

Co-founded by the World Bank and the Organisation for Economic Co-operation and Development (OECD), the Global Corporate Governance Forum is an advocate, a supporter, and a disseminator of high standards and practices of corporate governance worldwide, especially in developing countries and transition economies. Through its co-founders and other donors, including the governments of India, Luxembourg, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom, and the United States, the Forum brings together developed and developing countries.



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USER GUIDE

BUILDING DIRECTOR TRAINING ORGANIZATIONS

# TOOLKIT I

## *Building Director Training Organizations*



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*User Guide*

# TOOLKIT 1

## *Building Director Training Organizations*

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T O O L K I T 1

*Building*

*Director Training*

*Organizations*



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Corporate  
Governance  
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U S E R G U I D E



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**D**emands on the corporation have never been higher – and rightly so. In a world where scandal has hit the headlines and the international community has committed itself to eradicating poverty, the power of the corporation is foremost on society's agenda. But who will be responsible for ensuring that corporations fulfill their promise? The answer is directors. Recent corporate scandals have shown that directors have the power to make or break corporations. Directors are the link between the corporation and the outside world.

Yet something has been missing from the heart of corporate governance reform – the concept of the professional director. In most countries, being a director is still the only professional job one can do without training, qualification, or experience. There is a shortage of trained, competent, and independent directors. Reform often highlights the need to appoint independent directors; the constraint is lack of capacity.

The challenge was captured in a book published by the Centre for International Private Enterprise (CIPE) in 2003, *In Search of Good Directors*. This is a common theme across developing countries and emerging markets. This toolkit is designed to help meet the need by presenting practical advice on how to set up and strengthen organizations that promote director professionalism.

This toolkit forms part of a coordinated series of initiatives to promote director professionalism. In partnership with the Yale Institute of International Corporate Governance, the International Finance Corporation, the World Bank Institute, and other groups active in the field such as the Commonwealth Secretariat and CIPE, the Forum is:

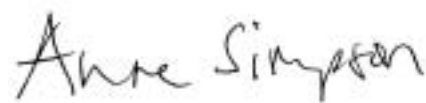
- *Developing a Global Director Training Network*, which links organizations that train directors and related organizations across developed and developing countries so they can exchange experiences.

- *Helping regional training networks tailor curriculum and teaching materials* to meet their needs and local circumstances.
- *Organizing residential programs to train the trainers* who will lead the organizations active in corporate governance – to date for East Asia and Latin America.

This toolkit complements these efforts. It offers step by step guidance on building organizations that will train directors to fulfill their professional role, advocate policy reform to ensure that corporations fulfill society's expectations, and represent the profession of directors. The toolkit provides business planning and governance tools. It explains how to apply for funding and build sustainability, how to develop activities, and how to develop and deliver a training program. Drawing on examples and experiences from around the world, the toolkit aims to foster the sharing of knowledge among developed and developing countries.

The toolkit does not offer a single "best practice" solution. There is no one-size-fits-all way to craft corporate governance reform. A range of tools, techniques, approaches, and activities have proven successful in various contexts. The toolkits' objective is to provide a practical resource for developing countries and emerging markets in implementing good corporate governance practices at the board level.

The Forum is grateful to number of experts and practitioners from developed and developing countries who have contributed to the crafting of this toolkit and would welcome comments and suggestions to further support effective reform in the boardroom.



**Anne Simpson**, Head of the Secretariat,  
Global Corporate Governance Forum

## *What is the purpose of this toolkit?*

This corporate governance reform toolkit focuses on building, developing, and supporting organizations that seek to improve the professionalism of corporate directors through training. The toolkit emphasizes the role, responsibilities, and benefits of establishing organizations that train corporate directors.

The toolkit aims to provide such institutions with a step by step approach and a variety of mechanisms that can help them achieve self-sufficiency through quality services. The toolkit walks the user through the steps required to set up an organization that emphasizes professional development through education, certification, and evaluation. Because many organizations that train directors are membership-based, the toolkit also offers information on targeting, attracting, and retaining members.

The Forum recognizes that there are many different and valid approaches to organizing and providing director training. Whether the organization is a directors institute or a corporate governance association or some other type of organization altogether will depend on the individual circumstances of each organization. Whatever the form, it is essential that the organization be committed to good corporate governance practices, have a thorough understanding of corporate governance issues, and be able to provide quality training to directors.

## *What is in this toolkit?*

In five modules, this toolkit guides the user through the process of starting up and sustaining an organization committed to providing quality training for directors. The toolkit discusses how to determine the learning needs of directors in their specific country or region, how to develop and deliver a quality training program that meets those needs, and how to set up a sustainable organization that supports the professional development of directors.

*Who  
will find  
this toolkit  
useful?*

### *Director training organizations*

This toolkit is aimed primarily at:

- Individuals in the process of setting up an organization dedicated to improving corporate governance practices and training directors;
- Organizations that want to set up a subunit or affiliated organization dealing specifically with training directors;
- Organizations that train directors that want to develop their activities and organizational structure.

### *Organizations that foster corporate governance reform efforts*

Although the toolkit focuses on setting up and running a director training organizations, the general content and methodology can benefit any organization concerned with strengthening corporate governance and the effectiveness of directors.

### *Corporate governance reform leaders*

This toolkit can benefit a wide community interested or engaged in corporate governance reform such as policymakers, professional associations, and business schools.

### *Development agencies*

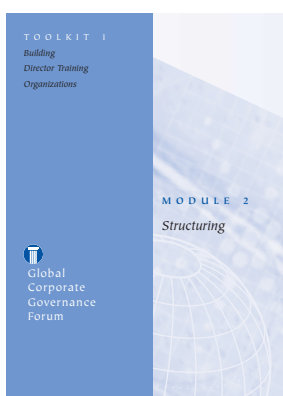
This toolkit can provide useful support to multilateral and bilateral development agencies engaged in funding local corporate governance reform programs and strengthening the performance of corporate directors.



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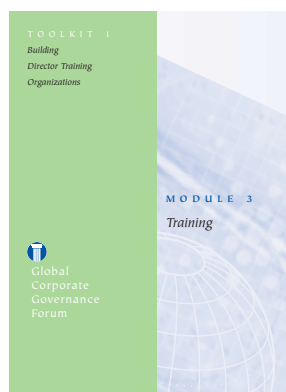


## MODULE 2

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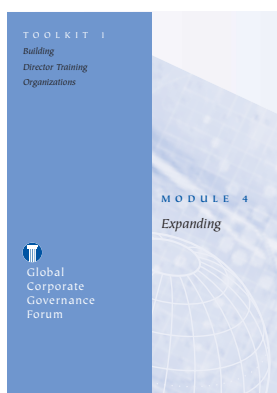
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## What tools will you find in the modules?

1

### The opening page

The first page of each module presents the rationale and contents of the module.

2

### Thinking points

Each module features a number of thinking points to help users address key steps in setting up or developing a director training organization.

#### THINKING POINT

*Would your organization benefit by partnering with another group? What type of organization would be your most effective partner?*

3

### Examples

This toolkit does not advocate a one-size-fits-all model. Rather, it provides a menu of options through examples from around the world, from well-established organizations as well as recently established organizations.

#### EXAMPLES

##### WORKING WITH AN ESTABLISHED ORGANIZATION

The Institute of Directors, UK is currently providing advice to the Corporate Governance Forum of Turkey in the following areas:

- Development of a syllabus and curriculum
- Recruitment of faculty with the appropriate credentials
- Development of training support materials using sample training materials
- Development of infrastructure to support the program, including practical issues such as venue
- Quality assurance

4

### Cross-references

Each module includes cross-references to the other modules to direct readers to related topics and in-depth discussions.

## 5

## Further reading

Each module provides an illustrative list of readings that further discuss various aspects addressed in the module.

## 6

## Glossary

Individual modules include a basic glossary of the terms used in building a director training organization. The glossaries do not provide strict definitions of the terms but explain the context in which key terms are used.

### GLOSSARY

CERTIFICATION	The process of confirming that course participants perform or meet the training program's goals, usually by passing an exam.
COURSE	The event(s) through which the knowledge and skills in the syllabus are provided to participants.
CURRICULUM	The framework of a training program. A curriculum is typically divided into a number of modules reflecting a range of areas or topics to be addressed.
SYLLABUS	The subjects studied for a particular course or sequence of courses. The syllabus can include various types of training materials such as case studies, reading materials, and exercises.

## 7

## Annexes

Annexes in each module present samples and forms from around the world that can help users in their practical, step by step approach to developing a director training organization.

## 8

## CD ROM

The entire toolkit is contained in the CD ROM included in this user's guide.



### Peer Review Group

To develop this toolkit and gather lessons learned from developing and developed countries alike, the Global Corporate Governance Forum invited representatives from director training organizations from various regions of the world to share their experiences and discuss milestones and challenges in building director training organizations. The Forum would especially like to thank the following people for their contribution to this toolkit by providing materials, examples, and extensive comments on building director training organizations.

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MODULE 1  
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## MODULE 1

*Starting*



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## Starting

A well functioning board of directors is key to the performance of companies and their capacity to attract capital—and good corporate governance is key to the effective functioning of the board. A sound corporate governance framework helps ensure that corporate boards effectively monitor managerial performance, use resources wisely, and achieve an adequate rate of return for shareholders, while preventing conflicts of interest.

Directors need a firm understanding of corporate governance to fulfill their duties effectively and responsibly. They also need to keep abreast of practical and theoretical developments in the direction of their company. This calls for adequate and specialized training and professional development. This module discusses the importance of training directors and describes the types of organizations that engage in training directors. It provides the basic information needed to launch a director training organization.

### WHAT YOU WILL FIND IN THIS MODULE

This module reviews:

- The incentives for training directors
- The types of organizations that train directors
- The key roles of organizations that train directors
- The first steps in starting an organization that trains directors
- The components of a business plan
- Some of the common challenges in the start-up phase
- Sources of start-up funding

## WHY TRAIN DIRECTORS?

Most directors can enhance their effectiveness—and thus the profitability and success of their enterprise—through training and continuing professional development. Among the main incentives for directors to improve their skills and knowledge are the following:

- Impact on corporate performance
- Investor confidence
- Shareholder and stakeholder activism
- Regulatory and/or legal requirements
- Reputation of the corporation
- Changing business environment
- Fighting corruption
- Media coverage
- Public pressure

## DIRECTOR TRAINING ORGANIZATIONS

**Whether an organization that trains directors is a corporate governance association or an association devoted solely to directors depends in large part on the local context. This toolkit uses the phrases “organization that trains directors” and “director training organization” to describe an organization whose primary purpose is to train directors—regardless of the type of organization. The toolkit is not recommending the establishment of a specific type of organization, or suggesting that one program works better than another.**

The need for training is greater than ever, given the continuous and rapid change that has become the norm in business. The impact of increased globalization, financial market crises, and corporate scandals have persuaded policymakers and investors worldwide of the need to improve and enforce corporate governance standards. For developing countries and emerging markets, the ability to understand and follow sound principles of corporate governance is essential to attract foreign and domestic investment and to build companies that use resources effectively as they weather increasingly competitive markets. This need for sound corporate governance is all the more important because well-performing companies are key to overall national and international economic growth—which in turn is necessary for the alleviation of poverty.

## ORGANIZATIONS' REASONS FOR TRAINING DIRECTORS

### KENYA

"It has become increasingly evident that our continued prosperity as nations, as communities, and even as dignified individuals, is closely linked with our ability to create, strengthen, and maintain profitable, competitive, and sustainable business enterprises.

"The role of a director is increasingly becoming more professional and much more demanding with even tougher legal, statutory, contractual, and common law duties and liabilities, yet there is no legal guidance on how to fulfill those duties or avoid the liabilities.

"This suggests that directors now need to more clearly understand their roles, duties, and responsibilities and the liabilities attached thereto."

*Centre for Corporate Governance*

### LATIN AMERICA

"The professionalization of directors and the promotion of corporate governance strengthens corporate practices, and in turn increases confidence and competitiveness in our financial markets, and, as a result, investment in Latin America."

*The Latin American Institute for Corporate Governance*

### RUSSIA

"The program of education of members of the boards of directors of Russian companies (open joint stock companies) is designed to assist in the transformation of the board of directors into the effective organ of control and governance and, thus, to enhance the effectiveness of the operation of the company as a whole."

*Russian Institute of Directors*

### THAILAND

"Private business organizations, corporate firms, and enterprises are the core foundation of the Thai economy. Therefore, the strength and development of the Thai economy will be dependent on the stabilization and the performance of the core foundation. For any respected business organizations, corporate firms, or enterprises to obtain stability for their respected businesses, they must obtain efficiency in production as well as an efficient management system with the appropriate directors to manage and direct."

*Thai Institute of Directors*

### UNITED KINGDOM

"The objective of director development is to create a situation for directors where professional and personal growth can occur. This learning situation is likely to involve the acquisition and the increase of knowledge, experience and skills. It may also enable personal qualities to mature."

*Institute of Directors, UK*

### UNITED STATES

"As fiduciaries who represent a corporation's shareholders, corporate directors have duties of care and loyalty. [We] affirm the value of ongoing director education in fulfillment of these duties. Furthermore, [we] strive to ensure that their actions and decisions meet the highest standards of law and ethics. Through this commitment, [we] serve the general public's need for corporate integrity."

*National Association of Corporate Directors*

### ZIMBABWE

"[We] aim to help directors fulfill their leadership responsibilities in creating wealth for the benefit of business and society as a whole."

*Zimbabwe Institute of Directors*

It is the responsibility of individual directors to build regularly and systematically upon their existing knowledge, skill, and expertise. Yet directors in developing and developed countries alike may not have the essential knowledge and skills to perform as professional board members.

THE ROLE OF DIRECTORS	
AREA	BEST PRACTICES
DECISIONMAKING	Directors help guide the future of the company and protect its assets and reputation. They consider how their decisions relate to stakeholders and the regulatory framework.
RESPONSIBILITIES	Directors are responsible for the long-term prosperity of the company. In some countries they are required by law to apply skill and care in exercising their duty to the company and are subject to fiduciary duties. If they are in breach of their duties or act improperly, directors may be made personally liable and prosecuted and/or disqualified.
ACCOUNTABILITY	Directors are accountable to shareholders for the performance of the company but should act in the interest of the corporation as a whole. Directors are generally appointed and removed from office by shareholders and in some cases by staff.
LEADERSHIP	Directors oversee management and direction of an organization. They should have the ability to hire and fire executive management.
ETHICS AND VALUES	Directors should play a key role in determining the values and ensuring the integrity of the company and obtaining commitment to those values from management.
COMPANY ADMINISTRATION	Directors are responsible for ensuring the company's effective administration.
PERFORMANCE	Directors set strategic objectives and guide and advise the management team in the attainment of these strategic objectives.

## THINKING POINT

*What type of director training organization would best suit your business environment?*

### WHO TRAINS DIRECTORS?

A variety of organizations contribute to the professional development and training of directors. These include stock exchanges, financial institutions, government and industry regulators, business associations, chambers of commerce, institutions of higher education, institutes of directors, and associations set up to promote good corporate governance practices. *(Examples of the types of organizations that contribute to training directors can be found on page 6. A list of organizations that promote director training, together with contact information, can be found in annex 1.)*

Director training is delivered primarily by two broad types of organizations. One is corporate governance associations, which are devoted to improving corporate governance in general and provide training as one aspect of that effort. The other is organizations that are focused on directors and that support, represent, and set standards for directors. Both types of organizations can be membership associations, such as the National Association of Corporate Directors in the United States, the Institute of Directors in the United Kingdom, and the Brazilian Institute of Corporate Governance. Or they may serve directors without having a membership base, such as the Corporate Governance Centre in Kenya and the Corporate Governance Forum of Turkey.

Many successful organizations training directors have also developed and expanded as a result of the merger of organizations with similar values and objectives. In most cases the merging bodies offer their networks and/or members similar benefits in the way of education, publications, and events. The merger can be of great value to all company directors in a country as they become represented by a single powerful voice in their dealings with government, the media, and the community at large.

### EXAMPLES

#### EXAMPLE OF A MERGER: AUSTRALIA

The Australian Institute of Company Directors (AICD) was officially formed on January 1, 1990, as a result of a merger of the Institute of Directors in Australia and the Company Directors' Association of Australia. The merger enabled the new institute to build on the strengths of the predecessor organizations, which had been operating since the mid-1960s, and to obtain the synergy benefits of the merger. At the time of the merger, AICD had about 7,000 members; it now represents more than 17,000 members throughout Australia.

## TYPES OF ORGANIZATIONS THAT SUPPORT DIRECTOR TRAINING

### CHAMBERS OF COMMERCE

Chambers of commerce and industry traditionally provide a variety of services to the business community. With the growing importance of corporate governance issues, chambers of commerce, especially in countries with a civil law tradition, have increasingly taken to training directors.

For example, Confecámaras in Colombia was established in 2001 as a business association made up of 57 regional Chambers of Commerce and Industry. It is a private sector initiative supported by an international development agency, the Center for International Private Enterprise (CIPE). Together with CIPE, Confecámaras began developing a program to build sound corporate governance in Colombia. A National Center of Corporate Governance was established to conduct director training through regional chapters of the affiliated chambers working in partnership with universities.

### UNIVERSITIES

Universities and business schools are also active in establishing programs that promote enhanced corporate governance through training for corporate directors. In addition to their expertise, universities and business schools can provide tutors, materials, and training facilities to help start a director training organization.

For example, the Corporate Governance Forum of Turkey was founded by Sabanci University and the Turkish Industrialists' and Businessmen's Association. It is developing director training programs in Istanbul. The forum's mission is to promote and improve the corporate governance framework in Turkey.

### PROFESSIONAL ASSOCIATIONS

Dedicated business leaders and associations committed to improving director professionalism have played a significant role in establishing successful organizations serving the needs of directors around the world.

For example, the Polish Institute of Directors was formed in early 2003 to foster corporate governance reform in Poland and to provide a platform for company directors to discuss governance-related issues. The Polish Confederation of Private Employers, the Association of Investment Fund Companies, the Institute of Business Development, the Polish Association of Brokers and Investment Advisors, the Polish Chamber of Insurance, and the Warsaw Stock Exchange collectively established the institute.

### STOCK EXCHANGES

In their effort to foster corporate governance reform, some stock exchanges have also been quite active in promoting professional development programs for directors.

The Singapore Stock Exchange supported the creation of the Singapore Institute of Directors in 1998, providing office facilities and secretarial services to the institute in its start-up phase.

### DIRECTOR INSTITUTES

Director institutes are membership organizations that support directors in a number of ways, including offering training and other forms of professional development and services.

The first Institute of Directors was established in the United Kingdom in 1903 and was granted a Royal Charter in 1906. It is a politically independent organization supporting, representing, and setting standards for 55,000 individual members. In addition to its wide range of director training programs and business services, the institute represents the interests of its members to government and private sector opinion leaders.

The Institute of Directors, UK has also been active in setting up similar organizations in other countries. For example, it set up a branch in Hong Kong in 1991 to provide director training to its members there. When the sovereignty of Hong Kong returned to China in 1997, the branch became an affiliate of the UK Institute as the Hong Kong Institute of Directors.



## THE ROLES OF AN ORGANIZATION THAT TRAINS DIRECTORS

Whether they cater only to directors or to a broader network, whether they are membership organizations or not, most organizations that train directors offer at least three key benefits—training, standard setting, and representation.

### *Training*

First and foremost, organizations offer training and development aimed at raising the standards of individual directors and the boards on which they serve. In some cases, this training and development can lead to certification for board members.

Training can provide directors with:

- New skills
- Increased professionalism
- Increased confidence
- Greater awareness of relevant issues
- Access to current thinking on governance and other issues
- Opportunities to discuss issues with peers and mentors
- An increased appreciation of the ethics and values underpinning effective governance

*For a detailed discussion of developing training and certification programs, see MODULE 3: TRAINING.*

### *Setting standards*

Researching and formulating corporate governance standards and board best practices are important tasks of an organization that trains directors. These tasks are often performed by a department or a working group dedicated to that purpose in the organization. This department or team typically monitors regulatory and statutory developments in corporate governance and conducts surveys on trends and compliance with regulations. It responds to government and other regulatory and consultative bodies; meets regularly with government ministers, regulators, and other civil servants dealing with relevant issues; and offers testimony and other formal representations wherever appropriate.

## WHAT DIRECTOR TRAINING ORGANIZATIONS SAY ABOUT THEIR KEY ROLES

### COLOMBIA

A director training organization should:

- Provide good directors, who can be trusted by national corporations and domestic and foreign investors.
- Build training programs guided by professionalism, impartiality, ethics, and expertise.
- Guide directors in being accountable, responsible, and fair by applying good corporate governance principles.
- Offer courses that meet the specific training needs of directors.
- Build registries of trained directors.
- Recommend skilled directors for appointment to boards of national companies.

*Confecámaras*

### INDONESIA

A director training organization should:

- Support director professionalism.
- Develop and promote ethical standards.
- Conduct relevant research.
- Represent and advocate its members' interests in public policymaking.
- Provide education for directors.
- Monitor ethical standards through carefully screened membership.

*Institute for Corporate Directorship*

### KENYA

"A director institute should develop, monitor, and otherwise regulate 'director professionalism' like any other professional organization and not like an 'old boys club.' A directors' institute can

improve director professionalism through training, ensuring that only qualified, competent, and fit persons are elected to boards and by taking disciplinary action against 'delinquent' directors. Undoubtedly, it must of course be realized that many other institutions—schools and colleges, shareholder associations, existing professional and business associations, institutes of corporate governance, existing professional and business associations can play a critical role in developing director professionalism."

*Corporate Governance Centre*

### THE PHILIPPINES

The Institute of Corporate Directors is promoting professionalism in the practice of corporate directorship through training corporate directors and installing a performance evaluation system via a corporate governance scorecard. It is also deeply engaged in policy advocacy as well as regional (international) networking with similar institutes in the region (East Asia).

*Institute of Corporate Directors*

### RUSSIA

The role of director organizations is to be a self-regulatory organization for corporate directors, contributing to development of the professional community, by providing information, offering opportunities for peer interaction, setting professional standards, and offering director training.

*Independent Directors Association*

### RUSSIA

The role of a director training organization should be:

- To develop professional standards and ethical rules for board members and to train directors.
- To encourage the development of the professional community of corporate directors.
- To carry out regular monitoring and assessment of the performance of corporate directors.
- To identify the most acute problems in company corporate governance practices at large and board activities in particular and present ways to deal with them.
- To contribute to the development of corporate law and judicial practices related to corporate governance.

*Russian Institute of Directors*

### ZAMBIA

The role of an institute of directors should be to promote the principles and the practice of the concepts of corporate governance as well as to provide continuing director training service. The institute of directors should also serve as an instrument through which companies and organizations can be kept constantly informed about developments in the global corporate world. The institute of directors can help improve director professionalism by identifying areas of need and disseminating information in that regard.

*Institute of Directors, Zambia*

The department or the relevant research team may publish regular policy papers setting out the organization's position on major topics of interest. These papers are circulated both within and outside the organization's network and/or membership base.

To maintain respect and influence, the organization may find it useful to concentrate its energies on only a few key topics. Its position on these topics must be communicated consistently and clearly to government officials, regulators, other businesses, the media, and members (if any). In addition, policy positions can be continuously reinforced through frequent restatement in a variety of forums. Any statement that deviates—or appears to deviate—from the established policy position may not only confuse the organization's message, but may misrepresent the organization and thus damage its integrity and reputation.

### ***Representation***

As an independent association, an organization that trains directors is in a good position to advocate the views of its members and/or the stakeholders it represents to government and other policymakers or opinion leaders. The goal is to encourage an economic and regulatory environment that is supportive of the principles of good governance and that allows business to flourish and compete internationally. By consulting directors and other stakeholders regularly, formulating policies carefully, and expressing views clearly and forcefully, the organization can build up a voice that is influential and respected.

The ability to exert influence depends on several factors:

- The quality of the arguments expressed
- The recognized independence of the organization and its nonpolitical stance
- The reputation of the organization, its directors, its managers, and its partners
- The size and nature of the membership (if it is a membership organization) and/or network
- The effectiveness of consultation with members and/or network
- The knowledge and insight exhibited by the organization's spokespeople
- Access to decisionmakers and suitable media platforms
- The nature of the issue concerned

## SETTING STANDARDS AND BEST PRACTICE

## AUSTRALIA

The Policy and Advocacy Department is the Australian Institute of Company Directors' vehicle for developing and advocating policy on specific director- and board-related issues. The department researches and communicates best practice in directorship, both nationally and internationally. It monitors trends and provides relevant education and information to assist directors and senior managers in making boards more effective. The institute's committees on national law, tax and economics, and sustainability help to develop policy, along with the Accounting and Financial Advisory Committee and various ad hoc working groups and task forces. The institute communicates its work to the wider community through policy submissions, testimony, position papers, and the "Members" Voice column in the *Company Director Journal*, which is sent to members monthly.

## KENYA

The Centre for Corporate Governance (formerly the Private Sector Corporate Governance Trust) in Kenya developed and circulated *The Principles and Sample Code of Best Practice for Corporate Governance* and put corporate governance on the Kenyan policy agenda by holding:

- Awareness-raising workshops and seminars.
- Technical workshops for members of parliament, heads of state-owned enterprises, and leaders of institutions of higher learning.
- Training courses for directors of corporate business enterprises.

## UNITED STATES

The National Association of Corporate Directors has built a solid reputation in best practice dissemination through its "Blue Ribbon Committee" reports on director-related issues. These reports are based upon workshops featuring prominent business leaders on subjects such as executive compensation and audit committees. Legislators and regulators consulted with the National Association of Corporate Directors in the United States concerning recent changes to stock exchange listing rules and the Sarbanes-Oxley Act of 2002, which tightened corporate accounting, auditing, and financial disclosure regulations.

## THINKING POINT

*What are the key characteristics required for an effective founding committee?*

### FIRST STEPS

Any group that wants to start up an organization that trains directors will need to follow a number of steps. These include defining the purpose of the organization, setting up a workable structure, and adopting organizing and operating principles to achieve that purpose. The founders of the organization also need to develop a business plan setting forth a strategy for reaching the stated goals and determining how the organization will raise both start-up and operating funds. If the organization is going to solicit members, the business plan would also set out criteria for membership and member services. Because a chief mission of a director training organization is to improve director professionalism, a key element in the planning process is designing a set of training and professional development activities.

#### *Setting up a founding committee*

The driving force behind a start-up organization dedicated to training directors has often been a single individual with the vision and motivation necessary to create a body that fosters better corporate governance practices and meets the professional needs of directors. This leader typically identifies and recruits a number of individuals who share the same goals but come from various backgrounds to ensure the organization's independence and credibility. This core group, or founding committee, is then responsible for developing the business plan: that is, formulating the strategy and structure of the new organization.

The core members of the founding committee need to be committed to raising corporate governance standards through professional development. They can be people the leader already knows or will identify through an established network of colleagues. The leader will seek to recruit people with the various skills needed for the organization's development (financial and strategic planning experts, lawyers, experts in corporate governance issues), as well as business leaders, bankers, institutional investors, or other reputable representatives from constituencies with a stake in good corporate governance. In seeking advice and funding, the founding committee may also seek the support of other well-established organizations or development agencies promoting sustainable private sector development. The main challenge in recruiting a founding committee is to avoid being captured by political or financial interests while bringing in people with a wide range of skills who share the same goal.

Ideally, individuals who serve on the founding committee would have some or all of the following attributes:

- Impeccable reputations in their field of influence as well as their personal lives
- Leadership skills
- Director and board-level experience
- Good connections in the corporate world, government, and civil society
- Entrepreneurial flair
- Organizational acumen
- Financial and accounting experience
- Marketing expertise
- Good knowledge of corporate governance issues
- Commitment to corporate governance reform efforts

## EXAMPLES

### RECRUITING A FOUNDING COMMITTEE: THAILAND

The founders of the Institute of Directors in Thailand, established in 1999, included influential leaders from the:

- Stock Exchange of Thailand
- Bank of Thailand
- Office of the Securities and Exchange Commission, Thailand
- Capital Market Development Fund, a private international group

Members of the founding group might be retired or have other full-time obligations. In any case they are likely to be providing their time to starting up the organization on a voluntary basis.

### *Duties of a founding committee*

The founding members of an organization will think about and make decisions on several aspects of the future business at the same time. For example, they might be analyzing the market to determine what sorts of services directors need while they are consulting with peers and others about the best ways to structure and operate the organization.

## THINKING POINT

*Who can offer you sound advice  
on your business plan?*

The founding committee undertakes the following tasks:

- Defines the organization's overarching goals (vision) and its role (mission)
- Decides on the legal status of the organization
- Prepares a business plan
- Obtains financial support
- Sets up the structure of the organization
- Hires the core staff

## PREPARING THE BUSINESS PLAN

A key step in starting any organization is the preparation of a business plan. The business plan sets out the mission and goals of the organization and maps out the strategy for achieving those goals. It covers all aspects of the organization's structure and operations, including how the organization intends to raise revenues, what services it plans to provide, how it will go about attracting directors or soliciting membership, and how it will market itself to various stakeholders and/or members, policymakers, the news media, and the public at large.

A business plan helps identify and plan for potential difficulties. It sets out benchmarks by which to measure the organization's performance. And it is the organization's primary tool for gaining support from key figures whose influence (or lack of it) can be crucial to the organization's success. This is especially true in the early stages, when the organization's founders must attract support on the basis of its vision rather than track record. Public and regular endorsement from the local, national, and international business community, regulators, and investors can lend legitimacy to the organization and should form a part of the organization's marketing campaign. *(An example of a business plan from a start-up organization that trains directors can be found in annex 2.)*

In developing the business plan, it may be useful to talk to colleagues, professional associates, and other business acquaintances. Established director training organizations in other countries can provide valuable insights into the challenges, milestones, and successes they have experienced. *(See annex 1.)*

It is important to make the business plan as concise and easy to read as possible. At the same time, it needs to be thorough and to anticipate and answer any questions that potential financial partners, members, and others might raise. Too much detail in the main body of the plan may overwhelm the reader.

## GLOSSARY

## TERMS COMMONLY USED IN BUSINESS PLANS

VISION	Desired future state; what the organization ultimately wants to achieve
MISSION	Statement of what needs to be done in order to achieve the vision
GOALS	Measurable targets leading to the achievement of the mission
VALUES	Principles and standards of conduct that inform the organization's operation
STRATEGY	Statement of the business the organization will undertake, how it will carry out its objectives, and the resources it will deploy to fulfill its mission
OBJECTIVES	Measurable targets leading to the achievement of the strategy
POLICIES	Statements relating to the activities of the organization and the way in which they should be carried out
LEGAL FORM	Fundamental rules on how the entity is to be organized. A director training organization may be a subdivision of another legal entity, a limited liability company, a trust, a partnership, or any other local form of corporation. Most director training organizations are set up as not-for-profit organizations.
TARGET MARKET	The scope, size, and trend of the market (the people and organizations) to which the director training organization plans to offer its services and activities.
ORGANIZATIONAL STRUCTURE	The governing body, key management positions, and expected staffing needs of the organization.



Statistical and other supporting information can be provided in annexes. A well-organized and well-presented plan sends the message that the organization is competent and has high professional standards.

It is important to avoid overly optimistic or under-ambitious planning. The most accurate projections possible of expected revenues and costs will be the most useful. Inaccurate marketing campaigns or membership forecasts can generate cash-flow crises, staff losses, cost-cutting, and other problems that can undermine the viability of the organization.

It is also important to realize that the business plan is not set in stone. The development strategy will be continually refined as the organization matures. For example, the target markets might change and expand and the services offered evolve. The role or the name of the organization may even change.

EXAMPLES

### CHANGES IN THE ORGANIZATION'S NAME

#### BRAZIL

The Brazilian Institute of Directors became the Brazilian Institute of Corporate Governance to emphasize its role in fostering corporate governance reform efforts.

#### KENYA

The Private Sector Corporate Governance Trust recently became the Corporate Governance Centre, as it changed its legal status from a trust to a company limited by guarantee without share capital.

The key elements of a business plan for an organization training directors include:

- Cover and contents page
- Executive summary
- Name, legal form, location
- Vision statement
- Mission statement
- Market analysis
- Activities and services
- Marketing
- Organizational structure
- Operations
- Finance

## THINKING POINT

*What legal form would be most appropriate for your organization?*

### ***Cover and contents page***

The front cover of a business plan typically displays the name, address, and telephone number of the organization, together with the names of the founders. The contents page displays page numbers for each section and any numbering within sections. It also lists page numbers for any statistical material and supporting information included at the end of the plan.

### ***Executive summary***

The executive summary is intended to set the scene and convince the audience that what follows is worth reading. It summarizes the purpose and goals of the organization and outlines the operational, financial, and marketing strategy for achieving those goals. The information provided in the executive summary should be to the point, concise, and eye-catching. It may be helpful to write the executive summary after the main body of the business plan has been completed.

### ***Name, legal form, and location***

This section of the plan sets out the formal name of the organization and spells out its legal form. The specific legal status of an organization that trains directors will depend on the country's legal framework. The organization can be an association, a private limited partnership, a limited company, or some other legal form of local corporate entity. Typically organizations dedicated to training directors and improving corporate governance practices are either set up as "not for profit" or "nonprofit" entities.

## EXAMPLES

### **LEGAL FORM OF A DIRECTOR TRAINING ORGANIZATION: HONG KONG**

The Hong Kong Institute of Directors is set up as a non-profit-distributing and nonpolitical organization and is registered as a company limited by guarantee. It operates autonomously and is not controlled by government or influenced by any single business interest.

## THINKING POINT

*How does your organization see itself? What does it want to be?*

It is probably wise to consult with a lawyer about the options available and the registration of the organization. It may also be wise to check with the local tax authority on the tax implications of the legal form the organization is considering. In many countries, membership bodies are tax exempt, but revenue from sources other than membership is usually subject to tax.

This section of the business plan also provides comments on the location of the organization's offices. If the organization plans to use these premises for training sessions or to provide meeting areas for members and/or nonmembers, this section can describe the accessibility of the location, including the available transportation links.

Whenever possible, locating the organization in the country's main business center (or one of the main centers) will enable it to draw on the largest possible potential membership or director network base and to more easily build its influence with the communities it serves. Such office space may be quite expensive. If the government or other supporting groups can be persuaded to endorse the organization's mission, they may assist with providing subsidized premises, at least initially. Alternatively, the organization may want to consider entering into a space-sharing agreement with an organization that is not using all of its space. Such an arrangement can be an effective way of sharing costs and increasing the networks of both organizations.

### ***Vision statement***

A vision statement sets out the desired future state of the organization—in other words, the organization's long-range aims. Ideally, it should be no more than three or four lines. Writing a vision statement is no easy task. It may take many weeks of consultation among those setting up the organization and other interested parties. A typical vision statement includes the formal name of the organization, the overarching goals it hopes to advance, and its target markets.

### ***Mission statement***

The mission statement articulates the organization's role and tasks to achieve the vision. The mission defines the purpose and objectives of the organization—in other words, what the organization is committed to doing. Mission statements for organizations that train directors often highlight the value of good corporate governance and high standards of director professionalism.

## SAMPLE VISION AND MISSION STATEMENTS

## BRAZILIAN INSTITUTE OF CORPORATE GOVERNANCE

“To be the main corporate governance reference in Brazil and to develop and disseminate best concepts and practices of corporate governance thus contributing to the better performance of corporations and to a more fair, responsible, and transparent society.”

## HONG KONG INSTITUTE OF DIRECTORS

“To be Hong Kong’s premier body representing professional directors working together to promote good corporate governance and to contribute towards advancing the status of Hong Kong, both in China and internationally.”

## INSTITUTE OF DIRECTORS, NEW ZEALAND

“To promote excellence in corporate governance, to represent directors’ interests, and to facilitate their professional development in support of the economic well-being of New Zealand.”

## INDEPENDENT DIRECTORS ASSOCIATION, RUSSIA

“To enhance the corporate performance of Russian joint stock companies by promoting better Board activities through the implementation of professional independent director best practices.”

## CORPORATE GOVERNANCE FORUM, TURKEY

“To support improvement of corporate governance practices and legal and institutional framework in Turkey through research and educational programs as well as to be actively involved in advocacy of good corporate governance.”

