

KSAM Briefing Note

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HELPING A NEW CHAIRMAN BE EFFECTIVE

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Surprises on taking office

New chairmen of trade associations may find a number of surprises on taking office –

- The time commitment may well be greater than was envisaged.
- The board is rather different from other boards. Governance arrangements may be rather loose, meetings may not be businesslike and ownership of issues can be diffuse.
- The time taken to do things and the need to build consensus on some issues can be different from the position in a commercial business.
- The board contains representatives of businesses that compete with each other and with the chairman's business.
- The process by which people get on to the board may be less than optimal.

Desired outcomes at end of chairmanship

The good chairman should want to leave a legacy –

- An effective trade association.
- Sound finances.
- Members value their membership of the association.
- A good chief executive – appointed, developed or retained.
- A good successor and board.
- The association having a viable long term strategy.
- The day job has not been neglected.

Due diligence checklist for a new chairman

When approached to be a non executive director of a commercial business the sensible executive now does not ask "how much" and "where do I sign", but rather undertakes a due diligence exercise including meeting the board and the executives separately, studying the accounts and audit letters, perhaps seeing the auditors and any regulator and generally sniffing around. When approached to be a chairman of a trade association an appropriate due diligence exercise is needed. The precise nature of the exercise will depend on the particular circumstances of the association; the attached checklist is a useful starting point.

Due diligence checklist for a new Chairman

1. Financial position –
 - a. Medium term forecast.
 - b. Pension liabilities, where they exist – are these understood and provided for?
 - c. Property costs, particularly if a lease is due for renewal or the association has to move.
 - d. Reserves – what is the policy and is it appropriate? The desired level of reserves must take account of factors such as whether the association own its offices and the stability of subscription income.
 - e. Trends in subscription income – taking account of factors not within the control of the association such as mergers and takeovers.
 - f. Quality and effectiveness of auditors.
 - g. Financial controls.
2. People –
 - a. Chief executive – contract, appraisal reports, salary, plans for future, effectiveness.
 - b. Other senior staff – problem cases, succession planning.
3. Major issues to be dealt with during chairmanship – policy or organisational.
4. Relationships –
 - a. Members. There is a need to manage expectations as well as delivering what members want.
 - b. Government and regulators.
 - c. Other trade associations.
 - d. The press.
5. Board
 - a. Strength.
 - b. Potential conflicts.
 - c. Succession planning.
6. How effective is the trade association?

Assessing effectiveness for a trade association is difficult. The CEO should have a view, perhaps backed up by an internal or external study. The following stakeholders can be consulted – their perceptions may be an issue in themselves. The CEO should have a view on each of the stakeholders' perception of the association.

- a. Members. Some associations conduct regular member surveys. Board members and regional representatives can provide a subjective judgment. Membership trends may give a more objective test.
- b. Government officials and regulators. In sectors where there are a number of government officials or regulators at a senior level who have regular contact with the association then their views will be very useful. However, many associations, particularly smaller ones, have no such contacts.
- c. Other trade associations, eg of customers or suppliers.

Working with the chief executive

A key working relationship in any organisation is between the chairman and the chief executive. So it is in trade associations. But the relationship is different from that in other organisations. It is more likely that the chief executive will have chosen the chairman than the other way round. And the chairman is likely to serve for just two years while the chief executive is a permanent appointment.

The chief executive has a duty to give, and the chairman a duty to request, full information about the chief executive's employment, including contract, terms and conditions, the results of any appraisals and salary progression. Sensibly, the chairman-elect should seek an early meeting with the chief executive to ensure that there is a common understanding of these key points and also for the chairman to understand the chief executive's own career plans. The chairman and the chief executive must develop a common understanding of their respective roles. It can make sense for this to be documented, particularly in associations where different chairmen may have very different ideas about their roles.

Some chairmen may regard getting rid of a chief executive as a success. Others regard losing the chief executive as their worst nightmare. Either way the chairman must be ready to recruit a new chief executive. Many get it wrong, by not being clear about the role and perhaps being overly influenced by their own HR person whose knowledge of the trade association market is little or non-existent. There are three golden rules for a chairman looking for a new chief executive -

1. If a recruitment consultant is used choose one that knows about trade associations not the one that works in the relevant industry sector.
2. Remuneration needs to be attractive – another £10-20,000 on the salary will produce a much better field.
3. It is worth considering a part time appointment. A £100,000 person three days a week is likely to be better value than a £60,000 person full time.

Agendas

The chairman is responsible for the conduct of board meetings. The chairman should not preside over a "fish or chicken" board, that is a board that endlessly debates whether to have fish or chicken at the annual lunch. A good tactic is to ensure that over a period of one year the board –

1. Reviews strategy and sets the annual work plan (with a full review of strategy every 3 – 5 years).
2. Sets the budget and subscriptions.
3. Reviews staffing issues.
4. Reviews membership trends and attitudes.
5. Analyses the market position of the association, including competitors and potential competitors.
6. Reviews the risk register.
7. Reviews governance – a one page survey works well where there are no major issues.

The chairman also needs to be involved in planning board agendas, and ensuring that normal good practice rules for agendas apply –

1. Agendas go out a week before meetings – no late papers unless a major new issue.
2. Papers should be brief, stand-alone, clearly set out the issue and recommendations, and if more than a few pages have an executive summary.
3. The time of board members should not be spent by listening to staff “speaking to” or introducing papers.
4. The presence of staff at board meetings is a difficult issue. A good practice is for staff to be invited to make presentations to the board on specific issues. This helps the staff feel involved and helps the board assess the quality of the staff. However, the permanent presence of staff other than the chief executive can inhibit discussion.
5. Minutes should go out within two days of meetings.

Review

The good chairman wants to be evaluated. Ideally this should be part of a board effectiveness review. Alternatively, the chairman can ask a suitable member of the board to take soundings or even ask the board to review performance in a session at which they are not present. However, as in so many other areas the chairmen who most need to do this do not do it, and those who most need not to, do so.