draft."

- ⇒ **Together with the board member**, explore whether he or she really has the time right now to be able to be an active board member.

Longer term strategies

- ⇒ **Make it possible for individuals** to take a "leave of absence" from the board if they have health, work, or other reasons why they cannot participate fully for awhile.
- ⇒ **Have a board discussion** or a written board survey on what makes it difficult for people to participate fully.
- ⇒ **Consider whether board participation** is meaningful to board members.
- ⇒ **Revise what is expected** of board members. Perhaps responsibilities have been given to a board member that are unrealistic for any but the super-board-member. Reduce the number of committees and utilize short-term task forces instead.

BOARD MEETING TIP

Once every year or two, survey the board about meetings. Pass out a questionnaire for anonymous return to the board vice president or secretary, asking, "What do you like best about board meetings? Least?" "Are you satisfied with the items that are usually on the agenda?" "How could the board president do more to encourage discussion at the meetings?" "Is the location or time of day difficult for you?"

BOARD OF DIRECTORS

Constituting the Board

An effective board of directors, properly constituted, is the linchpin of good corporate governance. Boards are responsible for managerial performance in meeting the stated objectives of the corporation, compliance with applicable laws and regulations, and protection of shareholders rights.

How the board is constituted:

- ⇒ The board should be composed of qualified individuals of integrity with a diversity of experience. At a minimum, qualified means a good working knowledge of corporate finance.
- ⇒ Each board member should be able to devote sufficient time to his/her duties and responsibilities.
- ⇒ Boards should be composed of a substantial number of independent directors. Boards should disclose to their shareholders and stakeholders their criteria for independence.
- ⇒ Board committees on compensation, audit, and nominating should consist only of independent directors. Executive sessions of the board should also be comprised only of independent directors.
- ⇒ For family-owned business, outside directors are essential to "ask the hard questions" of family owners, where the relationship between the business and the family may be blurred.

Source: iccwbo.org

GOOD CORPORATE GOVERNANCE PRINCIPLE

Keeping good relationship through GCG

For banks to give confidence to business partners and facilitate cooperation with parties in international financial centres, they must adopt the principles of good corporate governance (GCG) at all decision-making levels and show that corporate governance is a management enhancement tool. They must do the following:

- Clearly define respective responsibilities of staff, managers, board of directors and shareholders in the attainment of goals and establish a procedure of sanctions attached to these responsibilities.
- Develop capacity for operational and risk analyses, through the use of appropriate tools (procedures information system, internal auditing, etc).
- Intensify consultations within the profession in order to become a

real source of ideas for the development of the banking system within the region.

- Learn from corporate governance experiences in other lands and adapt them to local context.
- Improve internal audit mechanism (control environment, pilot system, control activities, evaluation and mastery of risk, management information and communication systems)
- Improve management control systems.
- Comply religiously with corporate governance principles and the international financial standards especially aspects that impact on assessment and management of risks, transparency and viability.

Source: gcgf.org

SHAREHOLDER

Basic Shareholders' Right

A main purpose of corporate governance is to protect the interest of a company's owners – the shareholders. The OECD principles on corporate governance pay special attention to the rights of shareholders and their equitable treatment. Here is a summary:

- Shareholder's rights should include the right to secure ways of registering ownership, transfer shares, obtain timely and relevant information on the corporation, vote in the general shareholder meetings, elect members of the board, and share in the profits.
- Shareholders should have the right to participate in, and be sufficiently informed on decisions concerning fundamental corporate changes such as amendments to

the statutes, or articles of incorporation or similar governing documents, and extraordinary transactions that in effect result in the sale of the company.

- Shareholders should be informed of the rules, including voting procedures, that govern general shareholders' meeting.
- The rules and procedures concerning the acquisition of corporate control in capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of shares, should be clearly articulated and disclosed so that investors clearly understand their rights and resource.
- Shareholders, including institutional investors, should carefully consider the costs and benefits of exercising their voting rights.

CORRUPTION

Detering corruption

Corruption flourishes in the dark. It is more easily detected—and hence deterred—in a transparent society. An active civil society can be a strong force for reform once it understands the extent and effects of corruption. Independent media are also vital. Aid agencies should consider the following:

- ⇒ promote greater openness and media coverage.
- ⇒ help raise awareness by discussing the causes of corruption in the local context, taking account local points of view.
- ⇒ encourage a stronger focus on the fight against corruption in national debates and international dialogues on development issues.
- ⇒ when formulating development plans, consider how they will be influenced by (or impact on) various form of corruption, and include these considerations in appraisals and reviews.
- ⇒ help develop more effective sanctions.
- ⇒ consider ways of reacting to public authorities who openly tolerate corruption, e.g., by making allocations of funds conditional on the implementation of concrete anti-corruption measures, or channelling aid through non-government sources.

Source: un.org

- All shareholders should receive equitable treatment, including minority and foreign shareholders and all shareholders should be able to obtain effective redress for violation of their rights.

Source: iccbo.org

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