## THINKING POINT

*What members or nonmembers  
might use your services?*

### Market analysis

Describing the scale and potential growth of the market in which the organization will operate is a fundamental element of a business plan. The number of people that might potentially buy and/or benefit from the service the organization wants to offer is likely to be a persuasive factor for potential partners or donors. Having a good understanding of the potential market helps determine exactly what services to offer, how to price them, and how to market them.

There are two main ways to conduct a market analysis. One is a SWOT analysis, which examines the strengths, weaknesses, opportunities, and threats in the potential market. The other is the PEST overview, which examines the political, economic, social, and technological aspects of the potential market. It is important to consider the market trends and the force(s) that would increase or decrease the demand to join the organization or to seek its services. For example, pressure from the private sector for corporate governance reform or the introduction of new codes of best practice might encourage directors to seek professional development. *(For more details about PEST and SWOT analyses, see annex 3.)*

The market analysis should include:

- A profile of the directors to be trained to better determine their needs and the services and training materials that would be useful to them
- Market size and trends (numbers of directors/demand for training)
- Other organizations providing training in the field of corporate governance, including their market share, fees, and other activities offered, operating methods, and composition of membership/clients.

The organization's unique selling points or competitive advantage can be highlighted in the business plan. These selling points could relate to:

- Specific training activities
- Other benefits and services the organization plans to offer
- The reputation the organization has or hopes to build
- The target market (individual directors, aspiring directors, independent directors, bank directors, and so on)
- Price
- Location

*Information on how to target the market can be found in MODULE 3: TRAINING and MODULE 4: EXPANDING.*

## THINKING POINT

*How will you create growing  
demand for training?*

### EXAMPLES

#### MARKET FOCUS: RUSSIA

The Independent Directors Association in the Russian Federation was established in 2002 after the joint stock company law required nonexecutive directors to sit on the board of listed companies. Previously, the Investor Protection Association had been coordinating minority shareholders efforts to put independent nonexecutive directors on corporate boards of directors.

#### *Marketing strategy*

The marketing strategy is outlined in this section of the business plan. Based on the market analysis, it sets forth how the organization plans to market its activities, especially its training and professional development courses. If the organization is to be based on membership, this section also describes the organization's plan for recruiting and retaining members. The strategy can help assure potential partners, donors, and others that the organization is viable over the long run.

Areas to be developed in this section of the plan are:

- Positioning of the organization
- Advertising and promotion campaigns
- Potential for regulatory or market requirements for training
- Pricing of training courses, and other activities
- Expected revenues from activities and training courses, including number of directors expected to be trained in the first year
- Membership policy and fees (if applicable)
- Expected revenues from membership fees, including expected number of members to be recruited in the first year (if applicable)

*More information on developing a membership base is provided in  
MODULE 4: EXPANDING.*

## THINKING POINT

*What are the first services your organization will offer its members and/or network?*

### **Activities and services**

This section of the business plan outlines the activities, services, and benefits the organization proposes to offer. These activities and services are developed in conjunction with the market analysis to ensure that they meet the stated needs of a sizable portion of any given director group.

Activities and services that might be offered include:

- Promoting individual professional development through education
- Induction training for new directors
- Board evaluation
- Specialized training (for members of audit and risk committees, for example)
- Developing professional standards of conduct for directors
- Representing and advocating the interests of directors to policymakers, regulators, and the public at large
- Researching, publishing, and formulating policy on governance and other policy issues of relevance to directors
- Organizing forums for discussion and networking
- Disseminating business information and advice
- Providing premises and meeting rooms for members or clients
- Access to a director data base and support in appointing nonexecutive directors to corporate boards.
- Certification of directors if needed or required

*Activities and services are discussed in more detail in MODULE 4: EXPANDING.*

### **Organizational structure**

This section of the plan describes the organizational structure, key management positions, and expected staffing needs the organization will have, together with recruitment objectives and methods, remuneration levels, and performance requirements. The skills, knowledge, experience, and responsibilities of the members of the governing body and management team especially need to be defined. This section also sets out the way decisions will be made and delineates who reports to whom.

*Organizational structure and governance are discussed in MODULE 2: STRUCTURING.*

### ***Operations***

This part of the plan describes how the training, professional development, and other services will be produced and delivered (including any areas of the business that will be contracted to other providers). The operating plan typically contains procedures for closely monitoring prices and operating costs to ensure that the organization is not losing money. For all services and activities, the plan describes:

- Specific staffing requirements
- Training materials needed
- Marketing and promotional materials
- Equipment and technological infrastructure
- Premises required
- Research and development needs

*Information on delivering a training program is provided in MODULE 3: TRAINING.*

### ***Finance and budget***

This important section of the business plan details why the business proposition is commercially viable and how the organization will become self-sustaining. It forecasts as realistically as possible the revenues to be generated from such sources as training course fees, event fees, publications, and membership dues. It also forecasts the expenditures required to provide the planned services and activities and operate the organization.

Whether the organization is looking for initial and ongoing funding or beginning to build its membership base, the business plan is an invaluable tool for communicating why the funding is necessary and how it will be used.

*The financing of an organization is discussed in more detail in MODULE 5: MONITORING.*

A well-thought out vision statement, mission statement, and business plan, a core team of founders, and initial contacts with potential partners will help ensure the smooth start-up of the organization. Until the organization has established a reputation for providing excellent services, the business plan is likely to remain the most important tool to advocate the organization's potential achievements.



## THINKING POINT

*What are some of the major challenges your organization might face starting up?*

## DEALING WITH START-UP CHALLENGES

Most founders of organizations that train directors face a common set of challenges as they consider how to set up the organization. These challenges are also addressed in the course of developing the business plan, when possible. Three common obstacles are lack of qualified trainers and materials, director complacency, and lack of financial resources.

### EXAMPLES

#### START-UP CHALLENGES

##### COLOMBIA

The major obstacles facing the Colombian Confederation of Chambers of Commerce (Confecámaras) were the absence of demand for training from independent directors, the lack of experts in the country to train directors, the lack of literature in Spanish about the benefits of well-trained corporate directors, and the lack of funding to hire international experts. Confecámaras now works with the Center for International Private Enterprise, the Global Corporate Governance Forum, and the Brazilian Institute of Corporate Governance to tackle these challenges.

##### INDONESIA

In the start-up phase, the Indonesian Institute of Corporate Directorship had difficulties hiring local qualified instructors and finding adequate training materials, especially good country-specific case studies supported by research. Now, the institute is working with other countries in the region to build a database of regional case studies.

##### ZAMBIA

The major challenges confronting the Institute of Directors in Zambia were largely financial, but the organization saw those problems as transitory. Another major difficulty was associated with developing a team of skilled trainers. These issues were resolved with help from other established director training organizations and organizations such as the Commonwealth Association of Corporate Governance.

## START-UP CHALLENGES (CONT.)

## UNITED STATES

A big challenge in the development of the National Association of Corporate Directors has been the complacency of many experienced directors, who do not see the value of director education. This challenge may be overcome because of the many new regulations associated with the Sarbanes-Oxley Act of 2002, which tightened corporate accounting, audit, and financial reporting and disclosure standards. The new law provided the opportunity for the association to offer workshops and seminars to bring corporate directors up to speed on changes in the regulations. The association, for example, has been asked by NASDAQ to develop a financial literacy training program.

*Lack of materials and qualified trainers*

Corporate governance is an increasingly important discipline, yet little practical guidance has been written from the perspective of some developing and transition economies. Without regional or international support, start-up organizations may find it difficult to find qualified trainers and adequate materials for training directors in their country. Organizations may need to invest a great deal of time to train a core group of trainers and to craft a customized curriculum. A growing body of materials is nevertheless being made available through international and regional networks and by existing organizations. Director institutes, institutes of higher education, and corporate governance associations are offering assistance and advice, particularly in the areas of curriculum and case study development, training methodologies, and assessment activities.

*More information on developing training materials and networking opportunities can be found in MODULE 3: TRAINING.*

Director complacency

As they start up, most director training organizations need to face the reluctance of directors to be trained. In order to build demand, organizations need to continually raise awareness of the significance of good corporate governance practices for improved company performance, investor confidence, and better access to capital. The table on pages 25-26 lists arguments provided by directors for not pursuing professional development. It also suggests several counterarguments that might be worked into the business plan, as well as some different approaches, such as mentoring and coaching, that might prove successful.

COUNTERING RESISTANCE TO DIRECTOR TRAINING	
ARGUMENTS FOR NOT SEEKING TRAINING	THE BUSINESS CASE
LACK OF TIME AND MONEY	Directors should regard professional development and training as an investment—not as a net cost.
DIRECTORS ARE EXPERIENCED ENOUGH	Directors need to keep abreast of vast and complex changes in corporate governance standards, practices, and issues.
IRRELEVANCE	Courses and other activities will be well designed and address the specific needs of directors.
NO PERCEIVED PERSONAL OR CORPORATE REWARDS FOR PURSUING PROFESSIONAL DEVELOPMENT	Training is an opportunity for directors to enhance their status. Directors who behave professionally can be more effective than directors who do not. Boards could encourage professional development by making it part of a performance and reward system. Organizations can offer director certification programs and organize public awards.
DIRECTORS FROM OTHER COMPANIES ARE NOT DOING IT	A higher degree of professionalism among a company’s board of directors can give it a competitive advantage in the marketplace.
NO PERCEIVED SUPPORT FOR PROFESSIONAL DEVELOPMENT FROM SENIOR-LEVEL BOARD MEMBERS SUCH AS THE CHAIRMAN OR CHIEF EXECUTIVE	The director organization might need to convince the chairman of the importance of demonstrating such support. The chairman could set an example by participating in training sessions or introducing his or her mentor to other directors.

Continued next page

COUNTERING RESISTANCE TO DIRECTOR TRAINING (CONT.)	
ARGUMENTS FOR NOT SEEKING TRAINING	THE BUSINESS CASE
LACK OF AWARENESS OF THE VALUE OF DIRECTOR DEVELOPMENT	Making the need for professional development a regular item on the board agenda or making professional development part of the performance and compensation system would help.
AUTOCRATIC BOARD CULTURE	Increasing the interpersonal skills among the directors would help create a more effective style of board leadership.
FEAR OF TRAINING	This must be handled with sensitivity so that individuals do not lose face and are not shown in a negative light in front of their peers and subordinates. Personal coaching and mentoring are two solutions. Making training mandatory for all the members of a board may be another way to handle director's personal reluctance to train.

### *The need for financial resources*

The founders must consider how the organization will obtain financing to start up and run the organization until the anticipated routine sources of revenue are in place. The business plan should clearly and comprehensively state the amount of start-up funding that is required and how it is going to be spent. In most cases organizations aim to become self-sustaining in two to five years.

### SOURCES OF START-UP FUNDING

Potential funding may be provided by partnering organizations such as business associations or universities, private benefactors, governmental agencies, and bilateral and multilateral development agencies supporting corporate governance reform efforts. Some director training organizations have been successfully established by private benefactors or business associations. Others have received financial support from international development agencies for specific projects. And some others have drawn on volunteers and members to become self-sufficient from the start. In some cases a consortium of major businesses and professional associations in a country, together with financial institutions and development agencies, jointly contribute funding to set up or develop an organization that trains directors.

EXAMPLES

## EXAMPLES OF START-UP FUNDING

### EGYPT

The World Bank is providing a grant to the government of Egypt to assist in the creation of a director training organization. The grant will help establish a nongovernmental organization that will work to strengthen corporate governance practices, provide research and technical advisory services to enhance compliance with laws and regulations, and promote awareness of the benefits of good corporate governance. The specific activities financed by the grant are expected to:

- Provide technical assistance to develop a training curriculum adapted to the specific corporate needs in Egypt, including the preparation of courses and materials, accreditation, and training for the trainers.
- Provide technical assistance to prepare a business plan for the organization, including the development of the organizational structure, mission statement, financial sustainability, and budget.

### KENYA

The Private Sector Corporate Governance Trust (now the Corporate Governance Centre of Kenya) was created when several people interested in supporting corporate governance reform and training directors donated their time to come up with a viable strategy for establishing such an organization. The founding members then approached various funders with their plan. The Ford Foundation and the United Kingdom's Department for International Development were the first donors to assist in setting up the organization. The Ford Foundation subsequently provided the organization with a two-year grant for institution building. Now over half of the organization's revenues are generated from training services.

## EXAMPLES OF START-UP FUNDING (CONT.)

## RUSSIA

The Independent Directors Association of Russia received substantial support from Ernst and Young and has recently been awarded a grant from the U.S. Agency for International Development to provide support for a program in corporate governance in the following areas:

- Formulating professional standards of good practice for nonexecutive directors of Russian Joint Stock Companies (JSCs).
- Improving the efficiency of the boards of directors of Russian JSCs by promoting best practices for independent directors through practical workshops, roundtable discussions, and surveys on balancing the boardroom (recognizing board diversity and significance of women on the board).
- Increasing public awareness of good corporate practices by disseminating project results to shareholders, government regulators, Russian JSCs, and the public at large.

## THAILAND AND THE PHILIPPINES

The Asia-Europe Meeting (ASEM) and the World Bank provided grants to the Institute of Directors of Thailand and the Institute of Corporate Directors of the Philippines to cover the initial cost of developing a training program, including researching and drafting of a curriculum, publishing training materials, and the training of trainers.

## TURKEY

The Corporate Governance Forum of Turkey was set up through joint funding from the Turkish business association TUSIAD and the private university Sabanci in Istanbul.

### ***Development agencies***

Organizations that train directors in developing countries have in some cases successfully sought funding from appropriate multilateral or bilateral development agencies. They have argued that promoting sound corporate governance practices and training directors is essential to improved corporate performance, access to capital, and in turn economic growth. Supporting director training organizations in developing countries therefore may well be part of the mission of a number of international or governmental agencies engaged in private sector development.

Most development agencies providing grants for private sector development projects can be researched online. They usually provide templates for funding requests as well as eligibility criteria on their websites. Most funding agencies also have regional offices in major developing countries. *(A list of selected funding organizations can be found in annex 4. A description of a grant program can be found in annex 5.)*

To receive funding, the organization or its founding committee is likely to have to demonstrate that the project would not take place or achieve the same level of success without the requested funds. Key elements required when applying for funding include:

- A description of the project, its objectives, goals, and rationale, including benefits and risks
- A description of the organization's structure and project leaders as well as their relevant experience to the project
- Marketing and promotional materials
- A work plan indicating who will do what and by when and how goals will be achieved
- Premises required
- A detailed budget, listing cofunding and requested funding as well as a strategy for making the project self-sustainable
- References

Key to winning donor funding is to present a project with specific objectives, goals, activities to achieve these goals, and indicators to measure the performance of the project. Furthermore the project proposal will need to outline how the project ties in with the strategic direction of the organization as well as the mission of the donor agency.

## EXAMPLE OF A PROJECT RATIONALE

### OBJECTIVE

Improve corporate governance practices at the board level to improve risk management and performance

### GOALS

Develop a director training program

### ACTIVITIES

Develop a training curriculum, train trainers, research and publish training materials

### INDICATORS

- Organize a first training course by a specific date
- Train a specified number of directors by another specific date
- Ask participants to evaluate the course

The donor is likely to monitor how its funds are being used as well as how the project is progressing. It may require the organization to keep specific records and make periodic reports on the use of the funding. It is also likely that the donor will require an audit before the project is complete and the last payment has been made.

Development agencies often do not supply full funding for projects. The organization will most likely need to secure cofunding in cash or in-kind. Furthermore, development agencies are generally not a source of continuing financial support. It is therefore necessary to plan for other sources of income before donor funding has ended. Donor funding is typically made on a one-to-three year basis.



Grant money is generally disbursed according to an agreed schedule and may be disbursed in one of three ways:

- Installments at fixed periods.
- Payment only after proof of actual expenditure.
- A partial payment at the outset, and then phased disbursement upon delivery of the expected outputs or when specific requirements have been met. (For example, a payment might be conditional on the project employing a certain number of people or providing the final draft of a report).

### ***Short-term loans***

Because grants from development agencies may not be disbursed in full at the beginning of a project or incoming revenues from activities may be delayed, the organization may need to apply for a short-term loan from its bank. Banks will often require proof or guaranty of the expected income to deliver a bridge loan in anticipation of the intermediate-term or long-term financing.

### ***In-kind support***

In addition to seeking necessary funding, start-up organizations should also seek in-kind support. Interested parties may be willing to lend office space and staff members or provide free legal or financial expertise. For example, the Commonwealth Association of Corporate Governance lent personnel to the Institute of Directors, Zambia in the planning stages.

## FURTHER READING

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## ANNEXES

1. Organizations that promote director training
2. Sample business plan
3. PEST and SWOT analyses
4. Sources of start-up funding
5. A donor grant program

## ANNEX 1. ORGANIZATIONS THAT PROMOTE DIRECTOR TRAINING

EXAMPLES OF ORGANIZATIONS THAT PROMOTE DIRECTOR TRAINING			
COUNTRY	NAME	CONTACT	ADDRESS
Argentina	Institute of Corporate Governance	Marcos Bertin	Gaspar Campos 1372, B1638 ARZ Vte Lopej, Buenos Aires
Australia	Australian Institute of Corporate Directors	John Hall	Level 25, Tower Bdg Australian Square 264-278 George St, Sydney, NSW 2000
Brazil	Brazilian Institute of Corporate Governance	Paulo Villares	Av. Naceos Unidas, 12.551-190 anda-Cjto.1912, 04578-000 Sao Paulo
Canada	Institute of Corporate Directors	Bernard R. Wilson, LLD	277 Wellington Street West, Toronto ONT, M5V 3H2
Caribbean	The Caribbean Institute of Directors	Bob Knowlessar	---
Colombia	Confecámaras	Paola Gutierrez	Carrera 13 No. 27-47 Floor 5th - 47 Piso 5 Bogota
Czech Republic	Czech Institute of Directors	Monika Zahalkova	PO Box 171, Praha 6, Kafkova 19, PSC 16041
Fiji	Institute of Directors	Joe Singh	GPO Box 13730, Suva
Ghana	Institute of Directors	Frank Ocran	Box 20372, GPO Accra
Hong Kong	The Hong Kong Institute of Directors	Carlye Tsui	505 Bank of America Tower 12 Harcourt Rd, Hong Kong
India	Indian Institute of Management Bangalore	N. Balasubramanian	Bannerghatta Road, Bangalore – 560 076
Indonesia	Indonesian Institute for Corporate Directorship	Anugerah Pekerti	Puloasem Raya JL, Jakarta,

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	T: +61 (2) 8248 6600 F: +61 (2) 8248 6696 or 8248 6633	Jhall@companydirectors.com.au	www.companydirectors.com.au
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	T: +1 (416) 815-5092 F: +1 (416) 204-3414	bernie.wilson@ca.pwcglobal.com	www.icd.ca
	---	---	www.carribeandirectors.com
	T: +57 (1) 346 7055 F: +57 (1) 346 7026	Pgutierrez@confecamaras.org.co	www. Confecamaras.org
	T: +420 (02) 2098 2508 F: +420 (02) 2098 2527	Monika.zahalkova@ciod.cz	http://www.ciod.cz/project/
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### EXAMPLES OF ORGANIZATIONS THAT PROMOTE DIRECTOR TRAINING (CONT.)

COUNTRY	NAME	CONTACT	ADDRESS
Ireland	Institute of Directors	Susan Thornber	89 James's Street Dublin 8
Jamaica	Private Sector Organisation	Greta Bogues	39 Hope Road, Kingston 10, W1
Kenya	Centre for Corporate Governance (formerly Private Sector Corporate Governance Trust)	Karugor Gatamah	PO Box 13936, 00800 Westlands, Nairobi, Kenya
Malaysia	Institute for Corporate Governance	Lee Leok Soon	27A Jalan Mohd Fuad 3, Tarman Tun Dr. Ismail, 60000, Kuala Lumpur
Mexico	Instituto Mexicano de Gobernabilidad Corporativa	Sam Podolsky	Avenida de las Palmas Loma de Chapultapec, DF11000
New Zealand	Institute of Directors	David Newman	PO Box 8017, Wellington
Nigeria	Institute of Directors	Akin Iroko	PO Box 51037, Falomo, Ikoyi – Lagos
Papua New Guinea	Institute of Company Directors	Ray Clark	Box 660, Port Moresby
Peru	Asociacion de Directores Corporativo	Andres Nobl	Anteguera 866 San Isidro, Lima 27
The Philippines	Institute of Corporate Directors	Jesus Estanislao	24th Flr., Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City
Poland	Polish Institute of Directors	Krzystof Lis	36, Krucza Str., 00-921, Warsaw
Russia	Russian Institute of Directors	Igor Belikov	Kitaigorodski proezd, 7 103074, Moscow, Russia

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## EXAMPLES OF ORGANIZATIONS THAT PROMOTE DIRECTOR TRAINING (CONT.)

COUNTRY	NAME	CONTACT	ADDRESS
Russia	Independent Directors Association	Alexander Filatov	20/12 Podsosenski per Moscow, Russia
Singapore	Singapore Institute of Directors	John Lim	2 Finlayson Green #07-01/02 Asia Insurance Bldg Singapore 049247
South Africa	Institute of Directors in Southern Africa	Richard Wilkinson	2nd Floor, 15 Wellington Rd. Parktown 2193 – Johannesburg
Thailand	Thai Institute of Directors	Charnchai Charuvastra	5th Floor, The Stock Exchange of Thailand, Bldg 62, Rachadapisek Road, Klongtoey, Bangkok 10110
Turkey	Corporate Governance Forum	Melsa Ararat	Graduate School of Management, Orhanli 81474 Tuzla, Istanbul, Turkey
United Kingdom	Institute of Directors	Kerrie Waring	116 Pall Mall, London, SW1Y 5ED
United States	National Association of Corporate Directors	Roger Raber	1828 L Street, NW, Suite 801 Washington, D.C. 20036
Venezuela	Executives Association of Venezuela	Sonia de Paola	Edificio Venezuela, Piso 3, Oficina 33, El Rosal, Caracas
Zambia	Institute of Directors	Patrick Chisanga	P.O. Box 50576, Lusaka
Zimbabwe	Institute of Directors	Peter Broadway	Box 2629, Harare



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## ANNEX 2. SAMPLE BUSINESS PLAN

*The following is extracted from a business plan drawn up by a young director organization.*

### Executive Summary

The Institute is a professional organization made up mainly of individual corporate directors and reputational agents committed to the professional practice of corporate directorship . . . in line with global principles of modern corporate governance.

The Institute is for corporate directors with professional needs and requirements directly related to their serving in the board of directors of corporations and other institutions vested with public interest.

It is directed and governed by corporate directors acting in their individual capacity and serving to keep the institute open, autonomous and independent of specific political, business and other interests.

The Institute is primarily an institute of, for and by corporate directors. Its focus is on serving the professional needs of its Associates. It also helps promote corporate governance reforms.

The Institute caters mainly to the professional requirements of its Associates as they start their practice as corporate directors and as they grow, mature and become more fully experienced in their service to corporate boards. It sets standards for the professional practice of corporate directorship. It certifies those who have qualified as Fellows of the Institute. It arranges for and requires continuing education. It stages regular, institutional events that address the changing and dynamic needs of corporate directors.

It provides orientation and training in all aspects of the practice of corporate directorship. Its training program includes the knowledge, skills and values demanded by modern corporate governance. It extends to corporate ethics, an appropriate corporate culture and strategic issues highlighted by responsible citizenship.

The Institute may also assist, if called upon, in the formulation and implementation of corporate governance improvement programs in specific boards where its Associates serve.

It subscribes to quality in all aspects of its service to its Associates. As an independent and autonomous institute, it is open to working with others in the pursuit of systemic corporate governance reforms . . .

### I. Vision

To professionalize the practice of directorship . . . . The underlying premise is that professional directors maximize the leadership contribution of boards to corporations, thereby positioning the company for better performance. As companies do well, wealth is created, the national economic and social well being is ensured, and eventually poverty is alleviated.

All of these shall be undertaken with the highest standards of ethics and corporate governance as well as with utmost integrity and social responsibility.

## II. Objective

The key objective is to establish and efficiently operate a professional organization for directors . . .

## III. Key Roles

To be able to achieve the objective, the following are the key roles that the Institute must fulfill:

- a. To represent . . . director interests both domestically and internationally;
- b. To conduct research and advocate policies on director related issues;
- c. To promote excellence in director performance through quality education and professional development programs for . . . directors;
- d. To provide relevant and up-to-date information on director-related issues;
- e. To attract quality associates and maintaining their loyalty and sustaining their enthusiasm;
- f. To encourage codes of conduct and ethics;
- g. To forge strategic alliances with key organizations;
- h. To collaborate with key reputational agents that have a role to play in modernizing corporate governance practices in the country.

## IV. Core Activities

The following are [the Institute's] main activities:

### *Associates Program*

The Institute invites to enroll as Associates all the Directors and Board[s] of Directors [that have] taken the Orientation Seminar on Corporate

Governance. The invitation is open also to high ranking corporate officers with a commitment to improved corporate governance practices. In addition, others who belong to important professional groups with a key role to play in improving corporate governance—such as business reporters, auditors, financial analysts, etc.—may also become Associates . . .

### *Training Program*

[The Institute] offers an Orientation Seminar on Corporate Governance to corporate directors. It offers the same seminar to other professionals who serve as key reputational agents for corporate governance.

Specialized courses on Audit Committees, Risk Management Committees, Governance Committees, and Financial Issues (Financial Numeracy) for Directors are also on offer. In addition to these the Core Course on Corporate Directorship is being developed and will be offered in the second quarter of 2004. . .

### *Certification Program*

The Institute has initiated a certification program in corporate governance. . .

The Institute's certification program is open mainly to corporate directors. It is open as well to other professionals belonging to groups that play a key role as reputational agents for modern corporate governance.

The groups include, among others, journalists, auditors, financial analysts, corporate lawyers, corporate secretaries, and judges in specialized courts.

The main aim of the program is to professionalize the practice of corporate directorship.

The program includes the following main components:

- a. An Orientation Seminar, which provides a general introduction and initial exposure to the field of professional directorship and modern corporate governance.
- b. A Core Course, a 3-module course that focuses on the role of the board and the key issues they face. Each module lasts a day and a half.
- c. Pre-qualification for Fellowship, which includes submission of a successful initiative in corporate governance improvement.
- d. A positive result of an interview to determine commitment to professional ethics and continuing education.

Those who attend any of the orientation or special courses will be invited to be an Institute Associate. For those who succeed in completing the requirements of all four components of the program are given Institute certification as Professional Directors and invited to become Institute Fellows. . . .

#### *Advocacy for Policy Reform*

In close cooperation with other reform-oriented groups, and with government agencies as well as with business and other civil society organizations, the Institute contributes to the formulation and pursuit of a Corporate Governance Reform Agenda. . . .

#### *Research, Consultancy and International Networking*

Together with its partner institutes, the Institute is active in promoting research and developing training materials for corporate directors and other professionals committed to the practice of modern corporate governance. The Institute organizes

Directors' Forums, Roundtables, and Regional Videoconferences and Annual Conferences to keep its Associates and Fellows up-to-date with regional and global trends and best practices of corporate governance.

Together with its partners, the Institute extends assistance to banks and other corporations with a corporate governance improvement program.

## **V. Business Strategy**

### *Positioning Statement*

The Institute positions itself as the pre-eminent professional organization of Corporate Directors in the country.

Its core business is to attract associates, keep them, and serve them and specifically their professional needs as corporate directors as best as possible. It likewise helps promote corporate governance reform. . . .

It is an organization with an independent governance structure and is working towards being the opinion leader on director issues and governance trends.

### *Key Service Attributes*

The Institute's Associates services shall be delivered in the most professional manner observing highest standards of quality.

Its training programs as well as its reform and advocacy efforts shall demonstrate intellectual credibility and independence. The content of such efforts must be very relevant and as much as possible, leading edge. However, there should also be a conscious effort to "contextualize" the issues to make it more applicable locally, thereby making it realistic for those concerned.

### *Intellectual Leadership in Directorship and Corporate Governance Issues*

Central [to the] strategy is for the Institute to establish itself as the intellectual leader in directorship and modern corporate governance issues. As such, it shall have a strong and globally benchmarked research and development capability.

Complementing this would be a solid, well trained and highly competent set of facilitators who are fully committed to the Institute and its training programs. These facilitators should not only be technically competent and experienced. They also have to be highly motivated and trained. They are expected to be familiar with basic concepts of adult education and shall be able to effectively handle and facilitate training sessions.

#### *a. Research and Case Development*

The Institute is working towards building its own research capability that will primarily develop various curricula, training programs, case studies, codes of conduct for directors, technical papers, publications, and other teaching materials and related policy briefs. . . .

#### *b. Faculty Development*

[The] faculty pool shall be a mix of those from the academe and actual practicing directors who are experts in their respective fields. Although dominated by the latter, the pool will be of a caliber that will maintain high-quality training. To further complement in house faculty development and to keep abreast of the latest international developments in directorship skills and corporate governance, the Institute will continue to coordinate and forge agreements with multilateral agencies such as the World Bank, AusAID, and USAID.

The objective is to get grants/funding for both local and international Faculty Training and Development Programs.

The Institute is working towards having 40 individuals attend a “training the trainers” program in early 2004. . .

### *Information System*

For efficiency and effectiveness, the Institute will require a state of the art information technology infrastructure that would allow it to manage not only its internal and external systems according to best standards.

The IT system should be able to address . . . administrative and financial requirements (i.e., payroll, associates database, etc) but also its training and advocacy needs (i.e., virtual resource center, website, etc).

## **VI. Marketing Strategy**

The primary strategy will be to market the . . . Associates program . . . and the training courses to different sectors (banking, publicly listed, family corporations) focusing on the Top 30 to 40 commercial and industrial groups.

These marketing efforts would be enhanced by the conduct of roundtable discussions and the publication of committee reports on 4-6 issues that are of major interest to directors.

### *CG Orientation Courses*

The Corporate Governance Orientation Programs would aggressively be marketed to publicly listed corporations, insurance companies, pre-need companies and other non-bank companies whose nature of business is imbued with public trust. . . .

Every orientation session would end with a CG self-assessment exercise. [This will] serve as a basis for determining the client's baseline CG practices and monitor its progress. . . .

#### *Specialized Courses*

The specialized courses are initially targeted as a way of making follow-ups to those that had their CG Orientation last year. These special courses would then be opened to the big commercial-industrial groups soon after their directors take the Orientation Seminar. . . .

To enhance and support these specialized courses, [the Institute], in cooperation with [its partner], will organize videoconferences around 4 topics of Audit Committees, Risk Management Committees, Governance Committees, and Financial Issues. Speakers from the National Association of Company Directors (NACD) as well as other experts in the above fields would be invited to participate in the videoconferences.

#### *Boosting the Number of Associates*

For 2003, focus would be on the local [companies]. The Institute President and Executive Director will make personal calls on the principals of each of the [companies] to invite them to enroll their entire boards as Associates of the Institute.

In addition to the personal calls, invitations are being sent to individuals and corporations who have participated in Institute seminars, roundtables, working sessions and open conferences. This is being complemented by the invitations made by friends and pioneering associates of the Institute.

The target number of Associates for the next three years is as shown.

YEAR	NEW	CUMULATIVE
1	200	200
2	200	400
3	400	800

All members are to be encouraged and pressed to take some of the specialized 1-day courses, the more comprehensive and higher-level Corporate Directors Program, as well as other organized activities.

#### *Roundtables*

Experience thus far suggests that roundtables have been a very effective way to generate interest for the Associates program and training courses.

The personal, friendly exposure provided to relatively small groups of corporate directors coming together to listen and respond to presentations of recognized experts on various directorship and governance issues, have proved to be a very effective way to market Institute services.

In this regard, the Institute will seek the assistance of the Global Corporate Governance Forum and World Bank Institute for the production of a set of short videos from top experts in various aspects of corporate governance, and when possible, to bring in experts . . . .

### *Marketing Program*

The marketing program will be integrated as it will include direct mail campaign, a speakers bureau where the President, Executive Director and select Associates will talk before various groups about the Institute and its programs. Brochures, flyers, mailers, marketing presentations will be utilized. The quality of these marketing materials will be excellent. Professional design, artwork and copywriting will be used.

#### *a. Institutional and Marketing Publicity*

The Institute has already launched institutional public relations and a marketing publicity campaign. . . .

#### *b. Website*

The Institute will need to develop and maintain a state of the art, easily accessible and user-friendly inter-active website. Its content will always be relevant and will be constantly updated.

The website will be designed to serve as a major marketing tool for the Institute's Products and Services. It shall be capable of supporting the Institute's training programs and a distance learning or a correspondence training program.

The website will always contain the latest information about the Institutes and its services. It will serve as the medium by which associates can be informed about on-going activities, offerings and other information.

The website shall likewise serve as the gateway to the virtual resource center where relevant information on directorship, corporate governance, and other relevant information would be posted.

## **VII. Publications**

### *Committee Reports*

A Working Committee is tasked to develop the materials for a specific subject and would be involved in the actual delivery of it during a special course. It will be composed of four to five individuals wherein 2 or 3 will come from the Institute, one from a partner institution, and one from a regulator. . . . After which, a Committee, made up of select, high profile individuals with special interest in selected topics, will be asked to pass upon the content and materials developed by the Working Committee. They are expected to suggest any improvements, based on their experience and perspective.

The materials would be continuously improved through additional course offerings and/or regular roundtables where the materials are to be tested and validated. . . .

*For 2003, the special topics are:*

1. Audit Committee
2. Risk Management Committee
3. Governance Committee
4. Financial Issues and Numeracy for Directors
5. Governance Issues for Family Owned Corporations
6. Compensation for Directors

### *Other Publications*

The Institute will likewise issue other publications such as Institute Papers, newsletters, brochures, and leaflets. Some of these may be made available to the general public however; most of them shall be developed primarily for Institute Associates & Fellows and key business and regulatory groups. . . .

## VII. Human Resources

### a. Management

*President and CEO*

*Adviser for Academic and Policy Affairs*

*Adviser for Administrative/Finance*

*Advisers for Marketing and Institutional Relationships*

1. Three prominent business individuals will be helping the Institute build and nurture relationships with its different client groups. . . .

Together with the President and Executive Director, they are expected to help manage the Institute's relationship with key business leaders and organizations. A full-time marketing officer will assist them.

*Executive Director . . .*

*Special Events and Communications Consultant . . .*

### b. Support Staff

To minimize overhead expenses without having to sacrifice on efficiency, the Institute will maintain a lean, but well trained, skilled staff. The staff will be a multi-functioning one.

This group is headed by the Admin and Treasury Officer and shall be composed of the following:

2. IT/MIS Assistant
3. Accountant
4. Administrative Assistant
5. Office Messenger
6. Driver

Whenever additional staff services are needed, part time staff shall be hired for the duration of the need (less than 6 months).

### c. Compensation and Benefits

All employees shall enjoy the basic benefits and privileges as provided for by law.

Advisers are compensated through token amounts given to them as honoraria.

The Board of Directors shall determine compensation and benefits for the President/CEO, the Executive Director and other senior management positions.

## IX. Projected Revenue Structure

In the past, funding was mainly from the founder's contribution (time, expertise, name, and money), volunteer contributions and commitments from associates, as well as from grants, and in 2002 from training services.

As an Associates-based institute, the Institute shall gradually move towards getting annual fees from its associates. After 3 years, membership fees are envisioned to cover some 40% of the operating budget. . . .

Training would continue to be an important source of support. Over time, training revenue shall cover some 40% of the Institute's operating budget.

The special events being staged were either "break-even" or have become sources of grants and special contributions from donors and supporting institutions and foundations. They are expected to continue to yield some income streams. But over time, the net contribution from events to cover the operating budget would eventually come down to 10%.

The special services such as tutorials and consultancies, are expected to, over time, contribute to cover at least 10% of operating expenses. . . .

*[The plan then spells out specific targets, including increasing the number of associates and expanding the reach of its training programs.]*



## ANNEX 3. PEST AND SWOT ANALYSES

A PEST analysis is a tool for analyzing the market that focuses on four broad factors:

- Political factors (P), including formal laws and regulations such as company law, securities regulations, and listing rules, and informal factors such as political demand for corporate accountability.
- Economic factors (E) that affect the purchasing power of the potential beneficiaries and/or members and cost of providing training programs and other activities. These factors include such issues as economic growth and inflation and interest rates.
- Social factors (S) affecting the number and needs of the potential beneficiaries and/or members, such as changing attitudes about the importance of good corporate governance and the need for professional development of directors.
- Technological factors (T), such as the information technologies enabling training through distance learning programs.
- Weaknesses (W) are defined as the absence of specific strengths, such as lack of funding or lack of qualified trainers.
- Opportunities (O) are potentially new areas for growth, such as a new regulation affecting corporate financial reporting or a growing demand for skilled nonexecutive directors.
- Threats (T) are outside changes that could negatively affect growth, such as director complacency about professional development.

The broadly based PEST analysis can then be combined with more specific information about the internal strengths and weaknesses and the opportunities and threats in the marketplace. This analysis is called a SWOT analysis.

- Strengths (S) are the resources and capabilities that can give a competitive advantage, including reputation, expertise, knowledge, and influence in the world of corporate governance.

## ANNEX 4. SOURCES OF START-UP FUNDING

## SOME ORGANIZATIONS THAT PROVIDE GRANTS AND TECHNICAL ASSISTANCE TO FOSTER PRIVATE SECTOR DEVELOPMENT

ORGANIZATION	WEBSITE
AFD (France)	<a href="http://www.afd.fr">www.afd.fr</a>
Africa Capacity Building Foundation	<a href="http://www.acbf-pact.org">www.acbf-pact.org</a>
Asian Development Bank	<a href="http://www.adb.org">www.adb.org</a>
AusAID (Australia)	<a href="http://www.usaid.gov.au">www.usaid.gov.au</a>
CIDA (Canada)	<a href="http://www.acdi-cida.gc.ca">www.acdi-cida.gc.ca</a>
CIPE	<a href="http://www.cipe.org">www.cipe.org</a>
Commonwealth Secretariat	<a href="http://www.thecommonwealth.org">www.thecommonwealth.org</a>
DEZA/SDC (Switzerland)	<a href="http://www.sdc.admin.ch">www.sdc.admin.ch</a>
DFID (UK)	<a href="http://www.dfid.gov.uk">www.dfid.gov.uk</a>
EBRD (European Bank for Reconstruction and Development)	<a href="http://www.ebrd.org">www.ebrd.org</a>
European Commission	<a href="http://www.europa.eu.int/comm/index_en.htm">www.europa.eu.int/comm/index_en.htm</a>
FIRST Initiative	<a href="http://www.Firstinitiative.org">www.Firstinitiative.org</a>
Ford Foundation	<a href="http://www.fordfound.org">www.fordfound.org</a>
Global Corporate Governance Forum	<a href="http://www.gcgf.org">www.gcgf.org</a>
GTZ (Germany)	<a href="http://www.gtz.de/english">www.gtz.de/english</a>
Inter-American Development Bank	<a href="http://www.iadb.org">www.iadb.org</a>
International Finance Corporation	<a href="http://www.ifc.org">www.ifc.org</a>
Islamic Development Bank	<a href="http://www.isdb.org">www.isdb.org</a>
LUX-DEVELOPMENT (Luxembourg)	<a href="http://www.lux-development.lu">www.lux-development.lu</a>
NDA (South Africa)	<a href="http://www.nda.org.za">www.nda.org.za</a>
SIDA (Sweden)	<a href="http://www.sida.se">www.sida.se</a>
SNV (Netherlands)	<a href="http://www.snvworld.org">www.snvworld.org</a>
USAID (USA)	<a href="http://www.usaid.gov">www.usaid.gov</a>
World Bank	<a href="http://www.worldbank.org">www.worldbank.org</a>
To search for other organizations, see	<a href="http://www.idealists.org">www.idealists.org</a>

## ANNEX 5. A DONOR GRANT PROGRAM

*The following release from the Center for International Private Enterprise explains how an organization that trains directors can apply for a grant.*

CIPE's mission is to build democracy around the world through the promotion of private enterprise and market-oriented reform

Corporate governance is one of the core areas of interest for CIPE as part of both its support grants and technical assistance to business associations and think tanks in developing countries. Established in 1983 as an affiliate of the U.S. Chamber of Commerce, CIPE is supported by the National Endowment for Democracy (NED), with additional support from the U.S. Agency for International Development (USAID) and private foundations. With roots in the global business community, CIPE takes a distinctly "business-approach" to its activities, which distinguishes it from other development organizations.

CIPE's expertise in corporate governance reform has aided in the success of such programs such as: the Russian Institute for Directors (RID), the Strategic Alliance of Business Associations (SABA) in Romania, the Bulgarian Corporate Governance Initiative, the Center for Corporate Governance in Kenya, the Colombian Confederation of Chambers of Commerce (CONFECAMERAS), and most recently, the Association of Development Finance Institutions in Asia and the Pacific (ADFIAP).... CIPE's grants assistance, these and other programs have been able to further corporate governance initiatives in their respective regions. Further information on these and other programs can be found at [www.cipe.org](http://www.cipe.org).

How can my organization apply for a grant?

CIPE awards grants to organizations that will advance the development of corporate governance in developing countries through policy advocacy, business services, and educational programs. CIPE grants normally range from \$30,000 to \$70,000, based on program goals. Proposals must demonstrate specific project goals and objectives rather than for operating support or research.

CIPE's grants program provides both management assistance and practical experience. Potential applicants are urged to submit a brief concept paper explaining the proposed project before a complete proposal is prepared. When preparing formal proposals, applicants should review the criteria described in the grant guidelines available on CIPE's website, [www.cipe.org](http://www.cipe.org), and carefully follow the format. While a grant award is based on a number of criteria, applicants must include matching funds from their own budget or other sources of revenue or provide a compelling reason why this criterion should be waived....

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### Peer Review Group

To develop this toolkit and gather lessons learned from developing and developed countries alike, the Global Corporate Governance Forum invited representatives from director training organizations from various regions of the world to share their experiences and discuss milestones and challenges in building director training organizations. The Forum would especially like to thank the following people for their contribution to this toolkit by providing materials, examples, and extensive comments on building director training organizations:

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## MODULE 2

*Structuring*

# TOOLKIT 1

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# TOOLKIT 1

*Building*

*Director Training*

*Organizations*



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## MODULE 2

*Structuring*



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## Structuring

The structure and bylaws that a director training organization establishes for itself will depend largely on its goals, its legal status, the country's legal requirements, and whether it will be a membership organization. The examples presented in this module will provide guidance for organizations that are starting up or for established organizations seeking to refine their governing structures.

### WHAT YOU WILL FIND IN THIS MODULE

This module discusses the main steps in setting up and developing the structure of the organization. The structure includes the governing body (the board of directors) and the management team that will direct operations aimed at fulfilling the organization's mission.

This module also provides guidance on drafting the organization's major bylaws, including the charter (constitution) and other documents stating the rules and principles under which the organization will operate.

This module reviews:

- The duties and responsibilities of the governing body of the organization
- The key positions on the governing body or board
- The key staff positions
- The elements of the organization's charter (constitution)
- How to draft a code of ethics and a code of conduct

## GLOSSARY

## TERMS COMMONLY USED IN ORGANIZATIONAL STRUCTURES

GOVERNING BODY	Structure chosen to govern the affairs of the organization. Unless the organization is set up as a trust fund or is an affiliate of an established organization, the governing body is usually called a board. The board is composed of directors, sometimes called board members. Depending on the legal framework in which the organization operates, the board may be set up as a unitary board or as a two-tier board.
CHARTER	The charter, constitution, or prospectus is the organization's main founding document and sets forth the organization's legal status, mission statement, goals, and organizational structure.
CHIEF EXECUTIVE OFFICER	In every organization there is at least one person who leads staff and is responsible for overseeing operations; someone who is generally known as the president, executive director, chief administrator, general manager, or chief executive officer. Working closely with the governing body (generally the board of directors) and advisory groups, the chief executive officer is responsible for carrying out the strategic plans and policies of the organization.
EXECUTIVE DIRECTORS	Board members who are part of the organization's staff and actively participate in the management of the organization, such as the chief executive officer, the chief financial officer (finance director), or the general counsel (secretary).
NONEXECUTIVE DIRECTORS	Board members who are not part of the organization's staff and are not involved in its day-to-day administration. Nonexecutive directors are also referred to as "independent" directors or "outside" directors.

## ESTABLISHING THE GOVERNING BODY

Once the organization has been registered according to established local procedure and basic funding has been secured, the founders of the organization are likely to establish the governing body—in most cases, a board of directors. In both the start-up and operational phases, the governing body contributes to setting the direction in which the organization should be heading and to planning how to get there. The governing body also plays an essential part in monitoring the organization's performance, safeguarding its reputation, and making sure it meets its goals. For many not-for-profit organizations, board members are often called upon to raise funds, increase public visibility, and recruit members.

*For information on the first steps in starting up a director training organization, see MODULE 1, STARTING.*

### **Best practice**

The legal requirements on how to set up the organization's governing structure vary from country to country and depend on the type of organization set up. In most cases, a director training organization will have a board of directors. In some cases—if the organization is set up as a unit of a bigger organization such as a stock exchange, or is established as a partnership or a trust, for example—it will have a different governance structure. Whatever form the governing body takes, following established best practice may help ensure the successful strategic guidance of the organization. The best practice principles of a well-functioning governing body remain effectiveness, accountability, and transparency:

- **Effectiveness.** The board exercises leadership, enterprise, and judgment, combined with prudent control in directing the organization so as to ensure its long-term sustainability. The board must always attempt to act in the best interests of the organization as a whole.
- **Accountability.** The board is accountable to its funding partners (and members, when relevant) while taking into account the interests of all interested parties. It should act in compliance with all applicable laws. Board members must be aware of their legal duties and liabilities. Moreover, because the mission of a director training organization is to improve corporate governance practices as a whole, directors should take care that their conduct reaches the highest standards of integrity. They should act in good faith, on a fully informed basis, and in the best interests of the organization as a whole.

## THINKING POINT

*What guiding principles  
will make the governing body of  
your organization effective?  
Transparent? Accountable?*

- *Transparency.* There should be sufficient transparency regarding the activities of the board to secure confidence and trust in the organization. The board is responsible for communicating fully with funding partners, members (if applicable) and relevant stakeholders such as staff members.

The governing body or board of a director training organization should also be aware of its legal duties and liabilities. These will vary from country to country.

The governing body should meet on a regular basis, usually three to six times a year. However the governing body of a start-up organization may want to meet more frequently to help get the organization on track. The governing body's primary responsibilities and duties include:

- Establishing the organization's vision, mission, and values
- Providing strategic guidance by setting performance goals, assessing risk, and reviewing annual budgets and business plans
- Monitoring the organization's performance
- Monitoring the quality of the organization's activities and services
- Identifying and replacing key staff when necessary
- Ensuring the integrity of the organization's accounting and reporting systems
- Appointing an independent auditor
- Ensuring a formal and transparent board nomination process
- Reviewing the remuneration of key staff, as well as board members, if applicable
- Managing and disclosing potential conflicts of interest of management, board members, funding partners, and other stakeholders
- Convening the annual general meeting

It is also essential that the members or representatives of the governing body help:

- Raise funds
- Raise awareness
- Strengthen the organization's reputation
- Support membership growth
- Represent the interests of the organization's members and stakeholders
- Support the organization's standards and policy perspectives

## THE ANNUAL GENERAL MEETING

At the annual general meeting, funding partners and or members of the organization typically:

- Review the annual report including the organization's financial and nonfinancial statements (see MODULE 5: MONITORING)
- Appoint or reappoint the independent auditor for the ensuing year
- Elect or reelect members of the governing body
- Review the performance of the organization
- Discuss any other matter on the agenda

Funding partners and or members should be given ample notice of the date of the annual meeting and the topics that it will cover.

Typically, the organization sends funding partners and or members notice at least 21 days before the meeting. They should be allowed to propose items to be discussed on the agenda and have the governing body or board respond to their questions. *(A sample notice for an annual general meeting of a membership organization is provided in annex 1.)*

### *Assembling the governing body*

The size of the governing body or board should not be so large as to be unwieldy nor so small as to lack independence or perspective. Some director training organizations find that a board of seven to fifteen members works well. Board members often serve two three-year terms. In some cases, an organization might want to invite a board member to serve beyond the stated term limit. In such cases, these board members are generally reelected annually.

To fulfill its duties effectively, the governing body not only needs access to accurate and relevant information about the organization's performance; it must also be able to exercise independent judgement about whether management and staff members are developing the organization to its full potential.

It is therefore important that the founders of the organization provide for the appointment of board members that are not part of the organization's staff or involved in its day-to-day administration. As opposed to executive directors or managers who are part of the organization's staff and actively participate in the management of the organization, these nonexecutive directors or board members

## THINKING POINT

*What sort of expertise do you need from your nonexecutive board members?*

may be better able to evaluate whether the organization is taking the proper actions to meet its goals and maintain high standards of conduct.

Nonexecutive directors should have no conflicts of interest with the organization or its business, and they should be committed to the organization's objectives. It is common best practice that no more than one person from the same outside organization be named to the board. They may be selected among funding partners or come from outside the organization. Membership organizations typically select their nonexecutive directors among their membership base. Individuals are often invited to sit on the governing body of the organization because of their special expertise or reputation in some area of importance to the organization, such as financial affairs, strategic planning, corporate governance issues, or curriculum development.

Members of the governing body with the following professional qualities are likely to be most helpful in leading the organization toward its long-range goals:

- Sound judgment with a tested competence and track record
- An enquiring mind to question intelligently, debate constructively, challenge rigorously, and decide dispassionately
- Ability to provide advice and counseling to the board in their individual areas of expertise
- Solution-oriented, addressing issues in a pro-active manner
- Ability to devote sufficient time to duties
- Commitment to the mission and goals of the organization
- A good understanding of corporate governance issues
- A role model for members or directors generally

## COMPOSING THE GOVERNING BODY

**The ideal board should:**

- Bring together the stakeholders supporting the organization
- Be composed of high-profile directors with integrity and commitment to the organization's objectives
- Have members with no conflicts of interests
- Include executive and nonexecutive members
- Ensure that the interests of all beneficiaries and or members of the organization are fairly represented
- Ensure the overall independence of the organization to allow it to fulfill its objectives

Most start-up organizations will be unable to compensate members of its governing body for their contribution to the development of the organization as most of the organization's funds will be needed for operational costs and developing its activities. In most cases board members see their contributions to the mission and goals of a director training organization as important and prestigious and readily offer their time on a voluntary basis. Members of the governing body representing funding partners may in some cases be compensated by those funding partners.

EXAMPLES

## EXAMPLES OF GOVERNING STRUCTURES

### BRAZIL

The board of the Brazilian Institute of Corporate Governance consists of nine members who all work on a voluntary basis. The board normally meets six times a year and can meet more often if circumstances require. The board meets initially in executive session, without any members of management being present, so that management performance can be reviewed. The CEO and often the corporate secretary and treasurer usually attend the rest of the meeting, which usually lasts for three hours. The board chairman later reports to the managers individually on the discussions held in executive session.

### KENYA

The board of the Centre for Corporate Governance in Kenya is composed of 11 nonexecutive directors and 1 executive director, who is the chief executive officer of the center. The chairman of the board is a nonexecutive director. Other nonexecutive directors include an accountant, attorneys, business executives, a government representative, and a trade union representative.

*Continued next page*

## EXAMPLES OF GOVERNING STRUCTURES (CONT.)

### NEW ZEALAND

The National Council (Board) of the Institute of Directors, New Zealand consists of a nonexecutive president, a nonexecutive vice president, and seven nonexecutive members. All nine members of the council are members of the institute and do not receive any remuneration for their services to the institute. The president carries out a leadership role in the conduct of the council and its relations with members and other stakeholders. The president maintains a close professional relationship with the chief executive officer and the management team. The institute's constitution governs procedures for the operation of the national council, including the election of council members.

### TURKEY

The Corporate Governance Forum of Turkey has a two-tier board structure. The first tier is an executive board consisting of three members. One member is the executive director of the forum, who is employed on a full-time basis. The two other members are nominated by the two founders of the forum (Sabanci University and the Turkish Industrialists' and Businessmen's Association, or TUSIAD). These two members do not have management roles in the forum. Their role is to advise and support the executive director in executing the annual plan and to facilitate organizational support from the two founding organizations.

The second tier is called the supervisory board. A self-regulating board, it is composed of the presidents of the two founding organizations and the two representatives they nominate for the executive board. The two presidents together name an independent chairman (who is not affiliated with the founding organizations). The executive director of the forum serves as the secretary of the supervisory board. The supervisory board can have up to 11 members. However, there must always be an equal number of academic and business representatives. There is no vice chairman.



## THINKING POINT

*Who should be eligible to be chairman? How should the chairman be selected?*

### *Filling key positions*

In setting up the governing body of the organization, the founders of the organization should provide as soon as possible for the following five key positions:

- Chairman
- Chief executive officer of the organization
- Vice chairman
- Treasurer
- Secretary

### *Chairman of the board*

In most organizations, the chairman of the governing body or board is typically elected from among the nonexecutive members of the board for a specific term (often three years). Although the chief executive officer may serve on the board, it is considered best practice that he or she not serve as chairman. This will help preserve the independence of the board and avoid vesting too much power and authority in one person. In the case of start ups, the chief executive officer nevertheless often serves as chairman of the board, and that is also typically the pattern in nonprofit organizations.

The role of the chairman of the board is to:

- Ensure that the role and powers of the board are clear and well understood.
- Lead the board in setting the organization's values and strategy.
- Lead the board in making major decisions affecting the organization.
- Chair all meetings of the board, allowing sufficient time for full discussion of complex or contentious issues.
- Ensure that the board operates effectively in all aspects of its role and does not micromanage the senior management team.
- Publicly represent the organization (together with the chief executive) and ensure that the views, advice, and opinions expressed in public by any person on behalf of the organization do not conflict with those of the organization.
- Ensure (with the assistance of the chief executive and secretary) that all directors receive accurate, timely, appropriate, and clear information, including agendas for board meetings.
- Promote effective communication between executive and nonexecutive directors, both at board meetings and at other times.

## THINKING POINT

*What skills and expertise  
are you seeking in a chief  
executive?*

- Monitor the composition and structure of the board by regularly reviewing items such as the overall size of the board, the balance between executive and nonexecutive directors, and the balance between age, experience, skills, and personality of the directors. If the composition and structure are inappropriate, the chairman is responsible for initiating necessary change.
- Initiate regular reviews of the board's performance. (*Guidance on evaluating the performance of a board is given in annex 2.*)
- Establish a program of induction for new board members.
- Encourage board members to seek continuing professional development.
- Ensure that all board committees that have been established operate effectively.

### Chief executive officer

The chief executive officer manages the organization and is responsible for seeing that the decisions made by the board are properly and effectively implemented. The key role of the chief executive is to take the lead in putting the long-term strategy of the organization into operation. This involves:

- Developing strategic operating plans that reflect the longer-term objectives and priorities established by the board and ensuring that these are appropriately delegated to the executive directors or other members of the senior management team.
- Maintaining an on-going dialogue with the chairman of the board about the goals and performance of the organization.
- Ensuring that the operating objectives and standards of performance are understood and accepted by the management and other employees.
- Closely monitoring the operating and financial results against plans and budgets.
- Taking remedial action where necessary and informing the board of significant changes.
- Recruiting, developing, and maintaining a strong executive team.

### *Vice chairman*

The duty of the vice chairman is to act in the absence of the chairman (that is, when the chairman is not able to attend a meeting for some reason such as sickness or travel). In a well-operated board, the vice chairman does not automatically progress to the chairmanship. Instead, some months before the chairman's terms is due to expire, the board (or the nomination committee if one has been set up) should propose a successor to the chairman (and obtain such prospective successor's consent). This procedure upholds the democratic process and avoids the embarrassment of feeling obliged to appoint a predetermined candidate when a more qualified candidate might be available. (However, a director training organization might consider that the vice chairman position, while not providing automatic progression, provides a good training ground for the next chairman.) Ideally, an outgoing chairman mentors the successor in the last few months before leaving office.

### *Treasurer*

The treasurer is responsible for ensuring that the accounts and financial records of the organization are properly maintained and that its assets are prudently managed. The treasurer is typically a nonexecutive director and should have appropriate accounting qualifications as well as experience in financial affairs. As the organization grows, it is likely to hire an executive finance director to take over these functions. If the board retains the position of a nonexecutive treasurer, that director would act as an advisor to the finance director and typically head the audit committee.

### *Secretary*

The secretary is responsible for ensuring that the board follows appropriate procedures and that the organization complies with all applicable statutes and regulations. The secretary's primary task is to serve the board and the organization by advising on and managing internal legal issues. He or she convenes board meetings in accordance with applicable regulations and ensures that minutes and a record of attendance are kept.

### ***Refining the board's structure***

As the organization matures and increases in size, its governing structure is likely to be refined. For example, the board may decide to establish committees to monitor specific activities. Or it might decide to create an advisory council.

## THINKING POINT

*What committees might be of greatest help to your board?*

### Board committees

Like most larger organizations, an organization that trains directors might want to set up nomination and audit committees. Given the specific mission of a director training organization, the board should also consider setting up committees on:

- Training activities or professional development, to oversee the existing programs and curriculum and guide necessary changes. This committee would be responsible for monitoring all aspects of developing and updating the curriculum, ensuring that each course meets the established criteria and that the course leaders are well qualified. If the organization certifies course participants, the committee should monitor this program and any complaints and appeals procedures associated with certifications and the training program in general.
- Membership, to monitor and develop the membership strategy.
- Corporate governance, to stay abreast of developments in this field.

The board may want to set up committees on any number of other subjects, including remunerations and communications. Even if the organization is not yet in a situation to establish such committees, it may consider having all of these specific issues as regular items of the board's agenda.

As a matter of good governance, the duties and responsibilities of each committee should be clearly defined. Other matters, such as the number of committee members, the designation of specific board members as committee members, and the number of committee members required for a quorum, should also be spelled out. Ideally, the membership of every committee should be reviewed annually. (*Summaries of the principal duties of nominations and audit committees are provided in annex 4.*)

## EXAMPLES

### BOARD COMMITTEES: SOUTH AFRICA

The board of the Institute of Directors in Southern Africa has the following committees:

- Executive Committee—Board of Directors
- Finance, Audit, Risk, and Remuneration
- Nomination
- Membership, Public Relations, Publications, and Networking
- Integrated Sustainability—Safety, Health and Environment
- Corporate Governance
- Director Development

## THINKING POINT

*What are the specific job and personal qualities you are looking for in your senior management team?*

### *Advisory council*

A director training organization may also want to set up an advisory council (or panel) in order to raise its profile among relevant stakeholders and benefit from the advice of various experts. Unlike the board, the council does not monitor the organization and has no power of decision. Its role is to support the general goals of the organization, advise the board on strategic issues, and help the organization establish its reputation.

The council is responsible for:

- Advising the board on any changes to the organization's constitution (or other governing document).
- Introducing key contacts and "opening doors" in support of the organization's development.
- Promoting the interests of the organization and acting as ambassadors for it.
- Advising on any matter which, in the opinion of the board, will have a material effect on the nature or development of the organization.
- Acting as a consulting body to the board as required.

### SELECTING SENIOR STAFF

As mentioned earlier in this module, the organization's first hiring priority is the chief executive officer, who will manage the overall day-to-day operations of the organization. Following are brief descriptions of some of the other senior positions that a director training organization might want to fill quickly. An organization that is just starting up may not be able to fund all of these positions immediately and may therefore need to ask some managers to work on a part-time basis or to take on more than one function (*see annex 3 for a sample job description and personal specification form*).

### *Head of training activities*

The head of training activities is a key position for an organization whose primary function is training directors. The head of professional development or training program director organizes a range of training courses, professional development programs, and services for directors, including standards, certification, and accreditation. This person is also in charge of developing the curriculum, collecting relevant training materials, and managing the team of trainers.

### *Accounting*

One of the first positions the organization will need to fill is that of accountant, even if the person hired does not work full time or performs others task. Once the organization is well established, it will most likely set up a financial department.

### *Public relations officer*

The public relations officer is responsible for raising the profile of the organization not only within the business community, but also with the news media and among opinion leaders both inside and outside government. A start-up organization typically cannot afford to hire a public relations officer. The chief executive officer and the chairman of the board are well situated to take on the public relations functions.

### *Head of events*

The head of events manages the conferences, meetings, and other events that the organization hosts for its members and/or stakeholders. This person also manages the organization's facilities and arranges for any meeting room rental and catering the organization might require in connection with its events or as a service to members and/or stakeholders.

Once the organization is up and running, it may also want to appoint a marketing manager, a policy and research director, a human resources director, and a manager in charge of membership to help the organization in the recruitment and retention of members and the development of member benefits and services. Until the organization is able to hire people for these positions, the functions should be covered by the chief executive officer, who may want to delegate some duties to existing staff.

## EXAMPLES

### **STAFFING THE ORGANIZATION: THE BRAZILIAN EXPERIENCE**

“During the first two years there was no staff. The chairman/chief executive officer, the treasurer and the corporate secretary, all on a voluntary basis, handled all the administrative work using any available volunteer or even family members. In 1997 a student was employed for office work consisting primarily of handling the courses, telephone calls, correspondence, the registration of members and the preparation of accounting documents. In 1999 an additional person was employed to handle the logistics related to the monthly events, courses, seminars and the annual congress. The financial success of the Brazilian Institute of Corporate Governance is the result of close cost control and a lot of voluntary work.”

Bengt Hallqvist, *Private Institute for Corporate Governance: The Brazilian Experience*

## DEVELOPING THE ORGANIZATION'S CHARTER

The charter or constitution is the principal document guiding the organization's operation. The charter typically provides a structure for the effective and efficient management of the organization. It sets out clear lines of responsibility and timely decisionmaking, ensures that the interests of funding partners, members, and other stakeholders will be properly represented, and provides clear accountability for serving those interests. The table on this page lists the items that can be included in a charter. *(An example of a charter of a start-up organization is given in annex 5.)*

ELEMENTS OF A CHARTER	
TOPIC	ELEMENT
OBJECTIVES	<ul style="list-style-type: none"> <li>• An objectives clause</li> </ul>
MEETINGS	<ul style="list-style-type: none"> <li>• Notice periods of general meetings</li> <li>• Definition of a quorum</li> <li>• Role and powers of the chairman</li> <li>• Who may attend meetings</li> <li>• Who may vote at meetings</li> <li>• Appointment of an individual to maintain the minutes</li> <li>• Rights to inspect minutes of meetings</li> </ul>
GOVERNING BODY	<ul style="list-style-type: none"> <li>• Structure of the governing body</li> <li>• Powers and responsibilities (including duties and liabilities) of directors or board members</li> <li>• Composition of the board</li> <li>• Number of directors or board members (minimum / maximum)</li> <li>• Appointment procedures</li> <li>• Retirement procedures (if applicable)</li> <li>• Disqualification and removal procedures</li> <li>• Remuneration procedures (if applicable)</li> <li>• Expense account procedures</li> <li>• Declaration of the interests of directors or board members</li> </ul>
MEMBERS (IF APPLICABLE)	<ul style="list-style-type: none"> <li>• Definition and categories of members</li> <li>• Membership fees</li> </ul>
ACCOUNTS	<ul style="list-style-type: none"> <li>• Who maintains the accounts</li> <li>• Rights to inspect the accounts</li> <li>• Annual report dissemination processes</li> <li>• Who receives the annual report</li> </ul>
AUDIT	<ul style="list-style-type: none"> <li>• Audit procedures</li> <li>• Appointment of external auditor</li> </ul>
PROFITS/SURPLUS	<ul style="list-style-type: none"> <li>• Profit/surplus distribution process (if applicable)</li> </ul>
WINDING-UP PROCEDURES	<ul style="list-style-type: none"> <li>• Procedures for closing down the organization</li> </ul>

## THINKING POINT

*What key values should the code of ethics uphold?*

### DEVELOPING A CODE OF ETHICS AND A CODE OF CONDUCT

To foster best practices, it is especially important for director training organizations, and nonprofit organizations generally, to develop a code of ethics. The board (with the support of the advisory council, if applicable) should develop a code of ethics for the organization's management and staff. The code of ethics shapes and reflects the organization's culture, describing the core values that should guide personal decisionmaking consistent with the organization's stated principles and values. The code of ethics goes beyond legal compliance to capture the spirit of the law and focus attention on the values and principles implicit in all the organization's policies.

A code of ethics may address issues such as gifts and entertainment, bribery and corruption, conflicts of interest, confidential information, and use of the organization's assets, for example.

There are many ways to develop a code of ethics. Whatever method is chosen, it is essential that input be solicited from the entire staff of the organization, from the chief executive on down. Staff members who are given a stake in developing the code are more likely to commit to following it in their work lives.

Following are the key steps in developing an effective code of ethics:

- *Identify a "champion."* The champion oversees the process of developing the code. Ideally the champion will be a senior manager, preferably the chief executive, to ensure maximum support from the management team.
- *Form a working party.* A working party drafts the code. It begins by identifying key words associated with the organization and its values, such as "integrity," "reliability," or "transparency." These words should be defined in a statement of principles that the organization adheres to in its day-to-day relationships with internal and external stakeholders. The code should also define what constitutes a conflict of interest or an unacceptable gift, for example.
- *Test the draft code.* The draft code should be "tested" internally. Typically, it is discussed with the board to determine if it is appropriate and then discussed with managers and staff.
- *Formally adopt the code.* The code should be formally adopted by the board and ratified by the chief executive officer and/or board chairman. One or both of these two officers also usually writes a preamble explaining the importance of following the code.



- *Publish the code.* The code should be published and disseminated to all board members and all staff. In addition each member of the staff should receive training in the use of the code. It should be published both internally and externally in paper format and on the organization's website, if one is available.
- *Review the code.* From time to time the code should be revisited to ensure its relevance. The board should monitor this feedback process.

Each organization will want to develop its own unique code of ethics reflecting its particular circumstances. *(A sample code of ethics is provided in annex 6. It is offered for guidance.)*

## CODES OF CONDUCT

**A code of ethics can be complemented with a code of conduct. A code of conduct is concerned primarily with the rules by which the organization is managed, as opposed to the organization's values, and seeks to promote compliance with the legal obligations of the organization. It outlines the standards and measurements by which employees or members will be held accountable in observing the stated corporate values and principles. To foster best practices the code should go beyond the basic necessities regulated by law. *(A sample code of conduct for board members is provided in annex 7.)***

## FURTHER READING

Bryson, John M., and Farnum K. Alston. 1999. *Creating and Implementing a Strategic Plan: A Workbook for Public and Nonprofit Organizations*. San Francisco: Jossey-Bass.

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Smith, Robert. 2003. *Audit Committees Combined Code Guidance*. London: Financial Reporting Council.

## ANNEXES

1. Sample notice of an annual general meeting
2. Guidance on evaluating performance of a board of directors
3. Sample job description
4. Principal duties of the nomination and audit committees
5. Sample charter
6. Sample code of ethics
7. Sample code of conduct

## ANNEX 1. SAMPLE NOTICE OF AN ANNUAL GENERAL MEETING

*The following example comes from the Institute of Directors, UK, a membership organization.*

**Notice** is hereby given that the Annual General Meeting of the Institute of Directors will be held at 116 Pall Mall, London SW1 on Wednesday 30 July 2003 at 2.30pm for the following purposes:

- 1 To receive and consider the Report and Accounts for the year ended .....
- 2 To re-elect Members of the Council.

The following members of the Council retire under By Law 24(2) and, being eligible, offer themselves for re-election:

\*  
\*  
\*  
\*

- 3 To re-appoint ..... as auditors for the ensuing year.

### **By Order of the Council**

Date

Address

**Note** *A member entitled to attend and vote at the Annual General Meeting may appoint another member, or alternately may nominate the Chairman of the Meeting, to vote in his or her stead on a poll. A form of proxy is available from the Institute Secretary on request. To be valid the completed proxy form must be received by the Institute Secretary at (address of Institute) not later than 48 hours prior to the time of the Meeting.*

## ANNEX 2. GUIDANCE ON EVALUATING PERFORMANCE OF A BOARD OF DIRECTORS

*This guidance is taken from Derek Higgs, 2003, Review of the Role and Effectiveness of Non-executive Directors. London: United Kingdom Department of Trade and Industry ([www.dti.gov.uk/cld/non\\_exec\\_review](http://www.dti.gov.uk/cld/non_exec_review)).*

The board evaluation process should be used constructively as a mechanism to improve board effectiveness, maximise strengths and tackle weaknesses. The results of board evaluation should be shared with the board as a whole, while the results of individual assessments should remain confidential between the chairman and the non-executive director concerned.

The following are some of the questions that should be considered in a performance evaluation. They are, however, by no means definitive or exhaustive and companies will wish to tailor the questions to suit their own needs and circumstances.

The responses to these questions and others should enable boards to assess how they are performing and to identify how certain elements of their performance areas might be improved.

### Performance Evaluation of the Board

- How well has the board performed against any performance objectives that have been set?
- What has been the board's contribution to the testing and development of strategy?
- What has been the board's contribution to ensuring robust and effective risk management?
- Is the composition of the board and its committees appropriate, with the right mix of knowledge and skills to maximise performance in the light of future strategy? Are inside and outside the board relationships working effectively?
- How has the board responded to any problems or crises that have emerged and could or should these have been foreseen?
- Are the matters specifically reserved for the board the right ones?
- How well does the board communicate with the management team, company employees and others? How effectively does it use mechanisms such as the AGM [annual general meeting] and the annual report?
- Is the board as a whole up to date with latest developments in the regulatory environment and the market?
- How effective are the board's committees? (Specific questions on the performance of each committee should be included such as, for example, their role, their composition and their interaction with the board.)

The processes that help underpin the board's effectiveness should also be evaluated e.g.:

- Is appropriate, timely information of the right length and quality provided to the board and is management responsive to requests for clarification or amplification? Does the board provide helpful feedback to management on its requirements?
- Are sufficient board and committee meetings of appropriate length held to enable proper consideration of issues? Is time used effectively?
- Are board procedures conducive to effective performance and flexible enough to deal with all eventualities?

In addition, there are some specific issues relating to the chairman which should be included as part of an evaluation of the board's performance e.g.:

- Is the chairman demonstrating effective leadership of the board?
- Are relationships and communications with shareholders well managed?
- Are relationships and communications within the board constructive?
- Are the processes for setting the agenda working? Do they enable board members to raise issues and concerns?
- Is the company secretary being used appropriately and to maximum value?

#### **Performance Evaluation of the Non-executive Director**

The chairman and other board members should consider the following issues and the individual concerned should also be asked to assess themselves. For each non-executive director:

- How well prepared and informed are they for board meetings and is their meeting attendance satisfactory?
- Do they demonstrate a willingness to devote time and effort to understand the company and its business and a readiness to participate in events outside the boardroom, such as site visits?
- What has been the quality and value of their contributions at board meetings?
- What has been their contribution to development of strategy and to risk management?
- How successfully have they brought their knowledge and experience to bear in the consideration of strategy?
- How effectively have they probed to test information and assumptions? Where necessary, how resolute are they in maintaining their own views and resisting pressure from others?

- How effectively and proactively have they followed up their areas of concern?
- How effective and successful are their relationships with fellow board members, the company secretary and senior management? Does their performance and behaviour engender mutual trust and respect within the board?
- How actively and successfully do they refresh their knowledge and skills and are they up to date with:
  - the latest developments in areas such as corporate governance framework and financial reporting?
  - the industry and market conditions?
- How well do they communicate with fellow board members, senior management and others, for example shareholders? Are they able to present their views convincingly yet diplomatically and do they listen and take on board the views of others?

ANNEX 3. SAMPLE JOB DESCRIPTION

This sample was provided by the Institute of Directors, UK.

JOB TITLE:-	
RESPONSIBLE TO:-	
JOB PURPOSE:-	
MAIN RESPONSIBILITIES:-	
LOCATION:	
RELATIONSHIPS	CONTACTS INCLUDE:-
PERSONAL SPECIFICATION:-	SEE ATTACHED PAGE
EDUCATION/SKILLS	A) . B) . C) . D) . E) . F) . G) . H) .
TERMS AND CONDITIONS	
HOURS	
HOLIDAY	
SALARY	
BENEFITS	

## Personal Specification

The post holder will be required to hold or develop the following competencies:

1. A client focus -
  - ~ To interact with high level clients, both members and non-members.
  - ~ To find out their priorities and needs and to offer solutions and support.
2. Product knowledge -
  - ~ To be able to get to grips quickly with the range of products and services on offer by the IoD.
3. Professionalism -
  - ~ To be punctual and meet deadlines.
  - ~ To act with honesty and integrity at all times with all internal and external relationships.
  - ~ To be thorough and up to date with paperwork and admin.
4. Working relationships -
  - ~ To develop strong and professional relationships with clients, colleagues and suppliers.
  - ~ To develop and maintain helpful and supportive relationships within the department, with other departments and other Institutes and bodies.
  - ~ To establish a network of contacts.
5. Values, beliefs and attitudes -
  - ~ To conduct yourself in a friendly and helpful manner.
  - ~ To demonstrate a sense of humour and build long term relationships which benefit the client.
  - ~ To be able to interact on equal terms with Board level clients.
  - ~ To be tenacious and keep a positive attitude even when the client is consistently unavailable - Directors are busy people!
  - ~ To be concerned only with what can be done, not what can't.
6. To be a team player and to help out when required.
7. To be willing and open to learning new things.



## ANNEX 4. PRINCIPAL DUTIES OF THE NOMINATION AND AUDIT COMMITTEES

### The Nomination Committee

*Following is a summary of the principal duties of the Nomination Committee, taken from Derek Higgs, 2003, Review of the Role and Effectiveness of Non-executive Directors. London: United Kingdom Department of Trade and Industry ([www.dti.gov.uk/cld/non\\_exec\\_review](http://www.dti.gov.uk/cld/non_exec_review)).*

The nomination committee should consist of a majority of independent non-executive directors. It may include the chairman of the board, but should be chaired by an independent non-executive director.

#### Duties

The committee should:

- be responsible for identifying and nominating for the approval of the board, candidates to fill board vacancies as and when they arise;
- before making an appointment, the nomination committee should evaluate the balance of skills, knowledge and experience on the board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment;
- review annually the time required from a non-executive director. Performance evaluation should be used to assess whether the non-executive director is spending enough time to fulfill their duties;
- consider candidates from a wide range of backgrounds and look beyond the “usual suspects”;
- give full consideration to succession planning in the course of its work, taking into account the challenges and opportunities facing the company and what skills and expertise are needed on the board in the future;
- regularly review the structure, size and composition (including the skills, knowledge and experience) of the board and make recommendations to the board with regard to any changes;
- keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;

- make a statement in the annual report about its activities; the process used for appointments and explain if external advice or open advertising has not been used; the membership of the committee, number of committee meetings and attendance of members over the course of the year;
- make publicly available its terms of reference explaining clearly its role and the authority delegated to it by the board; and
- ensure that on appointment to the board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings.

The committee should make recommendations to the board:

- as regards plans for succession for both executive and non-executive directors;
- as regards the re-appointment of any non-executive director at the conclusion of their specified term of office;
- concerning the re-election by shareholders of any director under the retirement by rotation provisions in the company's articles of association;
- concerning any matters relating to the continuation in office of any director at any time; and
- concerning the appointment of any director to executive or other office other than to the positions of chairman and chief executive, the recommendation for which would be considered at a meeting of the board.

## The Audit Committee

*The following is a summary of the principal duties of an audit committee, taken from Robert Smith, 2003, Audit Committees Combined Code Guidance London: Financial Reporting Council ([www.frc.org.uk](http://www.frc.org.uk)).*

### *Constitution*

1. The board hereby resolves to establish a committee of the board to be known as the Audit [and Risk] Committee.

### *Membership*

2. The committee shall be appointed by the board. All members of the committee shall be independent non-executive directors of the company. The committee shall consist of not less than three members. A quorum shall be two members.
3. The chairman of the committee shall be appointed by the board from amongst the independent non-executive directors.

### *Attendance at Meetings*

4. The finance director, head of internal audit and a representative of the external auditors shall attend meetings at the invitation of the committee.
5. The chairman of the board, the CEO and other board members shall attend if invited by the committee.
6. There should be at least one meeting a year, or part thereof, where the external auditors attend without management present.
7. The company secretary shall be secretary of the committee.

### *Frequency of Meetings*

8. Meetings shall be held not less than [three] times a year, and where appropriate should coincide with key dates in the company's financial reporting cycle.

9. External auditors or internal auditors may request a meeting if they consider that one is necessary.

### *Authority*

10. The committee is authorised by the board to:
  - a. investigate any activity within its terms of reference;
  - b. seek any information that it requires from any employee of the company and all employees are directed to co-operate with any request made by the committee; and
  - c. obtain outside legal or independent professional advice and such advisors may attend meetings as necessary.

### *Responsibilities*

11. The responsibilities of the committee shall be:
  - a. to consider the appointment of the external auditor and assess independence of the external auditor, ensuring that key partners are rotated at appropriate intervals.
  - b. to recommend the audit fee to the board and preapprove any fees in respect of non audit services provided by the external auditor and to ensure that the provision of non audit services does not impair the external auditors' independence or objectivity;

- c. to discuss with the external auditor, before the audit commences, the nature and scope of the audit and to review the auditors' quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;
- d. to oversee the process for selecting the external auditor and make appropriate recommendations through the board to the shareholders to consider at the AGM [annual general meeting];
- e. to review the external auditor's management letter and management's response;
- f. to review the internal audit programme and ensure that the internal audit function is adequately resourced and has appropriate standing within the company.
- g. to consider management's response to any major external or internal audit recommendations;
- h. to approve the appointment or dismissal of the head of internal audit;
- i. to review the company's procedures for handling allegations from whistleblowers;
- j. to review management's and the internal auditor's reports on the effectiveness of systems for internal financial control, financial reporting and risk management.
- k. to review, and challenge where necessary, the actions and judgements of management, in relation to the interim and annual financial statements before submission to the board, paying particular attention to:
  - i. critical accounting policies and practices, and any changes in them
  - ii. decisions requiring a major element of judgement
  - iii. the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed
  - iv. the clarity of disclosures
  - v. significant adjustments resulting from the audit
  - vi. the going concern assumption
  - vii. compliance with accounting standards
  - viii. compliance with stock exchange and other legal requirements
  - ix. reviewing the company's statement on internal control systems prior to endorsement by the board and to review the policies and process for identifying and assessing business risks and the management of those risks by the company; and
- l. to consider other topics, as defined by the board.

#### *Reporting Procedures*

- 12. The secretary shall circulate the minutes of meetings of the committee to all members of the board, and the chairman of the committee or, as a minimum, another member of the committee, shall attend the board meeting at which the accounts are approved.
- 13. The committee members shall conduct an annual review of their work and these terms of reference and make recommendations to the board.
- 14. The committee's duties and activities during the year shall be disclosed in the annual financial statements.
- 15. The chairman shall attend the AGM and shall answer questions, through the chairman of the board, on the audit committee's activities and their responsibilities.

## ANNEX 5. SAMPLE CHARTER

*This example comes from the Corporate Governance Forum of Turkey, which was formed by a university and a business association.*

### 1. General

1.1. Corporate Governance Forum of Turkey is founded by Sabanci University (SU) and Turkish Industrialists' and Businessmen's Association (TUSIAD).

1.2. The Forum will be initially funded by the founders and will seek synergies with the founders' strategies and programs to the extent it is possible.

### 2. Mission

2.1. The mission of the Forum is "to support improvement of corporate governance practices and legal and institutional framework in Turkey through research and educational programs as well as to play be actively involved in advocacy of good corporate governance."

The Forum recognizes the role of improved corporate governance in reducing the vulnerability of emerging markets to financial crises and in promoting better performance and responsible behavior of the corporations for the benefit of society in general. The Forum contributes to the international efforts and to the on-going debate on the role of Corporate Governance for sustainable economic growth by fostering co-operation with other relevant organizations and individuals.

### 3. Objectives

The Forum's objectives driven from its mission are

#### 3.1. In the area of research

3.1.1. To undertake, commission and disseminate research on Corporate Governance in co-operation with existing European and global research networks

3.1.2. To promote interaction between academics in Turkey from different disciplines bringing together a critical mass of expertise and interest in Corporate Governance

3.1.3. To contribute to and advise on policy formulation and best practice development based on objective research and collective wisdom of the Forum

#### 3.2. In the area of training and education

3.2.1. To develop and offer training and education programs for directors (Board members) of open corporations . . . to help them appreciate the benefits of better corporate governance and understand the role and responsibilities of boards

3.2.2. To help develop and document professional standards, best practices and accreditation criteria for Boards and Board members

### 3.3. In the area of advocacy

3.3.1. To organize/support roundtables, forums and conferences bringing together private sector representatives, investors, NGOs and experts from both academia and the government

3.3.2. To disseminate and present to the public the knowledge and the collective wisdom of the Forum in journals, publications, newspapers and other media

3.3.3. To undertake or engage in any other activity that will improve understanding and practice of corporate governance

### 4. Lines of Action

4.1. The following lines of activities are considered for the Forum.

- a) Courses, training and education for corporate Boards
- b) Research and publications
- c) Public lectures, seminars, workshops, roundtables, conferences
- d) International co-operation and presence
- e) Advisory services and development of case studies
- f) Resource and communication hub (Portal)
- g) Promoting public debate on current issues of Corporate Governance

4.2. Annual program will make use of available funds and resources to define the specific activities for the year in consideration.

### 5. Governance

5.1. The formal bodies of the Forum are the Supervisory Board and Executive Board

### 6. Supervisory Board

6.1. The highest governing body of the Forum is the Supervisory Board.

6.2. The procedure to establish the first Council is defined in the “Memorandum of Understanding” signed between the founders. Once established by the “Memorandum of Understanding” signed by the Founders, the Council is a self-governing body.

6.3. The Council will consist of minimum 3 maximum 9 members. It may decide to alter its size and composition for every year of operation to include representatives of other future donors and internationally renowned academicians; however the council will always be composed of equal number of academic and nonacademic members excluding the Chairman who is always a nonacademic. Maximum term for Council membership is 2 years. The Council

- a) Elects its independent chairman (who is not a representative of the Founders)
- b) Invites and appoints new Council members as appropriate
- c) Defines and directs the mission and the strategy of the Forum
- d) Oversees the Program Office and reviews its activities periodically
- e) Approves the annual program, budget and accounts of the Forum
- f) Agrees terms of reference for advisory panels
- g) Approves the amendments to the Statute of the Forum
- h) Provides leadership for the Forum
- i) Decides on potential donors and strategic partners

6.4. The Council physically meets twice a year. Extraordinary meetings can be convened at the request of any board member or the Forum’s Director. Decisions are taken in consensus. Decisions may be taken between meetings by correspondence on a no-objection basis.

## 7. Program Office

7.5. Program Office consists of Forum Director and program staff as foreseen in annual programs.  
The statutory employer of the staff is SU.

### The Director

- a) Prepares annual program and budget for approval by the Council
- b) Is responsible for the implementation of the annual program
- c) Reports to the Council periodically
- d) Utilizes available funds in accordance with the priorities and procedures agreed by the Council
- e) Sets up advisory panels to support the activities of the Forum based on the terms of reference agreed by the Council
- f) Acts as the secretary of the Council
- g) Represents the Forum at academic circles, media, general public etc.

## 8. Financing and Auditing

8.1. The core funding of the Forum initially will come from the Founders. The principles of funding are explained in the Memorandum of Understanding.  
The Forum is intended to become self funded gradually.  
The Forum will also seek sponsorship from corporations for specific activities or projects.

8.2. Financial control, audit and treasury function will be performed by Sabanci University in accordance with the Memorandum of Understanding.

8.3. Each advisory panel set up in accordance with the annual program will submit a review of Forum's activities to the Council to assess the effectiveness of the Forum's program in fulfilling it's function and achieving it's objectives.

## ANNEX 6. SAMPLE CODE OF ETHICS

*This example was provided by the Institute of Business Ethics in the United Kingdom as a guideline for developing a code of ethics for a directors' organization.*

### A. Preamble

The Institute should adhere to three core values:

1. Integrity;
2. Respect for others; and
3. Openness.

It should also:

- Recognise obligations to all those with whom it has a relationship—members, employees, customers, suppliers and the wider community;
- Protect its reputation by ensuring the trust and confidence of those with whom it deals;
- Maintain the highest ethical standards in carrying out its business activities. Corrupt practices of any sort should not be tolerated; and
- Monitor ethical performance regularly.

### B. Relations with Members

1. Provide products and services giving good value and consistent quality, reliability and safety.
  - Marketing products and services produced to accredited national and international standards or, in their absence, stringent safety tests;
  - Giving adequate and accurate descriptions of products or services;
  - Not knowingly selling products which harm its members or customers.
2. Avoid untruths, concealment and overstatement in all advertising and other public communications.
3. Provide a high standard of after-sales service in its efforts to maintain member or customer satisfaction and co-operation.
4. Ensure no gift of inducement is made or received

to or from a member or customer, which could be construed as being intended as a bribe.

5. Avoid practices which seek to increase sales by any other means than legitimate merchandising efforts.

6. Maintain the confidentiality of member and customer information.

### C. Relations with Shareholders and other Investors

1. Protect the interests of shareholders and other investors and will not do anything that will advantage one class of investor at the expense of another.
2. Ensure accounting statements give a true and fair view and are issued in a timely manner.
3. Aim to provide benefits and services to, and representation on behalf of, its members.
4. Communicate its business policies, achievements and prospects honestly and in a timely manner.

### D. Relations with Employees

1. Recruit and promote employees on the basis of their suitability for the job without discrimination in terms of race, religion, national origin, colour, gender, sexual orientation, age, marital status or disability unrelated to the task in hand.
2. Seek to provide a clean, healthy, safe and secure work environment in line with best practice.
  - Employees for their part have a duty to take every reasonable precaution to avoid injury to themselves, their colleagues and members of the public.
  - The Institute's health care specialists are employed as impartial advisors and their actions are governed by their professional codes of ethics. Access to clinical data is

confined to the occupational physicians and nurses and no confidential information may be disclosed to any others without the consent of the individual employee.

3. Explain the purpose of its activities and individual jobs, foster effective communication and involve employees in improving their work and that of the enterprise as a whole.
4. Encourage and help employees at all levels to develop relevant skills and progress their careers.
5. Maintain a framework of fair and just remuneration policies and structures In recognition of the efforts of the individual.
  - Pay systems should seek to recognise both the contribution of the individuals and the performance of the departments in which they work.
6. Ensure that information received by employees in the course of business dealings may not be used for gain for themselves, their families and friends or any purpose except that for which it is given.
7. Ensure that any personal interests or that of a member of one's immediate family in relation to the Institute's business must be disclosed. A conflict of interest could include directorships, significant shareholdings and employment of family members.
8. Not tolerate sexual, physical or mental harassment of its employees.
9. Ensure that appropriate steps are taken so that employee pension funds are responsibly governed, preserved and used for their proper purpose.
10. Implement a disputes procedure and resolve issues.
11. Maintain effective communication with each employee as an individual, and within the natural groupings in which they work. Where appropriate, for individuals to be suitably represented in negotiations. Where Trade Union recognition agreements exist, ensuring appropriate structures are in place to facilitate constructive dialogue.

## E. Relations with Suppliers

1. Aim to develop relationships with suppliers based on honesty, fairness and mutual trust.
2. Undertake to pay suppliers in accordance with agreed terms.
3. Not use purchasing power unscrupulously.
4. Not receive improper inducement from suppliers in return for concessions.
  - Gifts and favours must not be solicited;
  - Gifts of money must never be accepted;
  - Reasonable small token and hospitality may be accepted provided they do not place the recipient under any obligation, are not capable of being misconstrued and can be reciprocated at the same level.
  - Any offer of gifts or favours of unusual size or questionable purpose should be reported immediately to the employee's manager and the Institute Secretary.
5. Ensure that all information concerning the relationship between the Institute and the supplier is respected as confidential.

## F. Relations with Government and the Local Communities

1. Commitment to obey the law and to contribute to the economic well-being and social development of countries and communities where it conducts business.
2. Respect the traditions and cultures of each country in which it operates.
3. Take into account the concerns of the wider community including both national and local interests.
4. Encourage participation of employees in the community and civic affairs.
5. Support, as appropriate, communities in which it operates. Generally donations should be minimal as it should be the business of the individual members of the Institute to make donations. The Institute should not make donations out of membership subscriptions.



#### G. Regulatory Authorities

1. Co-operate fully with any regulations or regulatory authority having jurisdiction.

#### H. Environment

1. Take responsibility, as pragmatically reasonable, over the conservation and enhancement of the environment in its broadest sense. It should therefore:
  - a. Review regularly and report on the environmental performance of existing operations
  - b. Keep the communities in which the Institute operates informed of its environmental programme.

#### I. Taxation

1. Ensure proper compliance with tax obligations.
2. Record and report all transactions, including those where payment is made in cash.

#### J. International

1. Where business practices differ in different countries in which the Institute operates, working for consistent procedures among subsidiaries and associates.
2. Consider carefully before trading with, or investing in, countries which are governed by regimes which are deemed repressive, that is, those which do not adhere to the UN Charter of Human Rights.

#### K. Relations with Competitors

1. Compete vigorously, but honestly.
2. Not damage the reputation of competitors either directly or by implication or innuendo.
3. Ensure employees avoid discussing proprietary or confidential information with any contacts with competitors.

4. Not attempt to acquire information regarding a competitor's business by disreputable means.

This includes industrial espionage, hiring competitors' employees to obtain confidential information, urging competitors' personnel or customers to disclose confidential information, or any approach which is not transparent.

5. Not engage in anti-competitive practices or abuse any position of market dominance.

#### L. Compliance and Verifications

1. Implement applicable principles and elements of the Code within the broad conditions of employment.
2. Aim to create the climate and opportunities for employees to voice genuinely held concerns about behaviour or decisions that they perceive to be unethical.
3. Ensure that the Institute Secretary has the responsibility for initiating and supervising the investigation of all reports of material breaches of conditions of employment and ensure that appropriate disciplinary action is taken when required.
4. Ensure that auditors are asked to report on any practice they discover in the course of their work which appears to breach the Code of Ethics.

## ANNEX 7. SAMPLE CODE OF CONDUCT

*This code of conduct is from Appendix 1 to the Articles of Association of the Australian Institute of Company Directors.*

1. A director must act honestly, in good faith and in the best interests of the company as a whole.
2. A director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
3. A director must use the powers of office for a proper purpose, in the best interests of the company as a whole.
4. A director must recognise that the primary responsibility is to the company's shareholders as a whole but should, where appropriate, have regard for the interests of all stakeholders of the company.
5. A director must not make improper use of information acquired as a director.
6. A director must not take improper advantage of the position of director.
7. A director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the company.
8. A director has an obligation to be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the board of directors.
9. Confidential information received by a director in the course of the exercise of directorial duties remains the property of the company from which it was obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by that company, or the person from whom the information is provided, or is required by law.
10. A director should not engage in conduct likely to bring discredit upon the company.
11. A director has an obligation, at all times, to comply with the spirit, as well as the letter, of the law and with the principles of this Code.



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To develop this toolkit and gather lessons learned from developing and developed countries alike, the Global Corporate Governance Forum invited representatives from director training organizations from various regions of the world to share their experiences and discuss milestones and challenges in building director training organizations. The Forum would especially like to thank the following people for their contribution to this toolkit by providing materials, examples, and extensive comments on building director training organizations:

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## MODULE 3

*Training*

# TOOLKIT 1

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## MODULE 3

*Training*



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## Training

Training organizations can introduce directors to best practices in corporate governance and give them new skills and knowledge to manage their companies better. Director training organizations can also provide the certification that some companies and regulators are beginning to expect. But training programs must be planned and implemented with care to ensure that the training is relevant and meets specific learning needs of directors.

### WHAT YOU WILL FIND IN THIS MODULE

This module offers information on developing, delivering, and managing a training program that meets the needs of directors, including how to set up a certification program. The module discusses:

- Targeting the appropriate director markets
- Identifying the professional requirements and learning needs of directors
- Developing a training curriculum
- Developing a syllabus and testing individual courses
- Tailoring training methods to the learning styles of directors
- Managing and staffing a training program
- Evaluating a training course
- Certifying directors

## DEVELOPING A TRAINING CURRICULUM

The principles of good governance and the skills and knowledge to promote director professionalism should form the core of any training program for directors. Generally, a good curriculum should be well-structured, comprehensible, relevant, up to date, and tailored to meet director concerns and specific learning needs.

Developing a training program is a multistep process involving:

- Targeting the specific set of directors which will be the focus of training programs
- Identifying the international and local standards of best practice that directors in the target market should strive to meet
- Identifying the skills and knowledge that directors should have, including the specific laws and regulations in the country with which directors must comply
- Identifying the specific learning needs of directors in the target market
- Developing the curriculum—the framework of the program—that will provide directors with the training they need
- Developing a syllabus that outlines the content of individual courses, including supporting case studies, reading materials, and exercises
- Testing the individual courses to ensure that the learning material and its delivery is comprehensive, comprehensible, and suitable to the needs and learning styles of the course participants and contributes to enhancing their performance

## GLOSSARY

### CERTIFICATE

Award given to a participant for meeting the training program's goals or demonstrating proficiency to perform according to a set of benchmarks. Certificates, sometimes called diplomas, are typically awarded after the participant has passed an examination or test. Some organizations present a certificate of attendance confirming that an individual has attended and completed a training course.

### CERTIFICATION

The process of confirming that course participants perform or meet the training program's goals, usually by passing an exam.

### COURSE

The event(s) through which the knowledge and skills in the syllabus are provided to participants.

### CURRICULUM

The framework of a training program. A curriculum is typically divided into a number of modules reflecting a range of areas or topics to be addressed.

### SYLLABUS

The subjects studied for a particular course or sequence of courses. The syllabus can include various types of training materials such as case studies, reading materials, and exercises.

## THINKING POINT

*Which target market is a  
priority for your organization?*

### **Targeting the market**

Before the organization sets up a curriculum and collects training materials, it needs to identify its target market to understand its specific learning needs. Training courses can be extremely diverse, and organizations that train directors are ill advised to assume that “one size fits all.” Offering a curriculum that covers the full gamut of director training is not financially feasible for most organizations, especially young ones. The first step in developing a training program is therefore to segment the director market and then focus on specific segments. The targeting defines the market to be pursued and hence the curriculum priorities and the content of the syllabus. It is important that a start-up organization begin with clearly set, limited objectives that are deliverable in terms of content, schedule, quality, and financial viability. Once these objectives are met, the organization can gradually broaden its offerings and activities.

A well-targeted market can also prove extremely useful in developing a membership base and organizing events or other professional development services.

*For further information on membership development and marketing services, refer to MODULE 4: EXPANDING.*

There are several ways to segment the market. The most common are by:

- *Organization*, such as directors of companies listed on stock exchanges, directors of small and medium-size enterprises, directors of family businesses, directors of multinational companies, or directors of state-owned enterprises.
- *Function*, such as chairmen, chief executive officers, chief operating officers, chief financial officers, company secretaries, nonexecutive or independent directors, or members of specific board committees such as audit committees.
- *Level of experience*, such as aspiring directors, newly appointed directors, or experienced directors.
- *Sector*, such as industry, infrastructure, services, or banking and finance.
- *Geographic location*, such as country, major cities, neighboring countries, region, or international.

Once a training organization has divided the director market into relevant segments, it then needs to consider several questions in deciding which of these segments to target. What is the size of the potential market? What is

the ability of the organization to provide quality training in the specific field? Can revenue from the program cover the costs of developing and delivering the program? Can the program be started from scratch, or can it be developed with existing material?

An organization is wise to revisit its segmentation and targets on a regular basis, as the needs of companies and directors change over time.

## EXAMPLES

### SEGMENTING THE DIRECTOR MARKET

#### AUSTRALIA

The Australian Institute of Company Directors has many programs to suit different target markets. These include the “Going Public” program, aimed at private companies that are ready to go public. It is tailored to the individual company and delivered in-house.

#### BRAZIL

The Brazilian Institute of Corporate Governance has segmented its market and runs separate courses for different business segments, such as family businesses, small and medium-size companies, and large public companies.

#### CANADA

The Canadian Institute of Directors focuses on nonexecutive, external directors of companies listed on the Stock Exchange in Toronto. It has focused on this segment on the grounds of potential sponsorship for its courses from interested parties, such as financial institutions.

#### THE PHILIPPINES

The Institute of Corporate Directors in the Philippines initially focused its training on serving directors of banks. It is now expanding its training to directors of state-owned companies and listed companies.

### *Collecting the training content*

Once the target market has been identified, the next step is to collect the relevant information that will help structure a detailed curriculum and develop the content of the syllabus. To begin with, a review of existing best practices and regulations will provide the organization with a clear view of the overall professional requirements expected from a broad range of directors. Reviewing specific professional requirements for the target market will then help craft the content of the syllabus.

#### *Reviewing best practice*

It is useful to gather information about international as well as local best practices in the field of corporate governance and the role of the board, if such information is not already available. National codes of best practice (if available) and international principles and guidelines may provide a suitable foundation for reviewing existing best practice. Examples of international best practice include the OECD Principles of Corporate Governance ([www.oecd.org](http://www.oecd.org)), the Corporate Governance Guidelines produced by the Commonwealth Association of Corporate Governance ([www.cacg-inc.com](http://www.cacg-inc.com)), and the Standards for the Board, produced by the Institute of Directors, UK ([www.iod.com](http://www.iod.com)).

#### *Reviewing norms and regulations*

Typically the organization reviews the laws, regulations, and trends that define or may affect directors' duties and liabilities in the country. Cultural norms that affect the way directors conduct their jobs are also taken into account. Many corporate governance principles are generic, but the legal framework and context of their applications vary from country to country. For example, accountability and honesty are generic principles expected of all directors everywhere. But the appropriateness of a two-tier versus a unitary board structure is determined by local circumstances. Localized examples and illustrations are invaluable in making the training courses more relevant and comprehensible to participants.

#### *Reviewing specific professional requirements*

To adapt the syllabus to the target market, it is essential to review both the specific professional requirements of directors within the target market and the

specific issues these directors may face in the board room. This review includes gathering the specific laws and regulations that affect the target market. For example, disclosure requirements and procedure can vary considerably depending on whether a director is serving on the board of a listed company, a bank or other financial institution, or a privately held firm. This important research phase helps determine what learning objectives are important and relevant to the target market. Especially in cases where director training is mandatory for listed companies, the organization may want to discuss the specific professional requirements expected from directors with the relevant regulatory body or stock exchange to ensure that the training course meets its goals and is duly recognized by these authorities.

### *Identifying specific learning needs*

Surveys, semi-structured interviews, and focus groups may be useful tools in helping to identify specific learning needs and therefore in satisfying the training needs of directors. To be most effective, this should be a step-by-step process, with the information gained at the first step used to develop the questioning in the next step, and so on. For example, the first step might be a survey that determines how much the target market understands about the purpose, role, and key tasks of a board. The next step might be interviews with some of those surveyed to gain a better sense of how well the group understands the board's strategic planning role, for example. The last step might be conducting focus groups with a carefully selected group to determine if a course on risk management would be useful and relevant to directors. In conducting the research, specific attention can be given to relevant country- and market-specific details.

The surveys, interviews, and focus groups must be carefully planned to elicit the most useful answers on a range of subject areas. The target population for the surveys and interviews is a cross-section of interested parties including practitioners, academics, and potential course leaders. The practitioners should include both experienced and inexperienced directors, either interviewed separately or participating in different focus groups. In addition, a group of experts should be consulted for each subject area to ensure that the right issues are being discussed and that the research is neither too broadly nor too narrowly focused. While each subject area should be addressed separately, it is important to maintain oversight of all subjects to ensure consistency of approach.

## THINKING POINT

*What kinds of training formats  
would best suit your target market?*

### ***Developing a curriculum***

Once the key areas of knowledge and skills needs for the target market have been identified, they can be arranged in an appropriate curriculum framework and drawn up as a series of detailed syllabuses outlining the content of individual courses. Care must be taken to ensure that individual courses meet specific objectives that form the intended learning outcomes for the training and development programs. In settling on the curriculum and syllabuses, it may be helpful to consult with several experts, including course leaders, subject experts, and specialists in adult learning.

The format for delivering the training program is also an important consideration. The organization may choose to conduct one type of offering or a variety. For example, it may offer a week-long training course on the essential skills and knowledge required by directors, together with a longer course that goes into each of these essential subjects in more depth and a seminar series on specific topics of interest such as a new law that affects corporate accounting practices. Depending on its purpose, a training course may last a few hours or continue over years. Because directors are busy people, most training organizations offer several short training courses (lasting two to seven days) within a year that cover a range of topics. (*A summary, by country, of selected director training programs is presented in annex 1.*)

### ***Developing a syllabus***

In designing individual courses, course leaders work closely with the program manager, lead tutors, and any advisory group the organization might have set up for the purpose.

Key to the design of individual courses is the selection and compilation of appropriate training materials such as supplementary reading lists, reference materials, graphics, exercises, and case studies. The materials and documentation used in the syllabus need to be:

- Pertinent to the subject
- Consistent with international best practices
- Consistent with national codes of best practice
- Consistent with national laws and regulations
- Of interest to course participants

## SAMPLE PROGRAM FOR A TRAINING SEMINAR

Following is the program for a short orientation seminar for bank directors presented by the Institute of Corporate Directors in the Philippines.

### DAY 1

8:30 – 9:00 am	Arrival and Registration
9:00 – 9:10	Course Introduction
9:10 – 10:00	An Introduction to Corporate Governance in the Philippines
10:00 – 10:45	Corporate Governance for Bank Boards – Key Principles
10:45 – 11:00	Break
11:00 – 12:30	Corporate Governance: The Practice
12:30 – 1:30	Lunch
1:30 – 3:30	Risk Management Issues for Bank Boards
3:30 – 3:45	Break
3:45 – 4:45	Legal and Regulatory Issues for Philippine Bank Directors
4:45 – 5:15	Self-Assessment of the Board of Directors

### DAY 2

9:00 – 10:30	Introduction to Corporate Governance Scorecards and Presentation of Philippine Corporate Governance Reform Efforts
10:30 – 10:45	Break
10:45 – 11:30	Course Wrap-Up and Way Forward
11:30 – 12:00	Accomplishments of ICD and BSP Evaluation Sheets

*(Additional examples of training curricula from India and Indonesia can be found in annexes 2 and 3.)*



Case studies should as much as possible cover situations that are familiar to the participants. *(For an example on how to develop effectively integrated case studies, see annex 4; for an example of a supplementary reading list, see annex 5.)*

Once a course syllabus is prepared, for example, on directors' fiduciary duties, it may be adapted into programs of different length or focus or aimed at different target audiences with only slight changes. The organization might also find training modules or syllabuses prepared by other director training organizations that can be adapted to suit its training needs.

The syllabus is a continually evolving body of knowledge and skills whose maintenance and updating are as important as its initial creation. The content of knowledge of certain corporate governance topics may change rapidly. For example, the publication of a corporate governance report in a country can have a significant impact upon the content of courses. Any changes should be checked against the original syllabus to ensure that course content and materials continue to meet the learning objectives.

### ***Testing a course***

Before a course is launched, it should be tested under carefully managed and monitored conditions. Such a pilot test usually involves running the course with an audience that is aware of the trial nature of the program and can offer knowledgeable and objective reviews on the content, materials, and presentation of the course. If possible, it is advisable to run a test of the same course twice using two different leaders. Afterward, the two leaders can compare notes and ensure consistency of approach.

The test audience should be representative of the target market for the course. The organization may want to invite the test audience to attend the full program of courses and then solicit feedback on their relevance. One positive side effect of involving participants in this way at this stage is that the participants then market the program to their colleagues by "word of mouth"—often the most effective marketing tool.

## THINKING POINT

*Would your organization benefit by partnering with another group? What type of organization would be your most effective partner?*

## WORKING WITH A PARTNER

An organization that trains directors, especially one that is just starting up, may not have the expertise, materials, and the financial resources to develop and deliver a training program on its own. While the training program will eventually become one of the main activities of the organization, the time and money spent on it could divert attention and resources from other programs that might generate revenues in the short term. The organization might therefore benefit from partnering with other groups within the country, such as a university or business school, or seek support from well-established director training organizations in other countries. Each solution has its benefits and drawbacks. If the course is given in partnership with another organization, the relationship and responsibilities of the partnership should be spelled out.

## EXAMPLES

### COLLECTING TRAINING MATERIALS: COLOMBIA, KENYA, AND ZAMBIA

Director training organizations are likely to have to overcome various challenges as they develop their training programs. For example, the Centre for Corporate Governance in Kenya had to cope with a lack of academic research and documentation on governance practices in Africa. Confecámaras in Colombia had to deal with the lack of literature in Spanish explaining the benefits of director development. Partnering with another organization or seeking support from existing networks may help in collecting adequate training materials.

The Institute of Directors in Zambia uses training programs developed by the Commonwealth Association of Corporate Governance ([www.cacg-inc.com](http://www.cacg-inc.com)). It is currently modifying some of these training programs so that they address the specific and specialized needs of the Zambian business environment while retaining international governance principles. (*An outline of the core curriculum of the Institute of Directors in Zambia can be found in annex 8.*)

### *Partnering with a university*

Some organizations that train directors have established close ties with universities or business schools, especially in the start-up phase. In addition to supplying much-needed expertise with curriculum development, universities and business schools may also be able to supply in-kind services, such as classroom space and trainers.

#### EXAMPLES

##### **PARTNERING WITH A UNIVERSITY**

###### **IRELAND**

The Institute of Directors in Ireland has undertaken a joint venture with University College Dublin. The IoD Centre for Corporate Governance at UCD, as the joint venture is called, provides scheduled courses on all aspects of corporate governance and customized courses delivered in-house.

###### **THE PHILIPPINES**

The Institute of Corporate Directors in the Philippines was originally set up as an autonomous extension of the University of Asia and the Pacific. It has now recognized the need to be open to different educational establishments and has become independent of the university, although the institute and the university maintain loose ties.

Some organizations that worked closely with universities at the beginning eventually decided to operate their training program independently. The training organization may want to offer a teaching style that is less theoretical than the typical academic approach and more geared to real business problems. Or the organization may find a business school's traditional emphasis on management training too limiting and not sufficiently focused on the needs of directors. Or it may decide that it has accumulated the financial resources and expertise necessary to become autonomous.

## EXAMPLES

**WORKING WITH AN ESTABLISHED ORGANIZATION: UNITED KINGDOM**

The Institute of Directors, UK is currently providing advice to the Corporate Governance Forum of Turkey in the following areas:

- Development of a syllabus and curriculum
- Recruitment of faculty with the appropriate credentials
- Development of training support materials using sample training materials
- Development of infrastructure to support the program, including practical issues such as venue
- Quality assurance

***Partnering with an established training organization***

Some well-established director training organizations, such as the Institute of Directors, UK, the U.S. National Association of Corporate Directors, and the Australian Institute of Corporate Directors, have been sharing their expertise or are in the process of developing international departments to promote their expertise and provide support to young organizations worldwide to develop their director development activities.

***Finding support through networks***

Another option available to help organizations in developing their training program is networking with other director training organizations that face or have faced similar challenges. Networking can be both productive and cost-effective. Several such networks have been established:

- *The Commonwealth network.* The Commonwealth Association for Corporate Governance (CACG) was established in 1998 to promote excellence in corporate governance in the Commonwealth. The CACG has two primary objectives: to promote good standards in corporate governance and business practice throughout the Commonwealth; and to facilitate the development of appropriate institutions to advance, teach, and disseminate such standards.

- *The East Asian Network.* With leadership from the Philippine Institute of Corporate Directors, the Institutes of Directors in East Asia (IDEA.net) was successfully launched to strengthen corporate governance practices and standards in the region. IDEA.net includes members from China, Hong Kong, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan, and Thailand. The network has developed “train the trainer” programs and is currently developing a corporate governance scorecard to enable cross-border assessment of companies and banks. Coordination of the network rotates from country to country; Thailand is currently in charge of coordinating the network.

EXAMPLES

## PARTNERING WITH INTERNATIONAL ORGANIZATIONS

### COMMONWEALTH SECRETARIAT

The Commonwealth Secretariat has developed a generic director training program in corporate governance that has been adapted and used by director training organizations in several Commonwealth countries. Designed to teach essential skills and knowledge, this particular program consists of a five-day course with nine modules covering such issues as corporate governance structures and systems, board dynamics and performance, business strategy and finance for directors, and corporate ethics and social responsibility. *(A complete description of rationale of the Commonwealth core curriculum can be found in annex 6.)*

### GLOBAL CORPORATE GOVERNANCE FORUM

The Forum builds local capacity to undertake reform by strengthening the organizations that can bring about change.

Examples include:

- Residential programs focusing on training directors of companies and organizations active in corporate governance from East Asia and Latin America
  - Workshops on director training and curriculum development in Africa, East Asia, Europe and Central Asia, and Latin America
- (An outline of a Corporate Governance Leadership Program can be found in annex 7.)*

- *The GCGF network.* The Global Corporate Governance Forum is supporting the development of a global director training network linking organizations actively seeking to develop director training. These organizations and associations may be based in academic, private, or public sector institutions. The objective of the network is to identify needs, pool resources and experience, exchange best practices, develop core curriculum based on international standards and adapted to local circumstance, and build local capacity for training.
- *The Latin American network.* The Latin American Institute for Corporate Governance (formerly the Latin American Corporate Governance Network) was launched by Argentina, Brazil, Colombia, and Mexico to exchange experiences and materials that foster corporate governance reform efforts and director development. The institute is currently chaired by Brazil's Institute of Corporate Governance and coordinated by the Colombian Confecámaras and has been joined by chambers of commerce, director institutes and associations, and corporate governance organizations from Bolivia, Chile, Peru, and Venezuela. The institute has recently developed a website where people from around the world can access information and check out various initiatives ([www.latincorporategovernance.net](http://www.latincorporategovernance.net)).

### ***Partnering with an international organization***

To support and encourage director training activities in developing countries, some international organizations have developed core training curricula that are adapted to the local environment.

## **DELIVERING A TRAINING COURSE**

Most training programs provide a course of a defined length in a specified location. These courses typically consist of presentations and interactive workshops where participants build their knowledge and skills.

Training is typically most effective when it is delivered in a comfortable setting by competent and credible instructors who have experience as directors. An organization that trains directors may hold its training courses in its own offices or, if it is partnering with a university or business school, in classroom space. Courses customized for an individual client are likely to be conducted at the client's location or at a selected retreat, where office distractions can be minimized.

EXAMPLES

### DELIVERING TRAINING PROGRAMS: BRAZIL

The Brazilian Institute of Corporate Governance (IBGC) has trained 697 students from more than 100 companies since 1998. The institute believes that its competitive advantage in training derives from:

- Synergy with other IBGC activities and brand
- Links with stock markets and regulators
- Nonacademic, hands-on practical approach
- Senior instructors who are able to communicate with students of different backgrounds, ages, and education levels
- Constant updating and international cooperation

### *Alternative learning options*

Organizations that train directors may want to explore other possibilities for delivering training and professional development programs especially to satisfy individual learning needs and accommodate specific time schedules:

- *Individual learning opportunities.* To accommodate individual learning needs, some organizations are providing one-on-one tutoring support, where directors are given the opportunity to have open access to facilities and source materials. This alternative is typically location-specific but time-flexible. Other options are developing coaching and mentoring services, in which an experienced director works individually with a less experienced director on specific skills and needs.

*Further information on coaching and mentoring can be found in MODULE 4: EXPANDING.*

- *Distance learning.* This delivery mechanism is neither time-specific nor location-specific, as it provides learning materials in appropriate formats that directors can study at their convenience, either from home or from the office or while traveling. This can be especially useful for courses that last over a longer period of time and for directors based in rural areas.

### THINKING POINT

*Are there more flexible learning options you can offer to potential course participants?*

- *E-learning*. Initially a subset of distance learning, e-learning is emerging as a new type of learning opportunity. The combination of desktop or laptop computers and Internet networking enables interactivity between the directors and the trainers and remains extremely flexible for the directors.
- *Blended learning*. This alternative is a combination of elements from all the delivery mechanisms outlined above. It is designed to meet the learning needs and day-to-day time constraints of directors but is quite difficult to manage effectively.

If the curriculum has been developed on a modular basis (by topic, for example), directors can decide how to tackle each element of their chosen syllabus on a pick-and-mix basis. They may elect to attend some presentations and workshops, work with printed materials at home, and use online facilities in the office or at home. Despite the convenience, many directors find the computer lacks the motivational energy they get from attending, for example, a two-day workshop where they can converse directly with other directors from different companies about common problems and ways to solve them.

All these alternative delivery mechanisms can be supported by help lines through which directors can raise learning issues with course leaders or administrative issues with the office staff.

### ***Learning styles***

Training directors is no easy task. Typically directors are a heterogeneous group of people from various backgrounds. They may be reluctant to go through training after years of experience in dealing with boards. Directors may sometimes show initial apathy and “know it all” attitudes.

Research into learning effectiveness suggests that people have preferred learning styles. Integrating these various learning styles in the organization of the course may be of considerable help in catching and retaining the attention of participants.

In a classic 1992 study, a research team led by Peter Honey and Alan Mumford classified learning styles into four categories:

- *Activists* involve themselves in new experiences, enjoy immediate experiences, and are open-minded and enthusiastic about anything new. Their philosophy is, “I’ll try anything once.” They tend to act first and consider the consequences afterward.



- *Reflectors* are cautious by nature and like to observe, ponder experiences, collect data, and think thoroughly before drawing any conclusions. They tend to postpone reaching definitive conclusions.
- *Theorists* integrate observations into sound theories, think problems through logically, and tend to be perfectionists. Their philosophy prizes rationality and logic.
- *Pragmatists* try out techniques to see if they work in practice, search out new ideas, experiment with applications, and get on with things. Their philosophy is, “There is always a better way” and “If it works, it’s good.”

*(Honey and Mumford’s work is summarized in Honey and Mumford 2000. The questionnaire can be found at [www.peterhoney.co.uk](http://www.peterhoney.co.uk))*

### DELIVERING A TRAINING COURSE

**“Directors typically come from a wide range of backgrounds and have a practical bias. They are demanding, do not suffer fools gladly, have limited time, and are not particularly academically orientated. Thus to retain their interest the development activities must be relevant, to the point, high quality, and devoid of technical jargon.**

**“Given these characteristics of the director market...a principle-based approach, where the principles of a particular issue are clearly articulated and simple case studies then used to demonstrate the principles, would seem appropriate. In my experience, this is far preferable to the typical alternative of detailed case studies in which the principles are never drawn out or are submerged in a morass of numeric analysis.”**

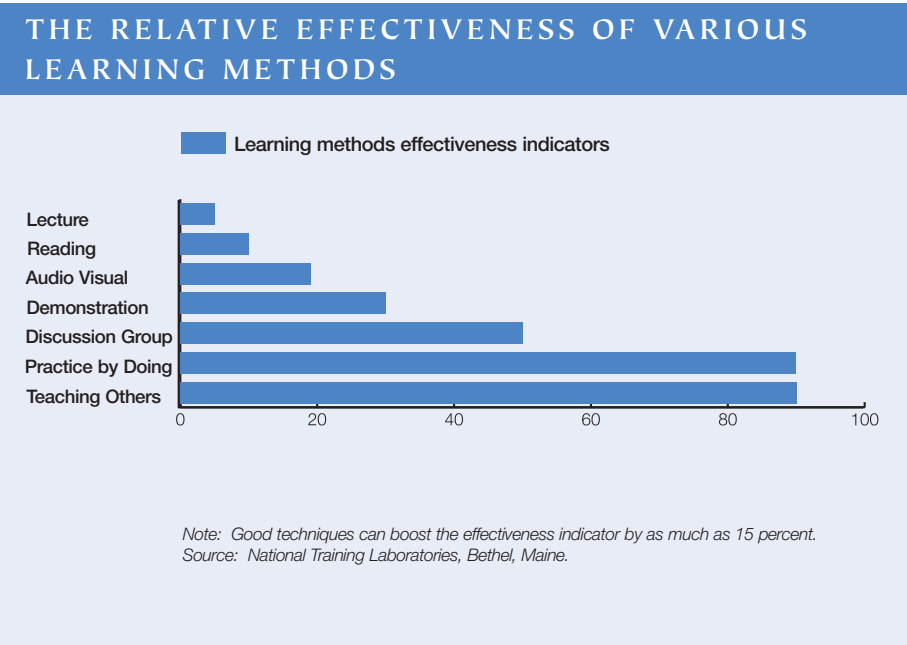
**—Ian Dunlop, former head of the Australian Institute  
of Corporate Directors**

Some learning styles arise from cultural and educational norms rather than individual preferences. If a training program is presented in a single format, then unforeseen difficulties may arise. Some individuals may find the delivery method unappealing because it does not fit with their learning style or their perceived social position. For example, participants accustomed to an instructional approach may find interactive workshops unsettling and ineffective.

To meet this variety of needs, the delivery mechanism should include a mixture of learning strategies:

- An experience of some kind, such as case studies or discussions of specific experiences
- A period of facilitated reflection, such as Q&A sessions or group exercises
- An opportunity to draw conclusions, such as summarizing lessons learned, or discussion groups
- A chance to plan the use of the experience in practice, such as role playing or exercises where participants work on a case involving the principles and techniques they learned during the course

A wide range of learning activities is available (see figure, below). The table on page 19 lists the methods and indicates some advantages and disadvantages.



## LEARNING ACTIVITIES

METHOD	PURPOSE	ADVANTAGES	DISADVANTAGES
Brainstorming	Problem solving, consolidating previous learning.	Uses learners' experiences and ideas. Active intellectually.	Can be time consuming. Some learners may not participate. High level of tutor skills needed.
Case studies	Problem solving, developing analytical and decisionmaking skills, modifying attitude, introducing and consolidating other sessions.	Provides realistic framework. Can use personal experience of learners. Participative.	Can be time-consuming. Sometimes difficult to validate. A credibility gap can occur if scenario differs from learners' experience.
Group discussion	Problem solving, forming or molding attitudes, stimulating interest, sharing knowledge.	High learner activity. Opportunity to share entire group's ideas, facts, and opinions.	Time consuming; needs to be well controlled. Previous level of knowledge needed by tutor.
Group exercise	Developing interactive or interpersonal skills, team building, problem solving.	Highly participative. Motivation of learners can be high. Exercise selected to meet specific aim.	Process skills can be obscured by exercise. Experience and facilitation skills needed by tutor. Difficult to predict outcome.
Learner presentation	Giving information on specialized subject.	Involves expertise of group member. Can develop presentation skills.	Involves only the presenter if subject is not of general interest.
Lecture	Getting across facts, principles, concepts.	Useful for large groups or to cover a large amount of information. Relatively inexpensive.	Little chance of learner feedback. Overload of information can occur. Restricted to knowledge input. Requires good presentation skills. Retention is poor.
Plenary feedback session	Reporting back to individual group.	Share differing perspectives of various groups.	Can repeat similar areas. Good tutor skills needed to facilitate.
Role play	Developing interpersonal skills, responding to changing situations.	Creates interest. Active participation. Live examples and emotions involved.	Role players may benefit more than observers. Success depends on role players.
Tutorial	Conveying facts, principles, concepts. Possible to build in skill development.	Closer contact between tutor and learner. Pace can be modified if feedback suggests need.	Attitude change may be short lived. Tutor must be expert in the subject.

## OVERSEEING AND MANAGING TRAINING ACTIVITIES

Typically the organization's governing body (and its professional development committee if there is one) oversees the development and maintenance of the training program. It should monitor all director training and development issues including:

- The development of the curriculum and initial syllabus
- The management of the long-term maintenance of the program
- The evaluation of courses by participants
- The certification process of course participants
- Complaints and appeals procedures
- Matching all proposed course materials against the set criteria
- Budgeting and pricing of courses
- Quality control

To help with that task, the organization might want to establish a course approvals team, composed of practitioners, academics, and course leaders who would review and approve any change in course content.

The organization might also want to create a course leaders group that is responsible for monitoring changes in broad subject areas and funneling that information to the course leaders responsible for developing new content for the training program.

### ***Management***

The efficient management of a training program for directors requires skilled managers and trainers as well as support staff to ensure the smooth running of the training programs.

A *program manager* or head of professional development is typically responsible for the development and management of the entire training and professional development program. The program manager oversees the design of the materials to ensure consistency of approach in all aspects, including house style, delivery strategy and mechanisms, and overall learning design.

*Lead tutors* are responsible for developing the training courses in their speciality subject area. This includes drawing up a training plan as well as gathering associated training materials such as guidance notes for course leaders, case

studies, slides, activity sheets, and reference notes. Lead tutors should collaborate with the appropriate course leaders as they prepare the course training plan. Mature organizations have found that having a lead tutor who draws up the course syllabus in consultation with the course leaders is more effective than having several different people each working on a different section or aspect of the training program, only to find subsequent inconsistencies and gaps.

*Course leaders* are responsible for contributing to the development of the training courses and, of course, for presenting them. The role of the course leader is a subtle mixture of teacher, trainer, facilitator, tutor, communicator, and coach. The knowledge, experience, authority, and gravitas of the course leaders are extremely important to ensure that directors leave the course feeling that the time and energy put into it was worth their while. Individuals that are serving as directors are already knowledgeable on business issues and expect an extremely high quality of service.

Course leaders can be professors or professionals, business executives, or directors of companies—in short, course leaders need to have expertise in the field, be willing to train, and be good at it. Where possible, the organization should ensure that the delivery of courses is “by directors for directors.”

Course leaders are seldom on the staff of the training organization but are instead available on a contract basis. It is advisable to have at least two course leaders competent to deliver the training for any given subject area or course.

The program manager is responsible for appointing course leaders, but others, including subject experts, should be consulted to consider how appropriate the trainer’s experience and knowledge are for a particular course. Forming a pool of course leaders is a key process in ensuring the quality of training.

Recruiting and selecting specific trainers involves the following considerations:

- How experienced the person is in the relevant subject area(s). Most training organizations find that course leaders who have served or are currently serving on an organization’s board of directors have more credibility with course participants than trainers without such experience.
- How knowledgeable the person is in the relevant subject. That assessment can usually be made from the person’s résumé (CV) and an interview.
- How competent the person is as a trainer. Subject knowledge and ability to communicate with a group are two different skills. A potential trainer should

**TRAINING THE TRAINERS: KENYA**

The Centre for Corporate Governance in Kenya has a network of trained trainers on which it draws. The trainers are professional directors who themselves have been trained in corporate governance, have excelled, and have been trained as trainers under the auspices of the center. Trainers also undergo regular refresher courses to review the materials and upgrade their skills. In addition, they are evaluated by participants at every session at which they facilitate, and any issues are raised in an evaluation.

be observed in an appropriate practice session before being asked to join the training team.

- How well the person manages the training environment. A good trainer is capable of efficiently organizing small group activities and plenary sessions, maintaining a focus on the learning outcomes, and limiting verbose or unfocused contributors. Again, observation of a practice session can reveal a potential trainer's skill in this area.

In many developing countries there is a scarcity of trainers experienced with issues of corporate governance. To overcome that scarcity and to help develop appropriate training styles, the organization may want to run “train the trainers” workshops on a regular basis.

***Management support***

An organization that trains directors will need support staff to deal with:

- Course administration and operations, including course bookings, sending out information in advance of the course, arranging for necessary rooms, food, special needs, and equipment, and providing staff support on the day(s) of the course itself.
- Course support materials, including designing, printing, and distributing training materials.
- Accounts and finance, including billing and overseeing the training program budget.

- Sales and marketing, including gathering and analyzing data on potential customers, designing and producing marketing materials, planning sales campaigns and promotional activities, and contacting potential clients. This department will need to gather and analyze data on potential customers.
- Program management, including oversight of course content and delivery and all other quality assurance issues.

### ***Budgeting***

Training courses can provide substantial revenue streams. But costs are also substantial. They include tutor fees and expenses, course materials, brochure production, marketing, room rental, catering, and technical support.

From the moment that the organization decides to establish a professional development program for directors, it must set up the financial procedures for managing the program. In brief the financial issues to be taken into account include:

- *Preparation of budgets.* Budgets should be prepared for all stages of the process, especially the substantial start-up investment required for research and development of the program, with realistic estimates of ongoing costs and revenue.
- *The pricing policy for courses.* Obviously the organization will want to recover the cost of producing and delivering the training plus a percentage. The prices for the courses should be comparable to prices for similar professional courses in the country or region. The price should not be more than the market will bear nor less than the course costs to produce and present.
- *Break-even points for programs and individual courses.* To find that point, a calculation must be made to determine the number of directors that must take any given course to cover all fixed and variable costs associated with that course. Policies governing payment procedures and cancellation fees must also be set.

*For further information on budgeting procedures, see MODULE 5: MONITORING.*

## EVALUATING THE TRAINING PROGRAM

Any training program, whether it is a seminar, a short training course, or a long professional development program, must be constantly evaluated and updated to keep abreast of new developments in the business or regulatory environment. As the Institute of Corporate Directors in the Philippines has noted, “There is no substitute to continual testing and improvement based on actual runs of our training program to many different directors. Each training experience for us is new. We are constantly looking for ways to improve.”

It is important that organizations put procedures in place to ensure that each course meets director learning needs while meeting the overall goals of the organization. Each course should meet certain standards and goals. Each course should have an identifiable target market and be financially viable. And each course should fit well into the overall curriculum. Resources, including qualified trainers and materials, must be available.

The various elements of a training program that should be closely monitored and updated or modified when necessary include:

- Course content and its relevance to directors, in line with syllabus development
- Effectiveness of course delivery
- Support and learning materials
- Course administration, including booking procedures, housekeeping, and catering matters
- Procedures for handling customer dissatisfaction and formal complaints

*For more information on setting up an effective complaints procedure, see MODULE 4: EXPANDING.*

### ***Soliciting feedback***

Feedback from directors taking the courses is probably the most effective way to monitor their quality and relevance. A traditional feedback or evaluation form can be used to collect information from participants at the end of the day.



Other evaluation techniques include soliciting opinions in discussions with participants at the end of a course and doing follow-up opinion surveys on courses. If the organization assesses the performance of course participants in some way, the assessments may also provide useful information on both the content and delivery of the course and on the impact in the board room as a result of the course.

*(For examples of course evaluation forms, see annexes 9 and 10.)*

Feedback should be used not only to evaluate and, where necessary, improve individual courses and programs, but also to evaluate the overall range of the programs. The program manager and all course leaders associated with any given course title should participate in sessions evaluating that particular program. It may also be useful to have the person(s) responsible for developing and producing the training materials for the course available for such events.

### ***Ensuring quality***

In addition to gathering and responding to feedback on the course content, the organization should also review the performance of course leaders. The purpose of these reviews is not to look for faults, but to confirm that the training standards are being met and continually improved.

The reviews should be as objective as possible and should include:

- Observation by the lead tutor or an independent expert of each course leader running a program
- Discussion of the performance and any corrective action agreed to be necessary
- Consideration of feedback on the course leader from course attendees

## DIRECTOR CERTIFICATION

In most places, a director does not need official qualifications to sit on a board. Yet certification is growing in the wake of increasing demand for knowledgeable directors and public pressure for accountability. A variety of organizations therefore have started to develop director certification programs.

### EXAMPLES

#### REQUIRING DIRECTOR TRAINING: MALAYSIA

As one of its listing requirements, the Kuala Lumpur Stock Exchange in Malaysia is requiring all directors of publicly listed companies to attend training courses. Some of the topics covered in this training include the fiduciary role of directors, the regulatory framework governing listed companies, and understanding the new Malaysian Code on Corporate Governance.

#### ACCREDITATION: UNITED KINGDOM

The Institute of Directors, UK has developed the professional Chartered Director accreditation open to all its members and fellows. Candidates must demonstrate that they have the knowledge and experience required to become a member of the profession. The accreditation is given upon the successful completion of a training program and examination in company direction and a professional review of the director's company performance.

#### CERTIFICATION: HONG KONG

The Hong Kong Institute of Directors has been organizing training courses leading to a Diploma in Company Direction, based on its developed definition of Core Competencies for Directors. The core competencies cover knowledge and skills in the roles and responsibilities of directors, strategic corporate functions, development of the board and business ethics, as well as personal qualities and attributes. Training courses are held in English, Cantonese, and Putonghua.

Typically organizations that train directors give certificates to directors who have attended a course or a program. The certificate is a public acknowledgement that the director has taken his or her professional training seriously.

### ***Assessment***

Some director training organizations have gone further and developed assessment procedures for evaluating how much directors have learned from their training and professional development courses.

There are many reasons for assessing individual directors who have attended training programs:

- To recognize his or her level of achievement at the end of a course
- To establish his or her progress during a course and give feedback on it
- To diagnose strengths and weaknesses, which can lead to remedial action or extended learning if needed
- To consolidate the learning done so far—a learning experience in itself
- To motivate the director
- To build confidence and credibility in his or her likely performance level in the future
- To determine his or her aptitude to perform the duties of a board member
- To conform to the requirements of external regulatory bodies

Developing an assessment procedure can be a lengthy and costly exercise and therefore one in which organizations may want to engage only if training is mandatory or once they are well established. In deciding whether to develop an assessment procedure, the organization should consider legal requirements for training as well as cultural and social factors. Some cultures, as well as experienced directors in general, may be reluctant to participate in an assessment process in which, for example, failure becomes public knowledge or seniority is not recognized. In addition an organization should bear in mind that its assessments must be objective and effective. Subjective and incorrect assessments could be harmful not only to the directors being assessed but also to the overall credibility of the training organization.

The first step in establishing an assessment process for directors is to clarify the purpose. In very simple terms, success in an examination or an assessment indicates that the director has achieved a standard established for the specific activity. The next steps, in order, are selection of an appropriate assessment method and development of any written examination to be used, development of the criteria by which the director is evaluated, the appointment of examiners and eventually the creation of an examination board, and finally the development of a procedure for appealing an assessment.

The range of methods for assessing knowledge and skills is wide and needs to be managed by specialists who can ensure the standards, reliability, and validity of the process. The table below gives examples of some typical director training activities and the assessment standards that might be used with each.

### SAMPLE ASSESSMENT STANDARDS FOR TYPICAL TRAINING ACTIVITIES

TRAINING ACTIVITY	ASSESSMENT STANDARD
A one-day conference on a proposed change in employment law addressed by government employment specialists, attorneys, a corporate finance director, and trade union representatives	Attendance certificate confirming one day of continuing professional development, which can also be credited to fulfilling some broader development course
A study day on aspects of employment law regarding the rights of certain minority groups in small companies	Correct answers to 75 percent of the question on a multiple-choice written test
One year full-time postgraduate academic course	An overall achievement score of 70 percent in written examinations of knowledge, a written research report, and oral presentation
A series of courses on a variety of director-related subjects, including presentations, group activities, and reports to plenary sessions	An overall achievement score of 75 percent on written tests of knowledge and assessment of team skills by an observer
A three-month period of learning supported by a senior director acting as a coach or mentor	Statement of achievement for inclusion in a continuing professional development portfolio

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## ANNEXES

1. Examples of training courses
2. Sample curriculum for an orientation program, India
3. Sample curriculum, Indonesia
4. Case study preparation for a director training course
5. Sample reading list for a training course
6. Sample core curriculum, Commonwealth
7. Sample train-the-trainers course
8. Sample residential training course, Zambia
9. Sample course evaluation form, Brazil
10. Sample course evaluation form, UK

## ANNEX 1. EXAMPLES OF TRAINING COURSES

### AUSTRALIA INSTITUTE OF COMPANY DIRECTORS

#### Program description

- **Advanced Program.** Explores and develops good practices for directors and boards of public companies and government entities. Develops director research and inquiry skills and extends strategic thinking and learning. Explores board and CEO relationships and board dynamics.
- **Company Directors Course.** Definitive director program covering corporate governance and board effectiveness, strategy, finance, law, risk, and current issues facing directors.
- **Directors Essentials Certificate Program**
  - Role of the director
  - Introduction to board meetings
  - Introduction to financial statements for directors
  - Assessing company performance
  - Directors as leaders
  - Introduction to the strategic role of boards
  - Trade practices
  - Issues for director-owners
  - Issues for not-for-profits
- **Continuing Education.** The AICD offers a range of courses under the category of continuing education, including programs for:
  - The new director
  - Board director and CEO assessment
  - Company audits
  - Forensic investigation for directors
  - Fundamentals of financial statements for directors
  - Going public
  - Handling difficult situations in the boardroom
  - Implementing great governance
  - An introduction to not-for-profit governance
  - Implementing a compliance program
  - Skills updates
  - Strategic financial skills
  - The strategic board
  - The role of the chairman
- **Tailored (in-house) programs**
- **Workshops**

#### Background

Director training and development has been taking place in Australia for the last 30 years. The Company Directors Course was launched in 1975. Since 1990 more than 10,000 participants have completed the program.

The AICD has a sophisticated examination system and awards a diploma to successful candidates of the Company Directors Course. In 2003 it added two additional awards: a Certificate in Directors Essentials (successful completion of six modules from the Directors Essentials suite of programs) and an Advanced Diploma (successful completion of the Advanced Program).

The AICD undertakes regular quality assurance through a system of participant surveys, participant interviews, and spot audits of programs. It currently licenses materials to two local universities and to the Thai Institute of Directors Association.

#### Contact

Pamela Murray-Jones, General Manager National Education, [pmurray-jones@companydirectors.com.au](mailto:pmurray-jones@companydirectors.com.au)



## BRAZILIAN INSTITUTE OF CORPORATE GOVERNANCE

### Program description

The curriculum for the director training program (duration, 64 hours) covers:

- Introduction to corporate governance
- Corporate tax and securities law and regulations
- Interpretation of financial statements
- Finance and capital markets
- Boardroom practice
- Strategic direction
- Dividend policy and investor relations

In addition the institute runs a Corporate Governance in Family Business Program (duration, 48 hours) that covers:

- Introduction to corporate governance
- Family governance
- Family law
- Planning and control systems
- Finance and capital markets
- Strategic direction

### Background

Local training started in 1997 and by February 2003, 697 executives from more than 100 companies had been trained through 24 courses in three Brazilian cities.

### Contact

Paulo Villares, Paulodv@terra.com.br

## HONG KONG INSTITUTE OF DIRECTORS

### Program description

The Hong Kong Institute of Directors (HKIoD) offers the following programs leading to a diploma:

- **Credits Program.** Seminars are offered throughout the year on an advance schedule, whereby attendees may selectively enroll, for seminars that fit in their own timetables. The fulfillment of a required number of seminars attended, including the mandatory modules, qualifies an attendee for a Diploma in Company Direction. The seminars can be attended as a stand-alone course and diploma holders may continue to attend selected courses for updating purposes.
- **Fastrack Programs.** From time to time, a packaged course is offered on a fixed schedule. An attendee who enrolls for this course must complete the minimum required number of sessions of the course and make a project presentation before qualifying for a diploma. These Fastrack programs are usually jointly organized with another body and designed to target specific groups. An example is the course leading to a Professional Diploma in SME Directorship.

Apart from these courses, regular educational programs include half-day public forums with a team of speakers from HKIoD's experienced members to enlighten the public on the roles and responsibilities of directors and the significance of corporate governance.

### Background

The Hong Kong Institute of Directors has been organizing training courses leading to a diploma in company direction, based upon HKIoD's developed definition of core competencies for directors. The training programs are held in English, Cantonese, and Putonghua.

### Contact

Carlye Tsui, Executive@hkiod.com

## THE IOD CENTRE FOR CORPORATE GOVERNANCE AT UCD, IRELAND

### Program description

The program, now in its second year of operation, includes ten practical courses. The courses assist directors in improving their personal and professional effectiveness while giving them time to look at their broader responsibilities in terms of shareholder satisfaction and the needs of stakeholders. The program covers the core issues faced by every director:

- Regulatory developments—current developments in corporate governance
- Directors' responsibilities
- Role of nonexecutive directors and company boards
- Finance for nonfinance directors
- Risk management and the role of nonexecutive directors
- Role, function, and responsibilities of audit committees
- Business strategy and company boards
- Role of nonexecutive directors in improving business performance
- Nonexecutive directors and executive remuneration and incentives

The IoD Centre for Corporate Governance at UCD has also recently introduced in-house customized courses for the directors of public and private companies, family businesses, semi-state organizations, charities and other not-for-profit entities. The center also plans to launch an accredited program of education for directors in 2004. Full details of this and other education programs will be available on [www.corporategovernance.ie](http://www.corporategovernance.ie)

### Background

To meet the growing educational needs of company directors, The Institute of Directors in Ireland and University College Dublin jointly established The IoD Centre for Corporate Governance at UCD in February 2002. In its first year of operation, the center ran six courses covering all aspects of corporate governance. The center also began work on several research projects and will produce papers and reports on an ongoing basis.

### Contact

Susan Thornber, [Info@iodireland.ie](mailto:Info@iodireland.ie)

## CORPORATE GOVERNANCE CENTRE OF KENYA

### Program description

The residential courses comprise:

- Corporate governance
- Board dynamics and human resources development
- Strategy
- Finance
- Legal
- General

### Background

The Centre has developed training materials based upon the guidelines put out by the Commonwealth Association of Corporate Governance (CACG) and has adapted them to meet the needs of Kenya and the region. The center has run about twelve five-day residential courses based upon the CACG model in Kenya, and one each in Malaysia, Rwanda, and Zimbabwe. In addition the center has conducted two intensive training-the-trainers courses in Kenya, and one in Zimbabwe. It has held consultative meetings with professional associations and hopes to introduce corporate governance as a subject of study in professional courses offered by professional bodies. It has developed postgraduate and diploma curriculum and has initiated discussions with local universities with the objective of facilitating introduction of diploma and graduate courses in corporate governance.

### Contact

Karugor Gatamah, Executive Director, [Pscgt@insightkenya.com](mailto:Pscgt@insightkenya.com)

## PHILIPPINES INSTITUTE OF CORPORATE DIRECTORS

### Program description

- **Training Program.** The institute offers an Orientation Seminar on Corporate Governance to corporate directors of both banks and nonbanks. It offers the same seminar to other professionals who serve as key reputational agents for corporate governance. Specialized courses on audit committees, risk management committees, governance committees, and financial issues (financial numeracy) for directors are also on offer. These form part of the Core Course on Corporate Governance that the institute is developing and eventually offering jointly with other director training organizations in the East Asia network (IDEA.net).
- **Certification Program** (to be established). Jointly with other director training organizations in East Asia, under the auspices of the Global Corporate Governance Forum and Yale University, the institute will be certifying as Professional Directors those who complete all the requirements of the Core Course on Corporate Governance. Additional requirements for certification include acceptance of a submitted case on a successful initiative towards corporate governance improvement and a commitment to continuing professional education as well as to a code of professional ethics. The corporate directors and other professionals who gain certification are admitted as Fellows of the institute.

### Background

The Institute has been providing training to directors of banks since the end of 1999.

### Contact

Jesus Estanislao, [Jestanislao@icdc.enter.org](mailto:Jestanislao@icdc.enter.org)

## RUSSIAN INSTITUTE OF DIRECTORS

### Program description

The corporate director course consists of six eight-hour courses:

- Introduction to corporate governance
- How to make an effective board
- The board's role in developing and implementing strategy
- The board's role in risk management and restructuring
- The board's role in ensuring disclosure and transparency
- Finance for non-financial directors

### Background

The Russian Institute of Directors has developed special courses for board members and company secretaries. Between 2001 and 2002, 200 board members attended courses.

### Contact

Igor Belikov, [Belikov@rid.ru](mailto:Belikov@rid.ru), [www.rid.ru](http://www.rid.ru)

## INSTITUTE OF DIRECTORS OF SOUTHERN AFRICA

### Program description

#### **One-day Overview Programs**

- Corporate governance, directorship, and board effectiveness

#### **Two-day Presentations**

- Board construction, director selection, board and individual director evaluation
- Legal aspects affecting organizations and individual directors
- Succession planning, coaching, mentoring to world-class standards
- Rolling out corporate governance through business and government organizations

#### **Three-day Director Development Programs**

- Finance for nonfinancial directors
- Risk strategies for the board
- Ethical practices for the board

#### **Graduate Diploma in Company Direction**

- Six-month distance learning with three sessions totaling 10 days of interactive workshops

#### **Corporate Governance Certificate Program** —12 weeks with two blocks of two-day lectures

- Business ethics and corporate governance
- Law and corporate governance
- Audit, control, and corporate governance
- Corporate financial reporting, disclosure, and risk management
- Corporate governance in practice
- Multidisciplinary corporate governance case study

### Background

The Institute established the Centre for Directorship and Corporate Governance (CDCG) in early 2001 and has tutored more than 4,000 individuals through the various programs in just over two years. In addition the CDCG provides board learning opportunities in alliance with leading business schools and universities. Although the majority of programs are held in South Africa, presentations have been held in Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, and Zimbabwe.

### Contact

Richard Wilkinson, Executive Director

David Hutton-Wilson, Director, Centre for Directorship and Corporate Governance, [iodsa@iodsa.co.za](mailto:iodsa@iodsa.co.za)

## THAI INSTITUTE OF DIRECTORS

### Program description

The institute runs a five-day program based upon the program developed by the Australian Institute of Company Directors. In addition a few one-day courses are run that cover:

- The chairman
- The audit committee
- Assessing board performance

### Background

Courses began in 1999 in co-operation with the Australia Institute of Company Directors.

### Contact

Charnchai Charuvastr, [cc@thai-iod.com](mailto:cc@thai-iod.com)

## INSTITUTE OF DIRECTORS, UK

### Program description

#### **Company Direction Program—Certificate**

- The role of company director and the board (two days)
- The director and the board (one day)
- Finance for nonfinancial directors (three days)
- Strategic business direction (three days)

#### **Company Direction Program—Diploma**

- Certificate courses plus
- Effective marketing strategies (two days)
- People mean business (two days)
- Effective board decisionmaking (one day)
- Leading and directing change (one day)

#### **Other short courses**

- The role of the company chairman (one day)
- The role of the managing director (one and one-half days)
- The role of the nonexecutive director (one day)
- The role of the company secretary (one day)
- The role of the finance director (one day)
- Marketing for non marketing directors (one day)
- An introduction to the director's role (one day)
- Successful business strategies (one day)

#### **Finance**

- A directors guide to the City (two days)
- Buying and selling companies (two days)

#### **Leadership and skills**

- Business presentations and public speaking (two days)
- Negotiating skills and techniques (two days)
- Chairing successful meetings (one day)
- Keys to personal effectiveness (one day)
- Transformational leadership (two days)

### Background

The IoD provides a range of director development services that include:

- Courses: one-three days, practical and participative for all sizes of organizations
- Conferences: overviews on topical issues led by business leaders (for 60–120 delegates)
- Chartered director: a professional standard for experienced directors
- Board development services: workshops and briefings specifically designed to address board, strategy, and team issues
- In-company training and development
- Executive coaching and mentoring: a tailored and confidential service driven by the needs of the client.

All services are designed for directors by directors and are led by subject experts. The UK has sophisticated examination and professional review of director experience systems. The UK provides training and development in Japan and is currently assisting the Caribbean and Turkey in developing director training programs.

### Contact

Chris Pierce, [Chris.pierce@iod.com](mailto:Chris.pierce@iod.com)

## COMMONWEALTH ASSOCIATION OF CORPORATE GOVERNANCE (CACG)

### Program description

The CACG run a five-day Company Directors Course consisting of:

- Corporate governance
- Board dynamics and human resources development
- Strategy
- Finance
- Legal
- General

Course workshops under development include:

- Chairman and the board
- CFO and the board
- The company secretary and the board
- CEO and the board
- Finance for nonfinancial directors
- Marketing for directors
- Risk management and the board

### Background

The five-day program has been undertaken by 600 directors from 20 countries. The CACG has in place activities that will see another 600 directors attend in 2003. Feedback from participants in over 30 countries where CACG has worked indicates that the activities are respected and successful.

### Contact

Geoffrey Bowes, g.bowes@xtra.co.nz

## WORLD BANK INSTITUTE

### Program description

The World Bank Institute has developed a corporate governance and strategy distance learning core course consisting of:

- Corporate governance
- Competition and regulation
- Corporate strategy
- Good governance
- Corporate responsibility, business ethics, and reputational risk management
- Governance and anticorruption

The corporate social responsibility (CSR) course consists of six modules:

- CSR main concepts
- Decisionmaking frameworks
- Corporate social responsibility
- Building sustainable competitiveness through CSR
- CSR and the poor
- An introduction to coalition building and action plans

### Background

These core courses are aimed at policymakers, private and public sector leaders, and company directors. The corporate governance and strategy distance learning course can be found at [www.worldbank.org/wbi/corpgov/core-course/modules](http://www.worldbank.org/wbi/corpgov/core-course/modules).

### Contact

Djordijja Petkoski, Dpetkoski@worldbank.org

## ANNEX 2. SAMPLE CURRICULUM FOR AN ORIENTATION PROGRAM, INDIA

*From the Indian Institute of Management Bangalore.*

PROGRAMME	9.30 – 11.00	11.30 – 1.00	2.15 – 3.30	4.00 – 5.30
6/12/01 THURSDAY	SESSION 1	SESSION 2	SESSION 3	SESSION 4
	Board of Directors and Corporate Governance (NB)	Trends in Board Composition, Independence & Contribution (NB)	Measuring Shareholders Wealth Creation EVA – MVA (PG)	Strategy Formulation & Monitoring  Case Discussion: Jack Welch: General Electric's Revolution (SR)
7/12/01 FRIDAY	SESSION 5	SESSION 6	SESSION 7	SESSION 8
	Control in Corporate Governance  Case: Universal Engineering (NB & DS)	Audit Committee Effectiveness (NB)	Corporate Communications  Case: Titan Industries; Polypack (SS)	Mergers & Demergers: Board Role and Responsibilities  Case Discussion: Digital – Compaq in India (SM & Singh)
8/12/01 SATURDAY	SESSION 9	SESSION 10	SESSION 11	
	Dissociation Behaviour in Host Countries:  Case Discussion: Pfizer & TVS Suzuki (DB, VKV & TSS)	CSR - Where are We Heading? Indian & Australian Experience (DK, SV, FS)	Emerging Directors in Corporate Governance (KRR, MRR, DK, FS & NB)	
<p>DB: Mr. Dipankar Basu, Former Chairman, SBI</p> <p>DK: Prof. David Kimber, Associate Professor, RMIT, Project Director, St James Ethics Center, Melbourne</p> <p>DS: Deepjee Singhal, Practising Internal Auditor</p> <p>FS: Ms. Fran Siemensma, Lecturer of Business Ethics at Victoria University, Melbourne</p> <p>KRR: Mr. K. R. Rammoorthy, Chairman, Vysya Bank</p> <p>MRR: Dr. M. R. Rao, Director, IIMB</p> <p>PG: Mr. Pavan Gandhok, Country Head, Stern Stuart India Pvt. Ltd.</p> <p>SS: Prof. Sundararajan, Professor of Finance and Control, IIMB</p> <p>Singh: Mr. Sajay Singh, Partner, Sagar Associates, Solicitors</p> <p>SV: Mr. Shankar Venketeswaran, CEO, Partners in Change</p> <p>SR: Prof. S. Raghunath, Professor of Corporate Strategy &amp; Policy, IIMB</p> <p>TSS: Mr. T.S. Suresh, Partner, King &amp; Partridge, Bangalore</p> <p>VKV: Mr. V.K. Vishwanathan, Jt. Managing Director, Mico Bosh</p> <p>NB: Prof. N. Balasubramanian, Professor of Corporate Finance, Strategy &amp; Governance, IIMB</p>				

## ANNEX 3. SAMPLE CURRICULUM, INDONESIA

*The following is a set of training courses offered by the Indonesian Institute for Corporate Directors.*

### Essential Director & Commissioner Program

- **The Practice of Directorship:**
  - Creating and Sustaining Board Value
  - Core Competence of Comm. & Director
  - Commissioner and Director Independent
  - Role of the Board in Strategic Planning
  - Comm. & Director Responsibilities
  - Accountability and Liabilities
  - Evaluation of Comm. & Director Performance
  - Relationship between Commissioner-Director-Senior Manager
  - Succession Planning
  - Enhancing Shareholder & Stakeholder Relations
  - Effective Board Meeting
  - Best Practices in Board Governance
  - Top Priorities for Commissioner and Director
  - Critical & Emerging Board Issues
  - Board size, Structure, Composition & Tenure
  - Setting up committees (audit, compensation, nominating, special purpose)
  - Commission & Director Fiduciary Responsibilities:
    - ✓ Business Judgment Rule
    - ✓ Distinguishing Care and Loyalty Violations
    - ✓ High Risk Transaction: Risk Assessment
    - ✓ Shareholder
- Introduction to Financial Statements
- Indonesian Company Law

Duration : 5 days, 40 teaching hours  
 Course Fee : US\$  
 No. of Participants : Max. 24 (ideally 12)

### Professional Director & Commissioner Program

- **The Practice of Directorship:**
  - i. The Role of Company Directors & Commissioners
  - ii. Improving Board Effectiveness & Compliance Procedure
    - Strategic Business Direction in the New Economy
    - Corporate Ethics and Social Responsibility
    - Improving & Assessing Company Performance
    - Law & Regulation: Issues for Directors
  - i. Company and Capital Market Law
  - ii. Contract Law, including Employment Contract
    - Finance for Directors
    - Marketing for Directors
    - Operation for Directors
    - Leading Major Change and Organizing for Tomorrow
    - Intellectual Capital/Strategic HR for Directors

Duration : 14 days, 112 teaching hours  
 Course Fee : US\$  
 No. of participants : Max 24 (ideally 12)

### Director & Comm. Continuing Dev. Courses

#### Samples of the Short-Courses:

- Selecting & Managing Independent Dir. & Comm. Programs
- Setting-up and Maximising Audit Committee
- Director & Commissioner Evaluation
- Corporate governance & Ethical Investment
- Finance for Director & Commissioner
- Corporate-Capital-Contract Law and Business Judgment

Duration : 1-2 days, 8-16 teaching hours  
 Course Fee : US\$  
 No. of participants : 24



## ANNEX 4. CASE STUDY PREPARATION FOR A DIRECTOR TRAINING COURSE

*This document was prepared by Florencio Lopez-de-Silanes, Yale International Institute for Corporate Governance, and Mike Lubrano, International Finance Corporation, for the Corporate Governance Leadership Program, Latin American session, July 27 to August 2, 2003.*

### Essential Materials Needed to Build a Case:

1. The facts about the basic transactions to be analyzed with all their supporting information
2. The set of materials that directors or board members are likely to use in order to reach a decision. For example, for the case of a transaction or an acquisition, one needs:
  - ✓ the offers,
  - ✓ the management analysis,
  - ✓ independent opinions and analysis.
3. Ownership structure of firm, alliances, independence information, etc...that may point to potential conflicts of interests in the case of transactions
4. Financial information of the company or companies involved
5. Information about the outcome of the decisions that were taken to provide an analysis of the results

### Potential Cases Organized around Relevant Issues Covered in the Course

#### 1. Fiduciary Duties in Exceptional Transactions

Duty of loyalty and care in a takeover or major transaction are one of the central issues that come to boards in emerging markets.

Fiduciary duties are not well developed concepts in many countries and it becomes important to illustrate to directors the many aspects and specific forms where these take a special and essential role.

Some examples of transaction are:

- ✓ Acquisition: Enersis (Chile)
- ✓ Takeover: Ultrapar (Brazil)

#### 2. The Role of the Board in Unavoidable Conflict Transactions

The role of the board of directors, and particularly those independent directors, becomes largely complicated in the likely situations of transactions with potential conflicts of interest of various members of the board or management.

This helps illustrate:

- ✓ The role of safe haven rules to try to avoid tainted transactions
- ✓ The role of various Board Committees
- ✓ The role of the independent contractor

*Case example: CCR (Brazil)*

#### 3. Board Building in a Family Business

Privately-held firms run and managed by families are the most common firm structure in Latin America.

One of the most relevant issues for these firms is how to make the jump to a situation where family members start to behave as shareholders and not only as managers or board members. This helps align incentives for various actions and decisions.

Another central issue in these firms is the activity of "board building."

*Case example: Puertas Finas (Mexico)*

The information for building cases in this area is difficult to get and can only be achieved with the full cooperation of the family in question.

#### 4. Board Building in Publicly Traded Firms

These firms have typically already made the jump to a more professionalized board and management team.

The issues here typically have to do with:

- ✓ Further institutionalization of the board
- ✓ The creation of committees
- ✓ Establishment of rules to control interested party transactions
- ✓ Allowing independent directors and non-controlling shareholders to access the required information, etc...

*Case example: Odebrecht (Brazil)*

This case also illustrates aspects of another typical form of ownership in emerging markets that creates corporate governance issues: the Holding Company and its conflicts.

#### 5. The Role of the Directors in Improving Corporate Governance

Understanding what the market wants when firms go public is a key issue to help directors guide the transition.

Accessing capital markets for the first time is one of the most agonizing decisions that a family firm needs to make. This process requires:

- ✓ The restructuring of the Board and the management team
- ✓ Decisions about various currently-involved family members
- ✓ The improvement of accounting and auditing standards
- ✓ The need for a change in disclosure policy
- ✓ The establishment of shareholder rights

Case examples are:

- ✓ Inversura: (Colombia) a result of what happens (in a still private firm)
- ✓ Bavaria: (Colombia) a result of what happens (in a publicly traded firm)

#### **Other Topics That Could Be Used as Ideas for Case Development for the Course**

##### 6. Accounting and Auditing

Issues about the conflicts and challenges for audit committees

Issues about poor disclosure or misleading disclosures

##### 7. Strategy

The board plays a key role in strategy decision making and keeping management in line with the goals of the corporation without wasting shareholder assets

##### 8. CEO Succession

This is probably one of the most agonizing board issues that take place in emerging markets, where dominant shareholders also occupy key positions in the management of the corporation.

It is also a key issue even in widely held firms, and boards are the most appropriate mechanism for preparing the transition.

## ANNEX 5. SAMPLE READING LIST FOR A TRAINING COURSE

*From the Corporate Governance Leadership Program developed by the Yale International Institute for Corporate Governance and the Global Corporate Governance Forum, Latin American session, July 27–August 2, 2003*

### READING LIST

All participants should have read the Business Sector Advisory Group on Corporate Governance's Report: *Corporate Governance: Improving Competitiveness and Access to Capital in Global Markets* (1998), and the *OECD Principles of Corporate Governance* (1999) prior to the start of the program. They will be referred to throughout.

#### 1-Review of corporate governance theory: Other people's money

- Excerpts from Berle & Means, *The Modern Corporation and Private Property* (1932): Property in Transition & The Divergence of Interest between Ownership and Control, Book I, Chs. I & VI (pp. 1–9 & 119–125); Evolution of the Modern Corporate Structure, Book II, Ch. I (pp. 127–152); The Traditional Logic of Property, The Traditional Logic of Profits, The Inadequacy of Traditional Theory, & The New Concept of the Corporation, Book IV, Chs. I–IV (pp. 333–357).
- American Law Institute, Vol. 1, *Principles of Corporate Governance* (1994) (Section 2.01).

#### 2-The role of the regional network in supporting training and curriculum development

- *The Economist* (May 2nd, 2002): Fallen Idols.
- Shleifer and Vishny, *Journal of Finance* (June 1997): A Survey of Corporate Governance, Vol. 52, No.2, pp. 737–783.
- American Law Institute, Vol. 1, *Principles of Corporate Governance* (1994) (Sections 5.02, 5.03, 5.04, 5.05, 5.07).
- *The Economist* (Jan. 5th, 2002): Conglomerates in Developing Countries. Monsters Still, but Prettier (pp. 59–60).
- *The Economist* (Dec. 11th, 1999): Protection Money (p. 69).
- La Porta et al, *Journal of Finance* (April 1999): Corporate Ownership around the World, Vol. LIV, No. 2, pp.471–517.

#### 3-Shareholders' roles, rights and responsibilities

- Excerpts from Charkham & Simpson, *Fair Shares: The Future of Shareholder Power and Responsibility* (1999): The Role of Shareholders in the UK, Ch. 2 (pp. 27–39); Shareholders: The Legal Framework, Ch. 6 (pp. 61–78); The Ownership of Companies, Ch. 8 (pp. 88–94); The Obligations of Significant Ownership, Ch. 21 (pp. 223–230).
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## ANNEX 6. SAMPLE CORE CURRICULUM, COMMONWEALTH

*The following is the rationale underlying the core curriculum offered by the Commonwealth Association for Corporate Governance.*

### **Commonwealth Company Director Training Programme in Corporate Governance**

- The short term target of Phase 1 (commenced in May 2001) is to train an initial group of 40 directors and trainers in a systematic Five Day Corporate Governance Course for Directors, in each of at least 11 Commonwealth countries, through designated national/regional training organisations. To date courses have been delivered for East Africa (covering 5 countries, located in Kenya), Central Africa (covering 5 countries, located in Zambia), Jamaica, the Pacific (covering 7 countries, located in University of South Pacific, Fiji), Sri Lanka, and state of Kerala (India).
- The longer term vision is to establish self-sufficient in-country capacity to train a critical mass of all the directors of all the boards of all the top state and private sector companies in all Commonwealth countries, led by the initial group of 40. In some countries the second phase training has already commenced (one country has already completed twelve courses and trained over 500 directors) and a portfolio of shorter courses has been designed.
- The ultimate outcome is to demonstrate the countries with a national action plan and established practice for good corporate governance as preferred destinations for domestic and international investment, thereby stimulating capital markets, fuelling growth, and creating employment
- The underlying reason is that there is significant evidence that most board directors are deficient in the essential knowledge and skills to do their job, and have never been provided appropriate training
- The main method of delivery is a five day course (normally residential) with nine modules covering the essential knowledge and skills for a company director in the global market:
  - 1) corporate governance structures and systems
  - 2) board dynamics, performance and director recruitment
  - 3) business strategy for directors (including IT and technology strategy)
  - 4) finance for directors
  - 5) company law, legal duties and obligations of directors
  - 6) company risk analysis (financial, political, policy, technological risk)
  - 7) company asset direction (financial, land, plant, equipment, human and knowledge assets)
  - 8) corporate ethics, social and environmental responsibility
  - 9) corporate governance action plans and changes to company reports
- The strategic purpose is to transform the 'corporate landscape' of Commonwealth countries, through turning 'Director' from an ascribed title to an achieved profession establishing new benchmarks of corporate governance and board performance
- training the leadership of state and private sector companies - thereby facilitating a "Chain Reaction" for national development
- The "Chain Reaction" for development aims for a sequence of objectives :

1) a strategic improvement in the quality and efficiency of all boards of directors

2) improved performance of state enterprises, to stop their fiscal haemorrhage, and gain their real contribution to GDP

3) increased performance and profitability of private companies, leading to both increased exports and rate of GDP growth, and thus to increased share prices of listed companies

4) improved understanding and standards of corporate environmental and social responsibility

5) the mass training for directors, and the national corporate governance action plan, should send a strong signal to the markets to encourage domestic and international investor confidence,

6) all of which should lead to increased inflow of national and international investment funds,

7) which will lead to increased growth, employment and alleviation of poverty

- A special feature of the programme is the purpose to change board behaviour, by establishing standards and benchmarks of corporate governance and board performance, in particular to apply essential practices (for example board committees, board and director performance appraisals, separation of chairman and C.E.O. and at least 50% of board time allocated to proactive strategy and risk management, and less time on retrospective review of accounts and past performance)
- These ambitious objectives can be achieved because the programme has been designed with a combination of special features:

a) the training programme is built on a platform of several years of policy formulation, international, regional and in-country promotion and exposure training by the Commonwealth Fund for Technical

Cooperation, to create the fertile soil of initial understanding, infant institutional capacities and policy support for corporate governance in the countries involved

b) it is also built on the direct experience of training by the Commonwealth Association for Corporate Governance (CACG), and on the design of a new curriculum specifically for developing countries, incorporating director training experiences from Australia, Britain, India, Kenya, Malaysia and New Zealand

c) it is based on the direct experience of New Zealand, which has succeeded in transforming its 'corporate landscape' by this type of large scale director training, led by government corporations, and has also managed to achieve a number of associated objectives such as recruiting and training women and minority community directors, which can also be applied in this larger Commonwealth programme

d) it is directly linked to the support and influence of central banks (following endorsement at Commonwealth Finance Ministers Meeting 2000, and Central Bank Governors Meeting in June 2001), which can exert a high degree of compulsion as well as moral suasion in the banking sector and thereby on the banks' corporate customers, in addition to stock exchanges and privatisation agencies

e) it will initially target a critical mass of directors in each participating country, thereby creating a demonstration effect, and ultimately cover all directors of the leading companies

f) training is examined and accredited to international standards by CACG and Deakin University (Australia), thereby assuring the credibility required by investors, governments and the public that the quality of corporate leadership will be high

- g) the training courses incorporate action plans for the directors to introduce specific improvements to corporate governance in their own companies, in their sectors through industry associations, and nationally through professional institutes and national task forces
- h) the training courses will also incorporate changes to company annual reports to demonstrate the innovations in corporate governance
- i) the training should be combined with institutional capacity building, to strengthen the infant professional institutes of directors and corporate governance so that they can take over the training and policy development for continued and sustained activity
- j) the programme also incorporates a research project which will monitor the changes in performance in the participating companies and evaluate the impacts on the investment inflow and growth of their sectors; the research will also help to identify other policy factors which are needed to achieve the overall development objectives to which corporate governance contributes.



## ANNEX 7. SAMPLE TRAIN-THE-TRAINERS COURSE

CORPORATE GOVERNANCE ORIENTATION PROGRAM FOR COMPANY DIRECTORS			
	DAY 1	DAY 2	DAY 3
ACTIVITY/ THEME	ARRIVAL AND WELCOME	BOARD RELATIONS WITH OUTSIDE SHAREHOLDERS	SPECIAL ROLES OF THE BOARD
9:00- 10:15		Overview of course objectives review of corporate governance theory: other people's money	Key board responsibilities & director duties
10:30- 12:00		Conflicts between insiders/outside & minority shareholders	Board independence, leadership roles, committee structure, board evaluation, codes of conduct & best practice
12:00 - 1:00 LUNCH BREAK		Role of the regional network in supporting training and curriculum development	
1:00 - 2:15		Role of family-owned firms and conglomerates in Latin America	Role of the board in setting strategy
2:45 - 4:00		Shareholders' roles, rights & responsibilities	Risk management, including when a risk becomes a crisis
4:15 - 5:30	(5:00 - 6:00) Registration	Constructing cases for director programs	Case study/discussion
6:00 - 8:00	Welcome dinner & introductions		



*From the Corporate Governance Leadership Program developed by the Yale International Institute for Corporate Governance and the Global Corporate Governance Forum, Latin American session, July 27– August 2, 2003.*

DAY 4	DAY 5	DAY 6	DAY 7	
LEGAL FRAMEWORK	ACCOUNTING AND AUDITING	OWNERSHIP STRUCTURES	WRAP-UP/ PRESENTATION OF CERTIFICATES	
Introduction to other control mechanisms—law, finance & markets	Audit reform, audit committees & oversight	Special issues relating to family firms & ownership structures	Building sustainable organizations Promoting director professionalism	
Regional legal constraints: lessons from the Latin American ‘white paper’	Accounting standards & disclosure: enron and beyond	Special issues relating to private equity & corporate governance	Wrap-up, next steps & program evaluation	
		Advisory boards & the transition from private to public	Presentation of certificates & farewell lunch	
Governance enforcement and anti-corruption efforts	Governance & related lending issues for bank directors	CEO succession: focus on family-owned firms		
Role of the board in corporate social responsibility in Latin America	A regulator’s international perspective on the impact of U.S. legislation (Sarbanes-Oxley) on corporate governance	Governance by <i>ad hoc</i> agreement between investors and companies		
Case study/discussion	Case study/discussion	Case study/discussion		

## ANNEX 8. SAMPLE RESIDENTIAL TRAINING COURSE, ZAMBIA

*The following is the program for a residential training course for directors offered by the Institute of Directors, Zambia. This program was developed with the support of the Commonwealth Association for Corporate Governance and in association with the Private Sector Corporate Governance Trust.*

MONDAY 27 MAY 2002		TUESDAY 28 MAY 2002	
08:00 - 09:00	Opening Address and Introduction to the Course	08:00-11:00	Corporate Governance
09:00 -14:30	Corporate Governance	08:00-09:00	Board composition Selection, Induction and Development of Directors Recruitment of CEO Board Remuneration Board Effectiveness -Crafting the Board -Board Dynamics and Group Think -Board Committees -Board Evaluation -Conventions
09:00 - 10:00	Introduction		
10:00 -10:30	Break		
10:30 - 11:30	Principles and Codes of Best Practice - Comparative Review Applicability of Principles and Codes in Africa		
11:30 - 12:00	Case Study - Corporate Governance in Africa	10:00-10:30	Case study
12:00 -13:00	Role and Functions of the Board Role of the Chairman Role of the Chief Executive Officer Duties of Executive and Non-executive Directors Board Work Plan	10:30-11:00	Break
		11:00-14:00	Navigating the Knowledge Economy
		11:00-13:00	Information Technology, Creativity, Innovation and the Electronic Board
13:00 - 14:00	Lunch	13:00-14:00	Lunch Break
14:00 - 14:30	Case Study - Starting from Scratch: The East African Centre for Corporate Governance	14:00 -17:30	Strategy Module
14:30 - 17:30	Legal Duties and Liabilities of Directors	14:00- 15:00	Getting the Board to Think and Act Strategically
14:30 - 16:00	Legal Duties and Liabilities Powers and Responsibilities Corporate Social Responsibility	15:00- 16:00	Strategic Analysis and Strategic Direction
16:00 - 16:30	Break	16:00- 16:30	Break
16:30 - 17:30	Case Study - Maji Water Company	16:30- 17:30	Case Study : Haraka Corporation
17:30 - 18:00	Lessons for the Day	17:30-18:00	Lessons for the Day
19:00	Dinner	19:00	Dinner

WEDNESDAY 29 MAY 2002		THURSDAY 30 MAY 2002	
08:00 - 11:00	<b>Strategy Module</b>	08:00 - 11:00	<b>Finance Module</b>
08:00 - 10:00	Strategic Change and Strategic Evaluation	08:00 - 09:30	Risk Management and Financing an Organisation
10:00 - 10:30	Case Study : Video	09:30 - 10:00	Case Study : Canadian Bus Company
10:30 - 11:00	<b>Break</b>	10:30 - 11:00	<b>Break</b>
11:00 - 17:00	<b>Finance Module</b>	11:00 - 12:00	<b>Reporting on Corporate Governance</b>
11:00 - 12:00	Understanding Financial Reports	12:00 - 15:30	<b>Discussion Forum and Preparation for Examination</b>
12:00 - 13:00	Case Study - Retail Public Company Ltd	12:00 - 13:00	Discussion and Work Groups
13:00 - 14:00	<b>Lunch Break</b>	13:00 - 14:00	<b>Lunch Break</b>
14:00 - 16:00	Assessing Company Performance	14:00 - 15:30	Discussion and Work Groups
16:00 - 16:30	<b>Break</b>	15:30 - 17:30	<b>Written Examination</b>
16:30 - 17:30	Case Study : Retail Public Company	17:30 - 18:00	<b>Lessons for the Day</b>
17:30 - 18:00	<b>Lessons for the Day</b>	19:00	<b>Dinner</b>
19:00	<b>Dinner</b>		

<b>FRIDAY 31 MAY 2002</b>	
<b>08:00 - 11:00</b>	<b>Role of Professional Advisors and Board Advice</b>
08:00 - 09:30	Role of Professional Advisor
09:30 - 10:30	Case Study : The Professional and Corporate Governance
10:30 -11:00	<b>Break</b>
<b>11:00 -12:00</b>	<b>Case Study Examination</b>
<b>12:00 - 15:30</b>	<b>21st Century Board</b>
12:00 - 13:00	Key Issues
13:00 - 14:00	<b>Lunch Break</b>
14:00 - 15:30	Discussion Forum
<b>15:30 - 17:30</b>	<b>Presentation of Certificates</b>
<b>17:30</b>	<b>Closing Function</b>

## ANNEX 9. SAMPLE COURSE EVALUATION FORM, BRAZIL

*This course evaluation form was provided by the Brazilian Institute of Corporate Governance and was translated from Portuguese.*

Course: _____					
Subject: _____					
Date: _____			Course leader: _____		

Criteria	excellent	good	average	weak	poor
Points	5	4	3	2	1
<b>1. Subject/content</b>					
1.1 Importance of this module for this program as a whole					
1.2 Sequence of presentation					
1.3 Level of information and references					
1.4 Balance between theory and practice					
1.5 Has the course met your expectations					
<b>2. Course leader</b>					
2.1 Self-confident and expertise on the subject					
2.2 Speech preparation					
2.3 Objectivity and communication skills					
2.4 Audio-visual equipment, slides, etc.					
2.5 Program compliance					
2.6 Timing compliance					
2.7 Involvement of participants					
2.8 Use of case studies and examples					
2.9 Clarification of unclear issues					
<b>3. Participants</b>					
3.1 Course preparation					
3.2 Performance					
<b>4. Location and infrastructure</b>					
4.1 Course room (Lighting, A/C)					
4.2 Meals and coffee (quality and service)					
4.4 IBGC support, reservations, etc.					
Total (to be filled out by IBGC) _____					
<b>Other comments and suggestions:</b>					
Name of participant (optional): _____					
Thank you for your contribution, which is important to the continuous improvement of our educational programs.					

## ANNEX 10. SAMPLE COURSE EVALUATION FORM, UK



DIRECTOR DEVELOPMENT

## course evaluation form

We would be grateful for your help with our continued efforts to maintain high standards and develop products. To assist us please complete the following:

■ Your Name (Optional) \_\_\_\_\_ Course attended \_\_\_\_\_

Company Name \_\_\_\_\_ Date \_\_\_\_\_

**INSTRUCTIONS FOR COMPLETION** Please place a cross in the relevant box like this ☒ Use either Blue/Black ballpoint pen

**1. Please mark the box which best represents your opinion of:**

**a) COURSE LEADER**

	Excellent	Good	Average	Poor
Tutor delivery	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Opportunity to participate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Time management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Knowledge of subject	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clarity of course structure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments \_\_\_\_\_

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**d) CATERING**

	Excellent	Good	Average	Poor
Catering on the day	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments \_\_\_\_\_

**e) COURSE MATERIALS**

	Excellent	Good	Average	Poor
Usefulness	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Quality of notes/handouts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments \_\_\_\_\_

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Please fold along line

**b) COURSE CONTENT**

	Excellent	Good	Average	Poor
Usefulness to your business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Course objectives met	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments \_\_\_\_\_

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**c) ADMINISTRATION**

	Excellent	Good	Average	Poor
Ease of booking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pre-course information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Helpfulness of staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Facilities on the day	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments \_\_\_\_\_

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**2. SUMMARY**

	Excellent	Good	Average	Poor
Value for money	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
value of time spent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Overall Satisfaction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments \_\_\_\_\_

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**3. Have your own personal development objectives been met?**

Yes ☐ No ☐

If not, what issues/objectives were not addressed?

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

please turn over

## DIRECTOR DEVELOPMENT

### 4. What other courses/subjects would be of interest to you?

- ☐ Director's role
- ☐ Strategy & Leadership
- ☐ Personal skills
- ☐ Finance
- ☐ Director Development Programmes, leading to recognised qualification
- ☐ Half-day practical workshops
- ☐ Executive coaching and mentoring
- ☐ Post course web bulletins
- ☐ Conference
- ☐ Events
- ☐ In company training and development
- ☐ Distance Learning courses and programmes
- ☐ Board development services

Other, Please state \_\_\_\_\_

\_\_\_\_\_

### 5. How likely are you to attend another IoD Director Development course?

- ☐ Definitely
- ☐ Possibly
- ☐ Unlikely - if so, please state why

\_\_\_\_\_

### 6. Which newspapers or industry specific journals/magazines do you read regularly? Please list all:

#### NEWSPAPERS

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

#### MAGAZINES

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

### 7. IoD Membership no. (if known) \_\_\_\_\_

If you would like to become a member of the IoD or require further information about membership please tick this box ☐

### 8. RECOMMENDATION

Please indicate below the name and address of the individual responsible for training in your company or anyone else who might appreciate being informed about IoD courses, conferences and other products:

Name \_\_\_\_\_

Job Title \_\_\_\_\_

Company \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

Post Code \_\_\_\_\_

Telephone \_\_\_\_\_

e-mail \_\_\_\_\_

Thank you for taking the time to complete this form. Your feedback is much appreciated and will continue to help us improve the quality of our courses and programmes.

## CONTRIBUTORS

### Peer Review Group

To develop this toolkit and gather lessons learned from developing and developed countries alike, the Global Corporate Governance Forum invited representatives from director training organizations from various regions of the world to share their experiences and discuss milestones and challenges in building director training organizations. The Forum would especially like to thank the following people for their contribution to this toolkit by providing materials, examples, and extensive comments on building director training organizations:

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MODULE 4

*Expanding*

# TOOLKIT 1

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# TOOLKIT 1

*Building*

*Director Training*

*Organizations*



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## MODULE 4

*Expanding*



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## Expanding

To promote director professionalism and improve corporate governance practices, director training organizations offer training and professional development programs, most of them for a fee. To become self-sustaining and grow, successful director training organizations need to develop additional reliable means of financing their operations. Besides the income generated from training programs, main sources of revenue may come from other activities and services, sponsorships, and membership dues. Although not all director training organizations are based on membership, many have found that the membership format provides a firm foundation on which to build a vibrant and expanding organization. Membership is a popular method of running a director training organization, in part because the interests of such organizations are aligned with those of their key stakeholders.

### WHAT YOU WILL FIND IN THIS MODULE

This module discusses several types of activities and services that an organization may offer besides training. Not all organizations will want or be able to provide all of them. Nor will every organization want to charge for every service and activity. Membership organizations in particular are likely to offer some of these activities and services as a benefit of membership. Decisions on what income-generating activities to undertake should be based on sound market research and focused on the unmet needs of directors—all in accordance with the organization's stated mission.

In this module, you will find information on:

- Activities and services that can generate income
- Sponsorships and affinity programs
- Developing a membership base
- Pricing membership fees
- Recruiting and retaining members
- Managing membership data

## THINKING POINT

*What activities should your organization consider starting?*

## REVENUE-GENERATING SERVICES AND ACTIVITIES

The activities and services that a director training organization offers can be an important source of revenue to help sustain the organization in the long run. In well-established organizations, revenues from commercial activities and services may provide 60 percent or more of the organization's total income.

While generating revenue is important, the means must be consistent with the overall mission of providing professional development to directors and advancing best corporate governance practices.

The chief activity is, of course, the training program. While training programs may generate revenue for the organization, they are key to helping it fulfill its mission. Two other important activities are researching and formulating policy and representing the interests of directors to government officials and opinion leaders in the business world, the media, and academia.

*For further information on developing a training program, see MODULE 3: TRAINING. For a discussion on the role of director training organizations, see MODULE 1: STARTING.*

In addition to these important activities, however, there are numerous other activities and services that both produce income and advance the professional development of directors. These activities may include:

- Coaching and mentoring for individual directors
- Newsletters and publications
- Consulting and advisory services
- Board evaluation
- Providing premises and meeting rooms
- Director registration and search service
- Forums for discussion and networking

*(For an overview of key activities provided by several director training organizations, see annex 1.)*

### ***Coaching and mentoring***

To complement its training activities, an organization that trains directors may also want to offer additional learning strategies for its members or nonmembers by providing coaching and mentoring services. These are work-based and focus on the immediate issues with which a director may be confronted.

EXAMPLES

POPULAR ACTIVITIES AND MEMBER BENEFITS

HONG KONG

In a survey conducted in 2001, members of the Hong Kong Institute of Directors ranked the activities of value to them in the following order:

1. Continuing professional development for directors
2. Standards and guidelines on directors' conduct
3. Promotion of integrity and responsibilities
4. Authoritative advocacy on good corporate governance
5. Up-to-date information and publications on director practices
6. Status of being part of a professional group with high standards
7. Friendship and business opportunities through networking
8. Partnership with other professional bodies for the betterment of Hong Kong
9. Being part of a collective voice on significant issues
10. Association and reciprocal service with equivalent organizations internationally
11. Accreditation for directors
12. Meeting and interacting with colleagues of various cultures and economic sectors
13. Enjoyment of member benefits

UNITED KINGDOM

The Institute of Directors, UK offers a broad variety of services to members. Member usage of products and services is regularly measured, and from this information the most popular member benefits are categorized as:

1. Access to premises (including room hire and catering facilities)
2. Education and training
3. Networking and events
4. Free business information and use of the library

### *Coaching*

One-on-one coaching takes place when a director has the opportunity to work with an experienced professional, who may be from another organization, to solve a specific problem the director has. The two first identify the knowledge and skill that the director needs to develop and agree on some potential solutions to the performance deficiencies. They then set some objectives and identify any changes coming up or any new challenges likely to arise. With this as a basis they plan a series of opportunities for the director to implement the strategies they have developed together. They also set up a series of meetings to chart progress and assess the learning.

The advantages of coaching are that the level and pace are geared to the individual director's needs. However, the process can be expensive if the organization pays the highly experienced "coach" for his or her time. In addition, the quality of the outcome depends on the ability of both the coach and the learning director to identify and resolve problems.

### *Mentoring*

Mentoring is another learning approach that is relatively new in director development. The basic idea is that a mentor, who is usually experienced, helps a protégé, who is usually less experienced, to learn and develop over time. The mentor is a kind of role model, whom the protégé seeks to emulate. Mentors typically:

- Invest time and effort into their relationships with protégés, making time to respond to their needs and discussing issues of importance to them.
- Create an open, candid relationship, based on mutual respect and trust, within which difficult situations and problems can be sensitively discussed.
- Encourage their protégés to look at problems and explore possible solutions, respect their views and opinions, and give them a fair hearing but do not provide the answers.
- Foster self-esteem, especially in young and inexperienced directors, and help them to recognize their own skills and abilities.

Mentors can do a great deal to create a continuous learning environment within which their protégés can grow and develop. They can provide a gentle guiding hand and sympathetic ear, whenever needed. They may help their protégés negotiate practical opportunities to broaden experience through special projects, attendance at meetings and conferences, and introductions to the mentors' network of contacts. The advantages and disadvantages are similar to those of the coaching relationship.



### ***Newsletters and publications***

For any corporation to prosper, its directors must be continually engaged in making entrepreneurial decisions involving innovation, risk, and investment. Informed decisions depend upon knowledge and experience. An important source of information comes from a range of top-quality magazines, newsletters, guides, and books that director training organizations typically publish. Best practice codes and guidelines as well as newsletters are typically provided free of charge to members and the organization's network. A cost-effective and efficient way of producing a newsletter is by electronic mail. Books, magazines, and specific reports may be sold, especially to nonmembers. In general, publications are not a high-income generating activity, but they contribute importantly to the organization's visibility. Newsletters are an especially important networking tool that can help expand the membership base or recruit participants for events and training courses.

#### **EXAMPLES**

##### **PUBLICATIONS**

###### **BRAZIL**

Since 2000 the Brazilian Institute of Corporate Governance (IBGC) has been publishing a bimonthly newsletter containing articles written by IBGC members and associates. The newsletter also reprints articles from Brazilian and international newspapers and magazines on governance matters.

###### **HONG KONG**

The Hong Kong Institute of Directors has published a book on Guidelines for Directors and a booklet entitled Guide for Independent Nonexecutive Directors. It is currently working on a set of Guidelines on Corporate Governance for SMEs (small and medium-size enterprises) to be published by mid-2003. The Trade and Industry Department of the government of Hong Kong is supporting publication of the SME guidelines with a substantial grant. All of the institute's publications are bilingual, printed in both Cantonese and English.

## PUBLICATIONS (CONT.)

## IRELAND

The Institute of Directors in Ireland publishes a newsletter, IoD News, three times a year. The newsletter has become a useful reference tool, regularly providing information on company law and corporate governance issues, as well as details on events and professional development programs held throughout the year.

## UNITED STATES

The National Association of Corporate Directors offers a wide range of publications including:

- A monthly newsletter “Directors Monthly” (feature articles)
- Regulatory alerts “DMX” (Directors Monthly Extra)
- Annual Blue Ribbon Commission Reports on a wide variety of board and committee practices—from Executive Compensation to the Role of the Board in Risk Oversight
- Board and board committee handbooks with practical information about structure, roles, and responsibilities as well as sample documents for charters and board policies.

*Consulting and advisory services*

In the course of their work, directors often need specific legal or financial advice or precise information on how to solve an immediate problem. An organization that trains directors may set up a library in its premises, offer access to databases, and monitor a website to update its network and members on new legal, financial, or regulatory issues.

Information provided online or by the organization’s library or information service staff is typically provided free of charge to members or training participants. The information provided should be reliable, succinct, and take only a short time to access. When a director or board requires legal, financial, or corporate governance advice or consultancy services tailored to specific needs, a fee may be charged.

EXAMPLES

**INFORMATION SERVICES: UNITED KINGDOM**

The Institute of Directors, UK offers a range of information and advisory services, including a legal help line, tax advice, a business information research facility, a library, and on-line information. More than one in six of the members sought information and advice from the institute at least once in 2002. Inquiries covered such topics as:

- Company accounting and taxation
- Board structures and governance
- Directors' duties and responsibilities
- Directors' remuneration package
- Employment contracts
- Financial information about companies and businesses in the United Kingdom and elsewhere
- Market trends in various industries.

***Board evaluation***

An organization that trains directors might provide advice on board structure and governance and even develop a board evaluation or rating system. The Philippines Institute of Corporate Directors, for example, is in the process of developing a corporate governance scorecard to monitor board performance; the scorecard can be adapted to specific target markets.

***Providing premises and meeting rooms***

Providing premises, such as meeting rooms can supply members and nonmembers with the necessary base, meeting point, and venue for events. Director training organizations that are just starting out and do not yet have enough meeting space to offer may be able to make an arrangement for meeting space with a nearby club or hotel. Providing premises is a popular member benefit and nonmember service (often for a small fee). It can also be a useful way to take advantage of empty training space in between scheduled courses.

## EXAMPLES

## MEETING SPACE

## NEW ZEALAND

The Institute of Directors, New Zealand has branches in each of the five main business centers in the country. Three of these centers (Auckland, Wellington, and Christchurch) offer access to office facilities for use by local and out-of-town members.

## UNITED KINGDOM

Members of the Institute of Directors, UK can make use of a range of institute premises located in London, Bristol, Manchester, Birmingham, Nottingham, Belfast, and Edinburgh. Each provides free meeting facilities and the opportunity for members to network with their peers. The institute has recently set up a partnership to make more meeting facilities available and to offer state-of-the-art office space on flexible terms and at competitive rates.

*Director registration and search service*

Nonexecutive directors play a critical role in the development of companies, providing independent judgement, weight, and experience to their boards. Nonexecutive directors supply special skills where needed to complement those of executive directors. Many established director training organizations are promoting better corporate governance practices by helping to place nonexecutive directors on the boards of companies. As with any outplacement agency, in most cases the organization charges the companies a fee for this service. Organizations with a developed membership base typically register and recommend only those directors who are members, as this service constitutes a strong incentive for joining the organization. Nonmembership organizations may also offer this service, using as a base the directors they have trained or have in their network. In either case, it is important that the registry of directors be accurate and up to date.

EXAMPLES

## DIRECTOR SEARCH SERVICES

### IRELAND

The Institute of Directors in Ireland took over the activities of the Boardroom Centre (nonexecutive directors) in 2001. Among other things, the center assists client companies with the appointment of independent and nonexecutive directors. The center maintains a database of nonexecutive directors at the Institute of Directors in Ireland, with some 400 suitably qualified individuals on the register. The database is reviewed and updated regularly to ensure that the institute is in a position, as far as possible, to satisfy the requirements of any company. In 2002, 48 companies approached the center seeking assistance with the selection and appointment of nonexecutive directors.

### UNITED STATES

The National Association of Company Directors maintains a list of director biographies, which is free to corporate boards and recruiters seeking directors. The association also has several publications to help board nomination committees find the directors with the necessary qualifications.

## *Forums for discussion and networking*

Conferences, seminars, workshops, breakfast meetings and other forums where matters relevant to company direction are discussed provide an ideal opportunity for directors to keep apprised of trends and best practices while networking and exchanging ideas and experiences. Well-organized, well-produced, and well-marketed conferences and events can provide the organization with significant revenue streams from participants and sponsorships. Costs of mounting the conference can be substantial and need to be taken into consideration when setting the fee schedule. Entry fees may need to cover speaker fees and expenses, materials and brochure production, marketing, catering, room rental, and the rental of sound and visual equipment. Sponsorship is often sought for these events. (Sponsorship is discussed below.)

### *Conferences*

Conferences should be produced to meet the current demands of the market. Some conferences are speaker-led, where delegates hear from a successful business leader.

### *Annual events*

Most director training organizations put on an annual event to showcase the organization's successes and raise awareness of its activities and mission. Annual events are often produced on a much larger scale than conferences and often attract leading speakers. The annual event is often perceived as a flagship occasion and should be informative and interactive.

## EXAMPLES

### DISCUSSION FORUMS

#### SPEAKERS' MEETINGS: HONG KONG

The Hong Kong Institute of Directors organizes eight or nine luncheon meetings a year, each with a high-profile speaker addressing an issue of importance to members. It also hosts an annual dinner with a keynote speaker. These meetings are very well attended by members, their guests, and media representatives, and often receive wide media coverage. To take advantage of its multicultural and international environment, the institute provides simultaneous translation at these meetings in English and Cantonese.

#### NETWORKING: IRELAND

The Institute of Directors in Ireland holds regular high-profile, exclusive networking events for its members. In 2002 the institute hosted five directors' luncheons, a president's dinner, and a North-South dinner. These events offer members and guests unique access to business leaders, politicians, and celebrities, and provide unparalleled networking opportunities.

#### CONFERENCES: UNITED KINGDOM

Jack Welch, former head of General Electric, and Michael Dell, founder of Dell Computer, have both spoken at conferences held by the Institute of Directors, UK. Each speaker attracted around 500 delegates. Some conferences are subject-led, where delegates are informed about topical business issues, such as the roles, responsibilities, and liabilities of directors.

EXAMPLES

ANNUAL EVENTS: BRAZIL

The Brazilian Institute of Corporate Governance held its first National Congress on Corporate Governance on its fifth anniversary in 2000. It was focused on the key actors of corporate governance—owners, boards of directors, management, and independent auditors. The congress was held in the auditorium of the stock exchange in Sao Paulo. Some 190 participants registered, which was substantially above the break-even figure. The second congress was held a year later and was attended by 187 participants. The registration fee was approximately US\$ 400.

*Award occasions*

Some director training organizations host award programs to recognize role models of good practice or to celebrate an achievement. These programs, which are often sponsored by outside businesses or associations, can also be a good way to focus media attention on the organization's work.

*Developing services and activities*

Before developing a large number of activities and services, comprehensive market research should be conducted to understand the needs of directors and the environment in which they operate. The activities and services can then be tailored accordingly. It is not the quantity of services that is offered that creates value, but rather the quality of those services and their ability to meet clear needs.

Market research can help the management of a director training organization:

- Produce new director development activities, such as courses and conferences
- Analyze the activities of competitors, including product range and pricing
- Identify and react to changes in the environment, such as changes in regulations affecting corporate governance

Market research should be conducted regularly:

- At training courses or conferences and other events to seek information on expectations, the quality of the event, and other areas of interest
- Through the organization's publications to seek feedback on content, style, and areas of interest
- Through mail campaigns to gather more general information on favorite activities, expectations, and issues to be addressed

THINKING  
POINT

*How can you provide high-quality activities and services that meet directors' needs?*

- Through the organization's website to gather feedback on online information, expectations, and needs to develop more online activities and courses
- Through telephone research to gather quick responses on specific questions

*(A sample conference evaluation form is provided in annex 2.)*

## EXAMPLES

### AWARDS

#### AUSTRALIA

The Australian Institute of Company Directors sponsors the Australasian Reporting Awards that recognize excellence in organizations' annual reports. The awards are made for reports that meet benchmark criteria that are based on world best practice.

#### HONG KONG

In 2001 the Hong Kong Institute of Directors launched Directors of the Year Awards, the first such awards ever given in Asia. Since then, the awards have been given annually. Honorees are recognized in the categories of executive directors, nonexecutive directors, and boards of listed companies, private companies, and nonprofit organizations. More than 50 partners from among government, regulatory agencies, other professional bodies, chambers of commerce, and major consultancy firms support the institute's awards programs.

Some of the reasons a panel of judges cited in making the awards included:

- "Firm commitment to good corporate governance and the principles set by the company...and a champion of the company's values and practices"
- "Demonstrated skills in ... stewardship ... and accountability to stakeholders, particularly giving precise and insightful briefings ... to facilitate board members arriving at appropriate decisions ... complete design and effective oversight of control systems."
- "... being dedicated and outstanding in the role of independent nonexecutive director ... a significant facilitator in transition from being family-owned/controlled to ... an active board with professional management ... acting as a check and balance, being vocal and addressing issues with courage, knowledge and experience ...."



## THINKING POINT

*What sponsors might help fund some of your activities?*

### SPONSORSHIPS AND AFFINITY PROGRAMS

Sponsorship is another way to provide a healthy revenue stream for the organization. Yet care should be taken regarding the level of influence given to any third party.

A sponsor is a company or organization willing to provide financial support to the organization, usually for a specific activity. In return, the organization identifies the sponsor as a supporter and often allows the sponsor to promote its own brand name and possibly products or services to the organization's members or training participants. The decision to accept sponsorship should be based upon a variety of factors, particularly the reputation of the sponsor and the "fit" of the sponsor with the mission and goals of the director training organization.

It is wise to make clear that the sponsoring organization is associated with a specific event or activity and not with the organization as a whole. This limited sponsorship preserves the independence of the organization. Furthermore the organization should be careful not to support or endorse a sponsor's products or services.

#### *Types of sponsorships*

A director training organization may not necessarily make a profit per se from sponsors, but their funding can help cover expenses. Sponsorship can be used either to support a specific activity or to help subsidize services and benefits often provided free of charge to members or training participants. Organizations may typically invite sponsors to support:

- Workshops and seminars, for example on corporate social responsibility or corruption issues
- Conferences and events, such as a luncheon where a key leader or policymaker makes a presentation, or a small forum where experts discuss new trends or the implementation of new regulations
- Awards, such as best annual report, best corporate social strategy, or best shareholder communication strategy
- Research and publications, such as codes of best practice, training manuals, or newsletters

Sponsorship may come either in cash or through a nonfinancial contribution. For example, the sponsor of a conference or event may provide support by transferring a sum of money to the organization, paying directly for some expenses such as the catering fees, or providing the conference facilities free of charge.

### *Acknowledging the sponsor*

In most cases the sponsoring organization will expect to be acknowledged for its support. The terms and conditions of the sponsorship relationship should be clearly outlined in a contract. Under such an arrangement, the logo of the sponsoring company or organization is normally permitted on:

- Promotional flyers and invitations
- Conference programs
- Menu cards
- Signage (including banners, flags, and staging) and stands

A well-established organization may also look into generating revenues from advertising as long as the advertising does not challenge its independence or compromise its reputation and mission.

### *Affinity partners*

Another possibility for generating income, especially for membership organizations, is called an “affinity” arrangement. Affinity partners provide discounts or value added on services that directors might otherwise not have access to. Examples include discounts on car rental and hotels, use of executive lounges at airports, and affinity charge cards that give the organization’s members discounts or other attractive perquisites. Opportunities to enter into affinity arrangements may be greater for director training organizations that are well-established with an active membership and a position of influence and stature within the business community.

Typically an organization tries to arrange affinity partnerships for certain products and services that are of benefit to members but that the organization either cannot or does not want to manage as a business area. By creating an attractive array of benefits that members may not be able to get elsewhere, affinity partnerships can help the organization retain existing members and attract new ones. The partnership is also a source of revenue for the organization. The affinity partners pay a small commission for the business they conduct with the organization’s members. Some partnerships may be more profitable than others—but all should generate income.

If the organization decides to seek affinity partners, it should take care to ensure that the products and services offered are of high quality and likely to be useful to a significant portion of the membership. The organization, in effect, recommends the affinity partner to its membership and therefore should ensure to the extent possible that the product or service is a benefit that members want and will use.

### *Contracting for affinity services*

The decision to offer members an affinity benefit, such as discounts on car rentals or hotel rooms, should be based on member interest, requests to enter into affinity partnerships from the providers of the goods or services, and analysis of benefits the organization's competitors are offering. Once the organization has decided that members should be offered a particular product or service, it should then ask potential providers of the service or product to submit an application stating what they are prepared to provide the organization under what terms. Each applicant should be judged on its ability to:

- Provide a credible product with unique selling points for members
- Be a market leader within its field
- Offer an exclusive or highly competitive offer to members
- Financially support ongoing marketing campaigns
- Demonstrate excellent customer handling facilities and an infrastructure of appropriate quality
- Provide the organization with a sufficient level of commissions resulting from business written with members

A key feature of the partnership is agreement on an annual marketing plan using a wide variety of communications channels. Typically, a director training organization will promote the partnership in direct mail, advertising, sponsorship activities, the organization's website, newsletters, displays of literature, and generic membership brochures. Any leaflet showing the organization's endorsement should clearly state that the organization is not providing, but recommending, the service.

#### EXAMPLES

##### **AFFINITY PARTNERSHIPS: UNITED KINGDOM**

The Institute of Directors, UK provides a variety of products and services to members offering added value and preferential rates for members. These include:

- Travel services, including executive airport lounges, vacations, flights, car rentals, hotels, airport car parking, and travel insurance
- Financial services, such as an IoD Visa Gold card, directors personal indemnity insurance, personal loans, car finance ,and corporate finance advice
- Automobile services, such as membership in a motor club and discounts on new and used cars

## DEVELOPING AND MANAGING A MEMBERSHIP BASE

Structuring the director training organization as a membership organization can provide a much-needed source of revenue to a young organization while providing valuable services to its membership. Directors who are members of a professional organization may also feel a greater sense of responsibility to foster and disseminate good corporate governance practices.

Directors decide to join a director training organization for many reasons. They may feel a need to sharpen certain skills or be encouraged to join by the chairman of their board to stay current with best practices of corporate governance. A key reason many members join is for the opportunity to network with other directors. Before engaging in a membership recruitment campaign, it is important to identify the benefits and services potential members want as well as to determine what the organization can and is willing to provide in accordance with its overall mission. The first steps in setting up a membership organization are targeting the market, establishing eligibility criteria, and setting up membership fees.

### EXAMPLES

#### MEMBERSHIP BASE

##### AUSTRALIA

The Australian Institute of Corporate Directors has a membership of more than 17,000 individuals. Average growth over the past five years has been 4.8 percent a year. More than half (51 percent) of the directors of the top 200 companies on the Australian Stock Exchange are members of the institute, as are 119 of the chairmen of those companies.

##### UNITED KINGDOM

Membership in the Institute of Directors, UK has risen more than 45 percent in the past seven years to around 55,000 individuals. Members include directors from many sectors of the economy—from media to manufacturing, from e-business to the public sector, from CEOs of large corporations to entrepreneurial directors of start-up companies. Directors from 97 of the FTSE 100 companies are members of the institute. More than three-fourths of the institute's members represent small and mid-sized enterprises.

*Continued next page*

EXAMPLES

MEMBERSHIP BASE (CONT.)

UNITED STATES

The National Association of Corporate Directors in the United States focuses on nonexecutive directors. In the past two years, membership growth has doubled from under 2,000 to over 4,000. Approximately 75 percent of membership is made up of directors. Half the members enroll through corporate board memberships, a quarter are individual directors, and the other quarter are board advisors or academics.

*Targeting the market*

The research required to target the director market for membership is similar to the research an organization conducts to determine what sorts of training and professional programs to offer. Indeed, to some extent the target membership market may mirror the target market for the training programs.

The market may be segmented in several ways:

- By size of company as measured by assets and number of employees, such as the top quartile of companies
- By type of organization, such as companies listed on stock exchanges, banks and financial institutions, small and medium-size organizations, or family businesses
- By director's function, such as chairman, chief executive officer, chief operating officer, chief financial officer, company secretary, or nonexecutive director
- By sector, such as industry, e-business, services
- By region, such as cities or states
- By level of expertise, such as aspiring director, certified director

Once the organization has decided on the market segments that it wants to target for membership, it draws up a marketing campaign aimed specifically at providing the activities and services that these directors say they want. Market targets should be revisited on a regular basis as the organization grows because the needs of companies and directors change over time.

## THINKING POINT

*How much should the annual membership fee be?*

### ***Charging membership fees***

For membership organizations in their start-up phase, annual membership dues are likely to be the main source of revenue. As a membership organization matures, a growing proportion of its revenue is likely to come from director training, professional development, and commercial activities. In well-established organizations, membership fees nevertheless account for a major part of the organizations revenues. An established nonmember organization may therefore also want to consider developing a membership base.

#### EXAMPLES

##### **INCOME FROM MEMBERSHIP FEES**

###### **BRAZIL**

The Brazilian Institute of Corporate Governance is a self-financed, nonprofit membership organization. During its first years, new members were charged an initiation fee of US\$ 200 so that the institute could build up some working capital. The annual membership fee was also US\$ 200. Membership fees represented 77 percent of total revenues in the institute's first year. Since then the number of members has increased more than fivefold, but because of the institute's other income-generating activities, membership fees now account for only about 15 percent of total revenues.

###### **UNITED KINGDOM**

The Institute of Directors, UK typically receives around 40 percent of its revenue from membership subscriptions and 60 percent from director development and business services activity.

Some director training organizations have both an election fee and an annual membership fee. The election fee is paid only once, when the member first joins the organization. Director training organizations that are just starting up may waive this election fee for a year or two to encourage potential members to apply. In addition to waiving the election fee, the organization could create a "founders" membership category as an extra inducement to joining. Once the organization is up and running, it might want to consider offering a reduced election fee to applicants who sign up for several years. Discounts might also be offered to applicants from the same organizations who apply at the same time.

As the name implies, annual dues are payable yearly. In addition, members typically pay for training and professional development courses, conferences, and workshops. If any of these activities are open to nonmembers, members are usually charged a discounted rate.

Setting membership and other fees is both an art and a science. It is advisable to investigate the fees that competitors or similar membership organizations charge. Price, quality, and location are all important factors helping to position the organization. Just as it is important not to price the organization out of the market, it is important not to set membership, course, or conference fees too low. Not only will this cut into the revenue stream; it will undervalue the quality of services provided and send members and potential members the wrong signal about the importance of the organization and its services.

### *Establishing eligibility criteria and categories of membership*

Eligibility criteria for members help ensure that membership is of high caliber, thus contributing to the organization's quality, status, influence, and sustainability. Membership criteria may need to be updated over time.

#### EXAMPLES

##### ELIGIBILITY CRITERIA: ZAMBIA

To qualify for membership of the Institute of Directors of Zambia, an applicant must be 21 or older and:

- A partner in a professional practice or holder of a professional qualification working in commerce or industry;
- A sole proprietor of an unincorporated business;
- A senior executive of a national or international company reporting directly to the board or a member of the board of such a company;
- A senior executive in the central, provincial, or local government;
- A company director of good standing.

In exceptional cases, applicants may be considered for membership if they do not satisfy any of the above criteria but are nevertheless able to demonstrate that they have an equivalent senior level of responsibility and that they support the objectives of the institute.

## THINKING POINT

*What should the eligibility criteria be for your organization's membership?*

Each director training organization should set its own eligibility criteria, which can be based on a number of variables:

- *Business entity.* Members may be required to be associated with an entity whose business affairs and strategies require direction, whether a listed company, a private company, a business unit, an institute, a trust, a local authority, a business association, a state-owned enterprise, a nongovernmental organization, a charity, a professional partnership, or a similar organization.
- *Position.* Members are mostly board directors but can also be corporate staff members in charge of corporate governance issues or other stakeholders concerned with good corporate governance practices.
- *Age.* The use of age as a criterion for eligibility is somewhat dependent on cultural norms. In Japan, for example, seniority is regarded as a measure of experience, knowledge, and skill. However, many entrepreneurs begin their careers at a very early age, often proving to be more successful than their more senior peers. The organization should also give consideration to any laws in the country relating to age discrimination.
- *Experience.* The number of years of experience as a director may be used to determine the category of membership to which an applicant belongs. Some organizations create a senior membership level for members with long experience as directors. There might also be a category for aspiring directors who are not yet actively engaged in the supervision and direction of an entity but who are interested in and likely to hold such a position in the near future.

## EXAMPLES

### MEMBERSHIP CATEGORIES: UNITED KINGDOM

The Institute of Directors, UK has four categories of membership based on age and experience. In addition to general membership, the institute has a Fellows category for experienced and highly qualified directors; an Associate category for executives of companies that do not have directors or who are otherwise ineligible to join as a member, and a Retired Members category, for directors who have retired from their positions.

*(Details of the membership categories for the Institute of Directors, UK and for the Australian Institute of Company Directors can be found in annexes 3 and 4.)*



## THINKING POINT

*What marketing strategies could you use to recruit members?*

### *Planning the recruitment campaign*

Membership campaigns should be carefully planned and tested to achieve maximum effectiveness. Certain types of membership campaigns, such as direct mail, can be quite expensive, and the organization should be sure its recruiting materials will have their desired impact. It is also useful to examine how other membership organizations market their activities.

Factors to consider in planning a membership campaign include:

- Who will be responsible for membership recruitment. Some organizations have their own sales team, while others hire an outside membership recruitment firm
- What methods will be used to reach the target market, such as telephone sales, Internet, appeals, and direct mail
- What kinds of selling aids will be used, such as brochures, high-profile speakers, or patronage
- The efficiency and costs of the marketing strategy
- The projected volumes and revenues

The goal is to find the best channel for raising awareness of the organization among the target audience at the lowest possible cost.

In an organization's start-up phase, word of mouth and advertising in local newspapers are effective ways to raise public awareness of the organization and its training programs and other events. Other relatively inexpensive ways to reach the target audience include:

- Inviting potential members to an open meeting where they can meet the organization's leaders and staff and learn more about its activities and services
- Handing out materials at international exhibitions of relevance to directors
- Making top managers from the organization available to speak at corporate meetings and other relevant venues
- Distributing materials and membership forms at the organization's events, workshops, and training courses
- Member recruitment schemes, whereby members are rewarded with a small gift such as a watch, a pen, or a publication for bringing in a new member
- Making materials available at partner organizations such as the chamber of commerce or other business associations

As the organization grows financially stable, other recruitment tools become available. These include direct mail, advertising in publications related to corporate governance, and telemarketing.

Direct mail is the most common method of communicating with members and is a proven and cost-effective way to assist in the recruitment process. Mailing lists may be compiled from application forms or market research. Alternatively lists may be purchased from professional list brokers. These brokers can provide mailing lists of directors that fit specified profiles.

Mailing lists can be tested first, as can the appeals letters that are sent. It is relatively easy to measure the effectiveness of direct mail by the response rate. A different source code can be put on different mail materials to identify who received which appeal. It is important to constantly update and manage the list and delete “returns” from directors who do not wish to be contacted.

Telemarketing can be very effective in the research phase as well as in the recruiting phase. The job of the sales team is to identify and follow up potential “leads” (directors) to offer them membership or to participate in a membership activity, such as a training course. The sales team records details regarding the outcome of the telephone call and any follow-up action required. All sales and other communications with members should be carefully coordinated to prevent duplication of activity and annoyance to the member.

### ***Filling out an application***

Potential members should complete a membership application form. These forms provide an excellent tool for capturing data about potential members and should be well designed, concise, efficient to process, and easy to complete. The content of the form can be divided into three categories: details provided by the applicant, details provided by the institute, and payment methods and signature. (*Sample application forms are provided in annexes 5 and 6.*)

Common content of an application form includes the following:

- Personal details
  - Name, date of birth, gender, qualifications, and honorifics
  - Home contact details
  - Address, telephone, fax, email, and mobile phone

EXAMPLES

## RECRUITING MEMBERS

### AUSTRALIA

The Australian Institute of Company Directors uses a mix of telesales [telephone outreach], direct marketing campaigns, and networking/information evenings to attract new members. The nonmembers who take courses and attend other events make up a high percentage of the new members. Two marketing channels are especially helpful in this regard. First, nonmembers are encouraged to review the institute's website, where they can join online. Second, attendance at the institute's training course includes built-in membership.

### UNITED KINGDOM

A recent survey of the members of the Institute of Directors in the United Kingdom found that the most effective methods of attracting new members were, in order:

1. Telephone outreach
2. Member recruitment program schemes
3. Direct mail
4. Visits to premises

### UNITED STATES

For many years, the National Association of Corporate Directors relied on direct mail (personalized first-class letters appealing for membership). In recent years, efforts to attract members have been linked to the association's expanded educational offerings. Many people join the association after attending an educational event at one of the regional chapters or an event sponsored by headquarters, often in affiliation with another organization such as a university or a shareholder group.

- Business details
  - Company name, address, telephone, fax, and email
  - Business information, such as annual turnover (sales), number of directors, number of employees, company registration number, and main business activity
  - Personal business details, such as job title, number of years of business experience, professional interests, and educational aspirations
- Declaration (it should be located on the application form near the area where the applicant signs)
  - Conditions of membership (which may include agreeing to the organization's code of ethics)
  - Revocation of membership for violating membership conditions

## EXAMPLES

### DECLARATIONS: AUSTRALIAN INSTITUTE OF COMPANY DIRECTORS

**"I hereby apply for membership of the Australian Institute of Company Directors (AICD) and agree to be bound by its Constitution and By-laws which include the Code of Conduct. I understand the Australian Institute of Company Directors is a not-for-profit company limited by guarantee and that my guarantee is limited to twenty dollars (\$20). I meet the general criteria for membership to AICD."**

- Disclaimer
  - Stating that the details on the form are accurate at the time of printing but that the organization reserves the right to make changes when necessary
- Privacy statement
  - Telling applicants how they can obtain a copy of the privacy policy
- Payment details
  - Include methods of payment and amount payable
  - State clearly to whom checks should be made payable
- Contact details
  - Address (where the completed form may be sent)
  - Telephone, fax, email, and website details

EXAMPLES

**PRIVACY POLICY: AUSTRALIAN INSTITUTE OF COMPANY DIRECTORS**

“We collect your personal information in connection with our role as a professional organisation for company directors providing education, information and advocacy (which includes providing information and products and services to you). We may disclose your personal information to event participants and service providers that perform services on our behalf (such as mailing houses). If you do not provide your personal information, we may not be able to do these things. In most cases, you are able to gain access to your personal information which we hold on request.”

“In addition from time to time, we may share personal information with corporate partners, joint venture partners or third parties (and disclose it to our service providers) to promote through direct mail or email a service or product that we consider to be of personal and/or professional benefit to you. By submitting this form, you consent to us using and disclosing your personal information for this purpose. A copy of our Privacy Policy can be found on our website at [www.companydirectors.com.au](http://www.companydirectors.com.au).”

Providing a website on the Internet for potential members to apply online can be a very cost effective and efficient way for directors to join the organization. An organization can encourage nonmember visitors to its website to sign up for membership or register as a user by offering email updates with news and special offers. As a registered user, the individual is normally able to book courses, conferences, and events online. Some organizations block certain areas of their website from nonmembers, while others encourage all browsers to view the site as an enticement to join.

***Retaining members***

Members of a director training organization must be very satisfied with the services provided to them in order to renew their membership. The performance of the organization should be measured not only by revenue taken in or total number of members, but also by membership retention rates. One key way to retain members is to ensure their objectives and expectations are aligned with

## THINKING POINT

*Does your organization try to find out why members do not renew their memberships?*

the organization's mission. Analyzing the reasons why a director may decide to leave the organization can be useful in understanding errors in the membership marketing strategies and show how the quality of the organization's benefits and services are perceived.

### EXAMPLES

#### ONLINE APPLICATION

##### AUSTRALIA

The proportion of members joining the Australian Institute of Company Directors on line has increased rapidly since the service was first made available in December 2002. The ability to review and book courses, purchase publications, answer (limited) FAQs, and review policy initiatives and local events is available to members and the general public. To date no differentiated service exists between members and nonmembers but this policy is being reviewed.

##### UNITED KINGDOM

The Institute of Directors, UK allows registration as an iod.com user, but this does not entitle the individual to the benefits of IoD membership. Browsers are encouraged to join by clicking on the *Join the IoD button*.

Following are a few of the methods director training organizations use to help retain members:

- Welcome new members with an invitation to a "new members" open evening. Holding an informal "getting to know you" evening attended by senior management provides an ideal opportunity for members to hear about the organization's activities and aspirations.
- Understand members and their professional needs, tastes, and preferences. This information can be gleaned from membership application forms, responses to surveys, and completed conference questionnaires.
- Inform members of the latest high-profile events the organization is holding before they are advertised to the general public. Such advance notice makes members feel part of an inclusive group and gives them an opportunity to book priority tickets at exclusive events.
- Communicate with members in a monthly or quarterly newsletter or electronic news bulletin to keep them informed about issues that relate to them. Many organizations publish a newsletter or a magazine provided free of charge to members.

## THINKING POINT

*How can your organization improve the way it handles complaints?*

- Encourage members to participate in activities by providing them with a free gift such as a coffee mug, necktie, or pin with the organization's logo on it or vouchers offering a discount to members attending particular courses or conferences.
- Show gratitude to members by thanking them for being a member for a certain number of years and for participating in various activities and events. Letters of appreciation are always welcome. Members can also be recognized in other venues, such as luncheon or dinner meetings, members' newsletters, and news releases.
- Financially reward members by offering them discounts on courses and conferences. A price differential between members and nonmembers is common practice and is a good way for members to justify the costs of membership.
- Provide members with exclusive services free of charge where possible. One example is letting members use the organization's meeting rooms. Another example is the affinity partnerships, discussed earlier, that provide an array of services (such as access to airport lounges or preferential rates on car rentals) exclusively to members.

An abnormally high number of resignations can signal a problem in the organization that must be found and corrected. Similarly, mounting levels of complaints, or complaints in a particular area, also signal weakness in the organization.

### ***Addressing complaints***

A director training organization should always strive to provide excellent service to members. However, on occasion a member may wish to complain about a specific issue, and so a clear procedure for dealing with complaints should be put in place. Every complaint should be taken seriously and the circumstances investigated. All complaints should be handled quickly and courteously, whether the organization is at fault or not.

The organization could appoint an individual to assume responsibility for ensuring that all complaints are dealt with swiftly. A staff member who receives a complaint should refer it to the relevant manager. The staff member should also be sure to get as many details as possible, including the correct name, membership number, and contact information of the complaining member, and the nature of the problem. The staff in charge of complaints should investigate quickly and formulate a prompt and appropriate response.

## THINKING POINT

*How could you better manage  
your membership data?*

Every complaint should receive a response. The complaining member should be notified if the investigation is going to take some time.

Once the situation is dealt with, the staff in charge of complaints should write up a report on the complaint and its resolution, attaching all supporting documentation. A registry of complaints should be kept to help resolve subsequent complaints in similar circumstances and to flag any recurring complaints. The organization may also want to tag the complaining member's file and follow up to ensure that the member is happy with the way the situation was resolved.

A monthly summary of complaints should be included in management reports. If the complaints manager or any other staff member receives repeated complaints about the same aspect of its activities, remedial action should be taken at once.

### ***Managing membership data***

A good data management system is vitally important for managing the organization's relations with members. Data may be captured from a number of sources including membership and course application forms, sales slips, delivery addresses, and other information detailing which of the organization's activities and services are being most frequently used by members. These data are most useful if they are collated into a single database.

The data can be used for effective strategic planning and marketing campaigns. It is important to circulate membership information internally to assist in decisionmaking. Membership reports that provide monthly updates on membership applications, renewals, and departures can reveal the overall health of the organization, as can breakdowns of participation rates in various activities. High levels of participation in a specific type of activity might indicate a need to repeat the activity more often or develop similar activities. Conversely, low levels of participation or a high level of complaints or resignations signal problems that must be addressed. Information collated on member profiles or sources of membership recruitment can guide subsequent membership campaigns.

### ***Categorizing the data***

The organization generally depends on information from individual members to keep its records up to date. Members might be asked to update their personal and business information at regular intervals, perhaps in connection with renewing their annual membership.



EXAMPLES

MANAGING DATA: UNITED KINGDOM

The Institute of Directors, UK sorts its data by the status of its members: new applicants, new elections, reactivations, lapsings, resignations, deaths, and transfers out. Data can be provided in list or label format or in a file used for merging into documents such as letters, invoices, or forms. Data can be used by the marketing department to target members who might be interested in attending specific events or development courses and by the administrative office to prepare renewal notices, membership cards, and receipts.

A website can be another cost-effective, fast, and efficient method of collating information about both potential and existing members. The information can then be used for new product development, marketing campaigns, and membership drives. Because the Internet is open to a global market, it can attract a diverse group of directors. The website can be developed specifically to collect personal data volunteered by the user, who can then benefit from a customized training or other experience.

Membership information may be sorted by any combination of the details captured. The table on page 30 shows some examples of the kinds of member details that might be held on a database.

*Calculating the data*

Calculating the total number of members in the organization can be complicated. As the membership grows, so does the complexity of the data that should be maintained and updated on a regular basis. An example of how total membership is calculated is detailed on page 30:

Information technology is required for the efficient management of membership data and for keeping track of information that might be useful in retaining members and providing them with the relevant activities and services. The use of software packages can help an organization become more cost-effective, particularly by providing support for day-to-day administration and providing a system to manage booking procedures for events.

## EXAMPLES OF THE KINDS OF MEMBER DETAILS HELD ON A DATABASE

### MEMBERSHIP DETAILS

Membership number	Previous category
Election date	Payment history
Membership category	Source code
Category upgrade	Status (current or past)
Lapsing date	

### PERSONAL DETAILS

Name	Correspondence address
Telephone / Fax	Gender
Nationality	Qualifications
E-mail addresses	Second address
Change of address date	Date of birth
Country of residence	Other directorships

### COMPANY DETAILS

Job title	Industry code
Company turnover	Company address
Holding company	Number of employees

## EXAMPLES

### CALCULATING MEMBERS: UNITED KINGDOM

The Institute of Directors, UK calculates total members as follows:

START TOTAL (at date shown)

PLUS New elections

PLUS Re-activations

PLUS Transfers-in

LESS Lapsings

LESS Resignations

LESS Deaths

LESS Transfers-out

END TOTAL (at date shown)

### *Protecting data confidentiality*

Although membership data needs to be circulated internally, any data that can be used to identify individual members should be kept confidential. Generally speaking, membership data should not be shared with third parties unless there is a disclosed and genuine reason for doing so. For example, an organization may employ an independent mailing house to disseminate publications or other materials. In such cases the third party must sign a form stating that it pledges to use the information only for the purposes agreed with the organization. An organization may wish to share information with like-minded organizations (such as a sponsor or an affinity partner). In that case, the members should be given prior written notice and an opportunity to remove their names from the database. Membership data should not be sold for a profit.

As already noted, the organization should develop a policy detailing the circumstances under which it will disclose membership information to third parties. Director training organizations should be mindful that some countries have privacy protection laws that might affect them. An organization may need to register under those laws both as a data user and a computer bureau.

Under some circumstances, the organization might allow the sponsors of an event to insert publicity material into a mailing. The material concerned should always be forwarded directly to the mailing house. Envelopes addressed to members should not be sent to a sponsoring company for inserting in their materials.

Aggregating the data can be very useful. Aggregated statistical details about sales, website visits, and survey results are good performance indicators and may be disclosed to the board and membership, as well as to prospective partners and other reputable third parties and for other lawful purposes. These statistics should never include personally identifiable information.

### *Issuing membership cards*

An organization may want to issue membership cards to help it track member usage of its services. Using the membership card to monitor the number of delegates attending specific courses or events, for example, can quickly highlight which subjects are popular and which are not. Strategic decisions can be made on the basis of such data, and products can be developed accordingly. It is important to update information constantly, accounting for changes in membership status.

## FURTHER READING

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## ANNEXES

1. Key activities of organizations that train directors
2. Sample conference evaluation form
3. Examples of membership categories, Australia
4. Examples of membership categories, UK
5. Sample application form, UK
6. Sample application form, Zambia

## ANNEX 1. KEY ACTIVITIES OF ORGANIZATIONS THAT TRAIN DIRECTORS

COUNTRY/REGION	ORGANIZATION	TRAINING	EVENTS	PUBLICATIONS	DIRECTOR SEARCH	MEMBER PREMISES	
Australia	Australian Institute of Company Directors	X	X	X	X		
Brazil	Brazilian Institute of Corporate Governance	X	X	X	X	X	
Colombia	Confecámaras	X	X	X			
Hong Kong	Hong Kong Institute of Directors	X	X	X	X	X	
Kenya	Corporate Governance Centre	X	X	X			
New Zealand	Institute of Directors, New Zealand	X	X	X	X	X	
Russia	Independent Directors Association	X	X				
Russia	Russian Institute of Directors	X	X	X			
South Africa	Institute of Directors in Southern Africa	X	X	X	X		
Turkey	Corporate Governance Forum	X	X	X			
United Kingdom	Institute of Directors, UK	X	X	X		X	
United States	National Association of Corporate Directors	X	X	X			

	WEB	BEST PRACTICE STATEMENTS	ADVOCACY	APPRAISAL SERVICES	ADVISORY ATTENDANCE CERTIFICATION	COURSE EXAMINATION ACCREDITATION	COURSE	RESEARCH
	X	X	X			X	X	X
	X	X		X				
	X	X	X					
	X	X	X			X	X	X
	X	X	X	X	X	X	X	X
	X	X	X	X	X	X	X	
		X						
		X	X					
	X	X	X	X	X	X	X	X
			X		X			X
	X	X	X	X	X	X	X	
	X	X	X	X	X			

## ANNEX 2. SAMPLE CONFERENCE EVALUATION FORM

*This form was provided by the Institute of Directors, UK.*

We would be grateful for your help with our continual efforts to maintain high standards and develop products. To assist us please complete the following:

Your name (Optional) \_\_\_\_\_  
 Conference attended \_\_\_\_\_  
 Company name \_\_\_\_\_ Date \_\_\_\_\_

1. Please tick the box which best represents your opinion of:

a) CONFERENCE CHAIRPERSON

☐ ☐ ☐ ☐  
 EXCELLENT GOOD AVERAGE POOR

Knowledge of subject  
 Presentation  
 Time management

Comments \_\_\_\_\_

b) SPEAKERS' KNOWLEDGE

☐ ☐ ☐ ☐  
 EXCELLENT GOOD AVERAGE POOR

Speaker 1  
 Speaker 2  
 Speaker 3

Comments \_\_\_\_\_

c) SPEAKERS' PRESENTATION

☐ ☐ ☐ ☐  
 EXCELLENT GOOD AVERAGE POOR

Speaker 1  
 Speaker 2  
 Speaker 3

Comments \_\_\_\_\_

d) CONFERENCE CONTENT

Were there any other topics that you think should have been included?

Were there any other speakers that you think should have been included? (please list)

e) ADMINISTRATION

☐ ☐ ☐ ☐  
 EXCELLENT GOOD AVERAGE POOR

Ease of booking  
 Joining instructions  
 Catering on the day  
 Facilities on the day

Comments \_\_\_\_\_

f) CONFERENCE MATERIALS

☐ ☐ ☐ ☐  
 EXCELLENT GOOD AVERAGE POOR

Usefulness  
 Quality of notes/handouts

Comments \_\_\_\_\_

☐ ☐ ☐ ☐

g) SUMMARY

EXCELLENT GOOD AVERAGE POOR

Value for money  
 Value of time spent  
 Overall satisfaction



What aspect of the conference did you find particularly valuable?

---

Any other suggestions/comments?

---

May we use your comments for future marketing activity?

Yes ☐ No ☐

How did you hear about this conference?

- ☐ Enquiry  
☐ Direct mail brochure  
☐ e-mail  
☐ Fax  
☐ IoD News  
☐ Director magazine  
☐ Other (please state below)

---

7. Why did you book this conference?

- ☐ Content  
☐ Price  
☐ Reputation  
☐ Speakers  
☐ Other (please state below)

---

8. What other conferences / subjects would be of interest to you?

- ☐ Securing business funding; how to access grants, subsidies and loans  
☐ Effective project management  
☐ Employment law update  
☐ E-mail marketing  
☐ Public sector tendering

Other, please state

9. How likely are you to attend another XXX conference?

- ☐ Definitely  
☐ Possibly  
☐ Unlikely - if so, please say why:

10. If you would like to become a member of the Institute or require further information about membership please tick this box. ☐

11. RECOMMENDATION

Please indicate below the name and address of the individual responsible for training in your company or anyone else who might appreciate being informed about Institute conferences, courses and other products:

Name

Job Title

Company

Address

Post Code

Telephone

e-mail

Thank you for taking the time to complete this form. Your feedback is much appreciated and will continue to help us improve the quality of our conferences.

## ANNEX 3. EXAMPLES OF MEMBERSHIP CATEGORIES, AUSTRALIA

*The following is a description of the four membership categories used by the Australian Institute of Corporate Directors (AICD).*

### **Fellow**

The category of fellow is open by application to persons who have:

- Completed the AICD Company Directors Course and passed the Diploma examination, and have had five years' experience either as a director of a company or government business enterprise or as a senior executive reporting to the board; or
- At least ten years' experience as a director of a listed public company; or of a company or nonprofit/not-for-profit organization with a turnover in excess of \$20 million and/or 100 employees.

Two references from referees who are fellows of AICD must also be provided, and the application ratified by National Council.

### **Member**

The category of member is open by application to persons with two or more years as:

- A director or alternate director of a company,
- A senior executive with managerial responsibilities equivalent to those of an executive director,
- A member of local Boards of Advice of companies,
- A partner or sole proprietor of a professional practice (such as accountants, architects, solicitors, and stockbrokers) or unincorporated business, or
- Academic personnel at the level of, or equivalent to, professor (heads of appropriate faculties in technical colleges are included under this category).

### **Graduate Member**

The category of graduate member status is open by application to persons who meet membership criteria and who have passed the Company Directors Course Diploma examination, but who do not yet qualify as a fellows.

### **Affiliate Member**

Individuals may apply for affiliate membership if they:

- Are interested in the affairs of AICD and aspire to become full members of AICD but do not meet the full membership requirements;
- Desire to enrol in the Company Directors Course; or
- Are full-time students in an institute of higher education

## ANNEX 4. EXAMPLES OF MEMBERSHIP CATEGORIES, UNITED KINGDOM

*The following is a description of the membership categories used by the Institute of Directors, UK.*

### Fellow

To qualify as a fellow, an applicant must be a member of the Institute for at least one year and

- (a) a director for at least 10 years, of a company with a board of at least three directors (or if the company has more than 50 employees, two directors); or
- (b) a director for at least 5 years, with no fewer than 10 years business experience, and an IoD Diploma in Company Direction or its equivalent.

Elections to Fellow are approved by the membership committee quarterly.

### Member

To become a member, an applicant must be over age 21, and be a “director” of an “entity” that is a solvent going concern of “substance,” normally defined as minimum annual business turnover or budget of £200,000 / 306,000 Euros. An applicant must also:

- (a) have worked in business for at least seven years and been a director for at least three years; or
- (b) have worked for at least five years, been a director for at least one year, and have attended the IoD course “The Role of the Company Director and the Board.”

### Associate Member

To become an associate member, an applicant must be over age 21 and be:

- (a) a partner in a professional practice,
- (b) a sole proprietor of an unincorporated business, or
- (c) a senior executive reporting directly to a board member in an education or health authority or other public body of similar standing or of a substantial national or international company;

or

- (d) a person who has lost their a directorship through redundancy during the past two years but who would otherwise qualify as an associate member; or
- (e) a director who does not qualify as a member.

### Retired Membership

Those who have been members for five or more years, are over age 60, and have retired or semi-retired from their main occupation are eligible to transfer to the retired membership category. Retired members pay a reduced annual subscription.

*Note: Present practice allows some flexibility in the “aged 60” rule, but maintains the “minimum five-years membership” rule. That allows some members ages 58 or 59 into the retired category so long as they have been members for at least five years. The five-year minimum ensures that members who have joined only recently cannot take unfair advantage of the much reduced subscription rate for retired members.*

### Long Service

Any member who is over age 70 and has been a member of the Institute for more than 25 years continuously pays a nominal sum per year.

## ANNEX 5. SAMPLE APPLICATION FORM FROM THE INSTITUTE OF DIRECTORS, UNITED KINGDOM



### application for membership of the Institute of Directors

The following guidelines will assist you in completing your membership application form.

#### criteria for membership

##### associate member

To become an *associate member* you must be over 21 and be:

- ☐ a partner in a small professional practice, *or*
- ☐ a sole proprietor of an unincorporated business, *or*
- ☐ a senior executive reporting directly to a board member in an education or health authority or other public body of similar standing or of a substantial national or international company, *or*
- ☐ a person who has lost their directorship through redundancy during the past two years but who would otherwise qualify as an associate member, *or*
- ☐ a director who does not qualify as a member (see below).

In exceptional cases, even if you are unable to meet the above criteria, you may still be eligible as an associate member.

For further information, please contact the IoD Membership Development Department on 020 7766 8888.

##### member

To become a *member* you must be over 21, and be a "director", of an "entity" which is a solvent going concern of "substance", as broadly defined below and have been:

- ☐ a director for a minimum of 3 years, having been in business for a minimum of 7 years *or*
- ☐ a director for a minimum of 1 year, having been in business for a minimum of 5 years and have attended the IoD course, "The Role of Company Director and the Board".

For the purposes of IoD membership, the following definitions apply:

"Entity" is a registered company, corporation, business unit, institute, trust, local authority, business association, quango, charity, professional partnership or similar organisation, whose business affairs and strategies require direction.

"Substance" normally requires a minimum annual business turnover or budget of £200,000.

A "Director" must be a member of the body which is responsible for and accountable for the strategic business direction and corporate governance of the "entity" and which makes the decisions that determine its prosperity and integrity.

#### cost of membership



##### election fees payable as follows:

*Payable once only*, on application, together with the first year's membership fee.

- ☐ applicants resident in the European Union (including UK) £200
- ☐ applicants resident outside the European Union £150
- ☐ applicants under 30 years old £100

##### Reduced election fee for multi-term applications.

- ☐ 3 years – 50% reduction  
total payable £820
- ☐ 5 years or more – election fee waived

Applicants resident in the European Union (including UK) only.

Group discounts are available for applicants from the same organisation applying at the same time. For more details, please contact the IoD Membership Development Department on 020 7766 8888 or email [join-iod@iod.com](mailto:join-iod@iod.com)

##### annual membership fees payable as follows:

- ☐ members and associates resident in the European Union (including U.K.)
 

1 year	£240	4 years	£960
2 years	£480	5 years	£1,200
3 years	£720	Life	£4,800
- ☐ members and associates resident outside the European Union
 

1 year	£170	4 years	£680
2 years	£340	5 years	£850
3 years	£510	Life	£3,400

The annual membership fee covers one year from the first day of the month of election and is normally tax deductible (except life membership, which is not tax deductible).

The membership and election fees stated on this application form are valid until 31st December 2003.

Please complete your membership application form as fully as possible. This will assist smooth processing of your application and will enable the IoD to inform you of relevant services.

MKT/027

Once completed, please return the form to:

The Membership Development Department, Institute of Directors, 116 Pall Mall, London SW1Y 5ED

☎ 020 7766 8888 ☎ 020 7766 8823 ✉ [join-iod@iod.com](mailto:join-iod@iod.com) 🌐 [www.iod.com/join](http://www.iod.com/join)



## ANNEX 6. SAMPLE APPLICATION FORM, ZAMBIA

**INSTITUTE OF DIRECTORS OF ZAMBIA**  
**APPLICATION FOR MEMBERSHIP FORM**  
**SUBSCRIPTION FOR YEAR \_\_\_\_\_**

Surname	Forenames (s)	
Titles, distinction, etc, to be used on correspondence	Nationality	Date of Birth
Academic, professional or business related qualifications	Designation/Position in Company	
Name and address of Employer/Company/Professional Firm/Institute etc		Business Telephone Number
		Business Facsimile Number
		Cell Phone Number
		E-mail Address
Main activity of Business/Profession		
Number of Directors/Partners in employer organisation		
I am a Director, Partner, Proprietor, Chief Executive, or other State:		
Major responsibility area:		
Number of years business experience:		Number of years as Company Director:
Other companies of which I am Director/Partner (attached list if necessary)		
Marital Status:		Spouse's Forename
Preferred correspondence address	Business	Residential
Residential Address	Residential Telephone No.	
	Residential Facsimile No.	
Signature of applicant:		Date:

SPONSORSHIP (The IoD will assist applicants arrange a sponsor).

I,.....being member of the IoD, in good standing,

have pleasure in nominating the above candidate for membership.

Signature	Membership Number	Date
-----------	-------------------	------

Application approved by Membership Committee on	Ratified at Council Meeting on:
Allocated New Member Number:	



## CONTRIBUTORS

### Peer Review Group

To develop this toolkit and gather lessons learned from developing and developed countries alike, the Global Corporate Governance Forum invited representatives from director training organizations from various regions of the world to share their experiences and discuss milestones and challenges in building director training organizations. The Forum would especially like to thank the following people for their contribution to this toolkit by providing materials, examples, and extensive comments on building director training organizations:

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Governance  
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## MODULE 5

*Monitoring*

# TOOLKIT 1

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# TOOLKIT 1

*Building*

*Director Training*

*Organizations*



Global  
Corporate  
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Forum

## MODULE 5

*Monitoring*



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## Monitoring

To ensure its sustainability and remain targeted on its mission, a director training organization needs to have a number of monitoring procedures in place. To be successful in the long run, the organization needs to be able to budget prudently and effectively, to evaluate operations adequately, to disclose its objectives, and to account for revenues and expenditures.

### WHAT YOU WILL FIND IN THIS MODULE

This module provides an overview of budgeting principles and management accounting structures. It contains information on financial statements, risk, internal control procedures, and performance measures. Specifically, this module will help with the following:

- Drawing up a budget
- Putting together the key financial statements that need to be in the annual report
- Using indicators to assess and monitor the performance of the organization
- Setting internal controls to ensure that the organization is run in accordance with legal requirements and the organization's own code of ethics

## BUDGETING AND FINANCIAL PLANNING

To meet its goals and fulfill its mission, an organization that trains directors needs to engage in strategic financial planning through budgeting procedures. In contrast to financial statements, which measure effective performance (and which are discussed below), budget planning is a forward-looking exercise, which enables the chief executive and the senior management team to prepare a program that meets the financial needs and objectives of the organization.

### *Planning an initial budget*

If an organization is just getting started, the initial budget will be an important feature of the business plan and essential to finding financial partners. Because the costs of starting up an organization are likely to outstrip the revenues a new organization can generate, the initial budget shows how the organization plans to cover the shortfall, cover start up costs, and repay any loans.

Most budgets are based on past performance. But because it has little or no past performance on which to build, a start-up organization typically uses what is called a zero-base budget approach. In this approach each line item in the budget must be based on specific assumptions about the organization's income and expenses. A zero-base budget requires that the business operations be

## GLOSSARY

### TERMS COMMONLY USED IN BUDGETING

ASSET	Anything having commercial or exchange value that is owned by the organization.
BUDGET	Estimate of revenues and expenditures for a special period.
CAPITAL EXPENDITURE	Outlay of money to acquire or improve assets such as buildings and facilities.
CURRENT ASSETS	Assets that can be converted into cash, consumed, or sold within the normal business cycle.
CURRENT LIABILITIES	Debt or other obligations owed by the organization that fall due within the year or normal business cycle.
DIRECT COSTS	Costs to the organization that are directly associated with the development and delivery or sale of specific products or services.
INDIRECT COSTS	Costs to the organization that are not directly associated with the development and delivery or sale of specific products or services, such as overhead.
LIQUIDITY	Ability to convert assets to cash quickly.
MARGIN	Difference between the price received by the organization for its product and services and the cost of developing and delivering them.
PAYBACK METHOD	A technique for evaluating the financial viability of a project.
SOLVENCY	State of being able to meet all maturing obligations as they come due.

## THINKING POINT

*What are the key budget line items that belong in your budget?*

carefully considered so that as many items as possible are foreseen and included. As a first step, the expected costs and the expected income of the organization are identified. A distinction is also made between costs that are fixed, such as office rental, and variable costs, such as catering needs of a training course. Care is needed so that the assumptions used on the income side match those used to predict expenditures.

A zero-base budget should be neither too pessimistic nor too optimistic. To help determine budget line items as well as the level of costs and revenues to expect, the organization or its founding committee can base its assumptions on the market analysis it may have conducted or seek advice from other organizations. *(An example of a zero-base budget can be found in annex 1.)*

Although most mature organizations base their budgets on past performance, a well-established organization may also decide to return to a zero-base budget approach if its circumstances have changed so much that measures of past performance are no longer reliable budgeting tools. An established organization may also want to use zero-base budgeting for any new programs or activities it is considering undertaking.

### ***Budgeting on an ongoing basis***

On an ongoing basis, the finance department or an experienced accountant is typically responsible for providing overall guidance on the budgeting process and integrating and interpreting the budgets for all departments, especially as they interrelate.

At least once a year but preferably on a quarterly basis, the finance department or the organization's accountant collects the information needed from individual departments or project managers to prepare the overall budget. For example, the publications department provides forecasts of the volumes of publications to be sold multiplied by standard (or estimated) prices as well as the forecast of the cost to produce them. The membership department provides a budget forecasting membership recruitment and retention levels, along with the membership fees to be accrued.

The ongoing budgeting process may be based either on past results or on performance goals:

- The *historical approach* bases the budget projections on previously achieved costs and revenues, or what is known to have happened in the past. The advantage of this approach is that it uses empirical data to determine what budgeted costs and revenues can be achieved. The obvious drawbacks are that bad and inefficient practices are perpetuated and that changes in the external environment may not be taken into account. For example, recently adopted regulations affecting board practices might raise the demand for training during the next budget cycle, but if the organization has budgeted its training cost and revenues based on last year's results, it might be unable to meet the challenges of increased demand.
- The *performance approach* bases the budget projections on realistic levels of expected performance. These projections may allow for a certain level of variation in operations or market fluctuation but may not take into account lessons learned from the past. One of the drawbacks of this approach is the risk that projections in fact may not be realistic. For example, an organization that has just been asked to conduct several board induction training sessions might factor that anticipated income into its revenue projections—without considering that it has only been able to conduct three training sessions over the last two years because of a lack of trainers. A continuing lack of qualified trainers might make it impossible for the organization to deliver the induction training, thus forcing it to forgo the anticipated income—and incurring a possible loss in reputation.

Once the appropriate information is gathered from the organization's various departments or managers, the chief executive officer, the finance department, and other senior managers together assess and discuss the overall draft budgets. The chief executive officer is responsible for mediating any conflicts that might arise among various departments or managers over priorities and available funds. Once any necessary adjustments are made, the budget is submitted to the organization's board for review and approval.

### ***Goals and benefits of the budgeting process***

The benefits of the budgeting process go well beyond financial considerations. The process helps the organization clarify its goals and priorities and is essential to keeping the organization on target to achieving its mission. Planning for a budget is a time to take stock of the organization's strength and weaknesses and to think about new projects, discuss the business strategy of the organization, improve communication between departments, and associate all staff members in a team-building exercise.



The process of drawing up a new budget provides staff members with the opportunity to express their needs and concerns but also to better understand the organization's financial constraints. If budgets are simply imposed rather than discussed and negotiated, many benefits will be lost. The budgeting process is an opportunity to:

- Agree on what is realistic given the constraints
- Clarify the important issues facing the organization
- Assess the sensitivity of the budget to changes in the underlying assumptions (such as a failure to sell the expected number of publications or to attract the expected numbers of new members)
- Assess and understand the financial mechanics of the organization

The budgeting process generates ownership and commitment. Once agreed, budgets become the standard of future performance. The budget reflects what all parties agree should be delivered and defines how their contributions support the activities of the organization as a whole. To enhance motivation, the level of responsibility must be matched to the level of authority. Staff should be held responsible only for figures they control and influence.

New managers or staff members can be provided with a guide on budget procedures to ensure that their understanding of the organization's budgetary process is correct. A budget procedures guide may also be distributed to board members as they may not always be aware of the detailed budgeting practices actually employed at the grassroots of the organization. Formalizing the budgetary process in writing can also expose some of the difficult trade-offs that can be confusing to junior managers. Examples of key trade-offs are:

- Professionalism versus commercialism
- Risk versus reward (selling and purchasing strategies)
- Investment versus liquidity
- Short-term versus medium-term financial performance
- Autonomy versus cooperation

The regular comparison of actual performance with budget projections throughout the year provides a good basis for monitoring the organization's results against expectations and enables management to make necessary adjustments in a timely manner. The budgets might usefully be split quarterly or preferably monthly to enable the management team to assess financial performance on a regular basis and address any shortfall.

Young director training organizations may not have the resources to engage the services of full-time accountant and will often start by drawing up their budgets on an annual basis. *(For an example of an annual budget for a director training organization, see annex 2.)*

### ***Project appraisal***

Each project the organization initiates must be incorporated into the overall budget. But each project should also be appraised on its financial viability. Is the project likely to break even, make money, or lose money? A break-even analysis shows the level of sales required to generate sufficient gross profit to cover the organization's overhead. It is a means for measuring the potential sustainability or the revenue-generating potential of an activity. In deciding whether to pursue the project, the organization needs to take into account the importance of that project in fulfilling its overall goals and mission. For example, a training program might lose money initially but be pursued because it is essential to the organization's mission. Activities that are expected to generate revenue to help sustain core activities must be similarly appraised. But such projects may be dropped if the appraisal indicates they will not be profitable.

A technique commonly used to evaluate a project is known as the payback method. Payback compares the cash outflows needed to get a project up and running with the net cash inflows that will be earned if the project is successfully implemented. Since risk and uncertainty increase as the time horizon stretches, payback is an excellent measurement tool. The board of directors should clearly define the parameters of an acceptable payback period.

### **HOW THE PAYBACK TECHNIQUE WORKS**

Suppose that your organization is considering purchasing a meeting room for 20,000 and the net cash inflow that the room would generate is 10,000. The payback would be calculated as follows:

Year 0	Investment	20,000
Year 1	Net cash inflow	10,000
	Project exposure	-10,000
Year 2	Net cash inflow	10,000
	Project exposure	0
Year 3	Net cash inflow	10,000
	Project exposure	10,000

In this case the payback period is two years.

### THINKING POINT

*What are some of the risks your organization might encounter?  
What remedial actions could you take?*

## RISK AND INTERNAL CONTROLS

Internal controls are the mechanisms set up to ensure that the organization is managed honestly and that problems and risks are correctly identified and dealt with in a timely manner. A board committee specifically charged with this function is the audit and risk committee.

Key features of internal control systems are:

- A clear organizational structure for monitoring the conduct and operation of the business with defined reporting lines, levels of responsibility, and delegation of authority.
- Communication of ethical values and controls awareness, through written codes of ethics, codes of conduct, formal standards of discipline, and employee performance appraisal.
- A system for reviewing and monitoring the key areas of risk.
- Regular review of management accounts by the board of directors.
- Regular meetings of the audit and risk committee, to review the organization's risk register and to meet with the external auditors regarding the scope of the audits and the contents of the auditors' reports to management.

*For information on structuring a director training organization, audit and risk committees, and ethics codes, see MODULE 2: STRUCTURING.*

A process should be established for continuously identifying, evaluating, and managing risks faced by the organization. Key elements of this process include:

- The maintenance of a risk register, which identifies key risks
- Assessing the probability of risks occurring
- Assessing the associated potential impact
- Deciding on the appropriate action to be taken

The register should be regularly maintained and reviewed by the audit and risk committee. Potential risks can be divided into several categories: strategic, financial, operational, and hazards. The table on potential risks on p. 8 shows some of the specific risks that fall under each of these categories.

## POTENTIAL RISKS FACING DIRECTOR TRAINING ORGANIZATIONS

CATEGORY	SPECIFIC RISK
STRATEGIC	<ul style="list-style-type: none"> <li>• Market recruitment and retention</li> <li>• Delivery and training</li> <li>• Economic conditions</li> <li>• Political environment</li> </ul>
FINANCIAL	<ul style="list-style-type: none"> <li>• Cash flow shortage</li> <li>• Exchange risk</li> <li>• Bad debts</li> </ul>
OPERATIONS	<ul style="list-style-type: none"> <li>• Membership recruitment and retention</li> <li>• Delivery of training</li> <li>• Technology failure</li> </ul>
HAZARDS	<ul style="list-style-type: none"> <li>• Natural disasters</li> <li>• Terrorism</li> <li>• Loss of reputation</li> <li>• Crime and corruption</li> </ul>

Once the audit and risk committee has identified the risks facing the organization, criteria can be developed for dealing with the risk based on its nature and potential impact. The severity of the risk can be divided into four levels, ranging from risks having little effect on the organization's operations to those that could jeopardize the continuation of the organization. The table below details the likely outcome at each of the four levels of risk. The audit and risk committee and the chief executive officer need to monitor these risks regularly so that they can develop appropriate and timely solutions.

A director training organization may take years to develop its membership, reputation, and brand name. It is of paramount importance that an effective risk management strategy is in place to safeguard its growth and sustainability.

## LEVELS OF RISK AND LIKELY OUTCOMES

LEVEL	IMPACT	OUTCOME
1	Little	The organization would suffer little harm in terms of cash or surplus.
2	Painful	The organization would survive but in a weakened and vulnerable condition.
3	Potentially terminal	The organization would be severely weakened, with ultimate recovery in doubt. The board of directors would begin to lose control.
4	Collapse	The organization would collapse due to high exposure to risky projects. The board of directors would look into shutting down the organization.

## THINKING POINT

*What are the financial and nonfinancial performance measures used by your organization?*

## PERFORMANCE MEASUREMENT AND SUSTAINABILITY

The key measure of the performance of a director training organization is its financial condition. An organization that has been earning more on operational activities than they cost to deliver and using its resources efficiently might still suffer embarrassment if it is short on cash and cannot immediately pay for some of its inputs such as salaries and electricity bills or cover obligations such as debt.

The traditional measure of liquidity is the ratio of current assets to current liabilities. This is the simplest and crudest measure of liquidity. If current assets exceed current liabilities, then the organization is considered solvent and can build reserves. If current liabilities exceed current assets, the organization may be experiencing a cash shortage and further funding through grants, sponsorships, or loans will most likely be needed.

An organization that trains directors should strive to build a reasonable level of cash reserves to weather any economic downturn, fund any required capital expenditures (such as setting up new offices), develop new training and certification programs, and expand the services it offers. An operating surplus should be planned and budgeted for each year. In particular, as the organization grows, it will require additional reserves to preserve the strength of its balance sheet. *(An example of an operating surplus statement by activity is provided in annex 3.)*

Performance indicators are used to monitor and control the profitability and sustainability of an organization and its activities. Any trends indicating increasing or falling profitability will quickly show up in operating revenues or operating costs.

### **Operating revenues**

Changes in the level of revenues can provide an early warning of any peaks or troughs in the activities of a director training organization. When reviewing the revenue derived from income-generating activities, the following questions should be asked.

- Which categories of activities are performing well?
- Which categories of activities are performing poorly?
- How are the priority products and services (those with the best margins and the best payment terms) performing?

- What has each revenue-generating employee or team achieved?
- What are the conversion rates (the ratio, for example, of the number of directors inquiring about training courses to the number actually taking the courses) and are they changing?
- What are the reasons for these changes (has the marketing budget been cut, for example)?

Management typically reviews on a weekly basis the number of inquiries about activities and services, the number of activities and services ordered, and the number actually sold. This information can be communicated to board members on a monthly basis and reviewed at board meetings.

### ***Operating costs***

An organization must also monitor its costs, adjusting them where necessary to maintain a balanced budget. Costs are categorized into direct and indirect costs. Direct costs are those that relate directly to production of a good or service, while indirect costs do not. Examples of direct costs for an organization that trains directors include paper for publications, food and drink for conferences and events, and tutor fees for training programs. Examples of indirect costs are office rental, staff salaries, travel expenses, fees paid for accounting and other professional services, and marketing costs.

The level of costs, and any marked changes in them, need to be continually monitored and questioned. Can indirect costs be reduced? Are travel expenses excessive? Are salaries reasonable? Some of these costs will be much more difficult to control than others, but all should be monitored.

Some other common performance indicators that director training organizations might use include:

- *Training* (number of training courses held, course evaluations from participants, number of customized training programs developed, net surplus or loss from training).
- *Membership* (number of new members, number of member resignations, net membership growth).

EXAMPLES

## SELECTED PERFORMANCE INDICATORS

### COLOMBIA

Some of the indicators Confecámaras, in Colombia, uses to measure impact, health, and outreach as part of overall performance include:

- Number of people trained in training programs
- Scope of media coverage
- Number of visits to its website
- Number of new corporate governance regulations that Confecámaras has been associated with
- International recognition
- Financial and nonfinancial support received
- Meeting international quality standards

### RUSSIA

Some of the indicators used by the Independent Directors Association in Russia to measure success include:

- Number of members
- Level of income from fund raising
- Level of income from revenue-generating activities
- Number of affiliations with partners
- Number of events held and participants attending
- Regularity of the publishing of the newsletter
- Regularity of updating the website
- Frequency of being quoted in the media

## MANAGEMENT ACCOUNTS AND FINANCIAL STATEMENTS

It is incumbent upon an organization that trains directors to keep proper accounting records and provide full and timely disclosure to its financial partners, members, and other stakeholders on a regular basis and in accordance with highest international standards and regulations. All transactions should be documented. The documentation may be required by the organization's external auditors, tax authorities, financial partners, and others.

The organization should be able to produce and disclose sound and accurate financial information. Such information is used to:

- Measure the financial position of the organization and the performance of its operations.

- Compare performance from year to year or activity to activity and shed light on the reasons for successes and failures.
- Help management manage the organization.
- Enable potential donors, partners, or benefactors to evaluate the organization and make decisions about its viability.
- Help members and stakeholders or interested parties monitor the organization's activities and performance.
- Help the organization be accountable to its financial partners, members, and current donors.

To disclose financial information and monitor results, an organization typically uses two broad types of accounting assessments. Management accounts are primarily used within the organization and may be required by the board and financial partners. Financial statements are aimed at outside users and figure in the annual report.

### ***Management accounts***

Management accounts reflect the use of the organization's funds and enable the chief executive and senior managers to plan and control operations and develop long- and short-term goals. These accounts are basically decisionmaking tools. Management accounts include budgeting, planning for income, and cost controls.

The management accounts compare actual results with the forecasted budget projections. They are presented in a format that is easy for nonexperts to understand, but are detailed enough to give an accurate picture of all major financial developments. These accounts should provide the impetus to search for effective corrective action if and when significant variances appear between the forecast and the actual situation.

In contrast to financial statements, there is no legal requirement to prepare management accounts. The board of directors and executive management stipulate what information they require, when it should be made available, and in what form it should be presented. Management accounts are typically prepared by the organization's accountant or finance department and are issued at quarterly or preferably monthly intervals. Some items, such as fixed costs, need to be reviewed only once a year, as part of the annual budgeting cycle. Many organizations consequently use exception reporting to limit the monthly or quarterly reporting to results that are above or below budget projections by, for



example, 5 percent or more. To make important trends easy to spot, more sophisticated management accounts include “red light” systems to signal potential drawbacks or opportunities.

### ***Financial statements***

Like other commercial entities and business organizations, organizations that train directors are typically required to prepare three financial statements each year: a balance sheet, an income statement, and a cash-flow statement. The three financial statements are typically prepared by the finance department or accountant, reviewed by the chief executive officer, audited by an independent external auditor, disclosed to the board of directors, and published in an annual report. The annual report also contains an overview of the organization’s financial condition (see below).

Four major accounting concepts are fundamental in the preparation and interpretation of the three financial statements and may guide the board as well as members and financial partners in understanding the performance of the organization:

- The *going concern concept*. This principle assumes that there is no intention or necessity to liquidate the organization. If liquidation is looming, a special report called a statement of financial affairs is usually required. This statement of affairs shows the amounts that are expected to be realized from disposing of the assets and the claims on the proceeds of the providers of funds.
- The *accruals or matching concept*. This principle calls for recognizing sales, costs, and profits as they are earned or incurred rather than when they are received or paid.
- The *consistency concept*. This principle requires consistent treatment of like items within each accounting period and from one accounting period to the next.
- The *prudence concept*. Under this concept revenues and profits cannot be anticipated. They should be recognized by inclusion in the profit and loss account only when they are realized—in the form of cash or when there is reasonable certainty that the debt can be collected.

The financial statements should be accompanied by a written commentary or financial notes, prepared by the financial department or accountant. This should explain the figures and any important changes since the previous period, including the reasons behind them. For example, revenues might be low

because a particular course has been delayed or cancelled. These financial notes should be reviewed by the chief executive officer.

### *The balance sheet*

The balance sheet is a “photograph” of the financial situation of the organization at a given point in time. The snapshot identifies what the organization owns (the assets) and how the assets are arrayed against liabilities and equity. The term “balance sheet” is a reflection of the fact that the net assets must exactly equal equity and the accumulated liabilities. The balance sheet is the listing of the items making up the two sides of the equation. This is achieved using the principles of double entry bookkeeping (recording each transaction as both a credit and a debit). (A sample balance sheet for a director training organization is shown in annex 4.)

ITEMS IN A TYPICAL BALANCE SHEET	
FIXED ASSETS	<ul style="list-style-type: none"> <li>• Tangible fixed assets (such as real estate, equipment)</li> <li>• Intangible fixed assets (nonphysical resources such as copyrights that are presumed to represent an advantage to the organization in the marketplace)</li> <li>• Investments</li> </ul>
CURRENT ASSETS	<ul style="list-style-type: none"> <li>• Debt owed by individuals or organizations to the director training organization</li> <li>• Short-term investments</li> <li>• Short-term bank deposits</li> <li>• Cash in hand</li> </ul>
CURRENT LIABILITIES	<ul style="list-style-type: none"> <li>• Debt or other obligations that the organization owes that fall due within one year</li> <li>• Bank overdrafts</li> </ul>
LONG-TERM LIABILITIES	<ul style="list-style-type: none"> <li>• Amounts the organization owes that fall due after one year</li> </ul>
RESERVES	<ul style="list-style-type: none"> <li>• Accumulated surpluses</li> </ul>

The income statement

The income statement is also known as a profit and loss statement. It is a summary of the revenues and expenses of the organization during an accounting period. The income statement is significantly different from the balance sheet in that it presents the operating results (profits or losses) for a specific period of time. The most important thing about the income statement is that it does not just report movements in cash. It compares the revenues for the period with the costs that relate to the period, whether paid for or not.

ITEMS IN A TYPICAL INCOME STATEMENT	
INCOME	EXPENDITURES
Membership subscriptions	Cost of training activities, publications, events and services
Revenue from training activities, events, services, and publications	Indirect costs and overhead (administration, rent, purchases for running activities, insurance, marketing)
Sponsorships Grants	The amount necessary to meet tax bills and other fees.

When calculating expenses, only costs applicable to the reporting period are included; all others are excluded. For example, the portion of an insurance premium that applies to the following year is not included. Expenses that have not been billed to the organization by the end of the financial period, such as bills for electricity and telephone, should also be excluded from the income statement until they are actually accrued. (A sample income statement for a director training organization is shown in annex 5.)

The cash-flow statement

The cash-flow statement describes the cash inflows and outflows over a period of time. Day-to-day control of cash typically rests in the finance department or with the organization’s accountant, which typically prepares a forecast of inflows and outflows on a week-by-week basis at least six months in advance. Provided that the forecast is prepared accurately, the organization should not run out of cash to meet payroll and other bills coming due. If the finance department forecasts a cash shortfall in the coming months, the organization would have

time to find additional funds from other sources or to reduce its expenses. The organization's bank, for example, might be willing to grant a term loan or allow an overdraft. (*Sample cash-flow statements are shown in annex 6 and 7.*)

#### ITEMS IN A TYPICAL CASH-FLOW STATEMENT

##### CASH INFLOWS

- Cash payments by members and/ or beneficiaries
- Credit card payments by members and/ or beneficiaries
- Checks from members and/or beneficiaries
- Grants

##### CASH OUTFLOWS

- Payments to suppliers
- Taxes paid
- Staff salaries
- Purchase of assets
- Expenses

#### *The annual report*

An annual report, including the annual financial statements, is typically made available to all members, financial partners, and other stakeholders. It provides relevant information on the performance and credibility of the organization over the previous year. For increased transparency, some organizations that train directors also publish their annual reports on their website. The annual report serves as an important marketing tool for the organization and may help retain and recruit training participants, members, or new financial partners.

The board of the organization reviews and approves the annual report, which is then circulated to members and/or financial partners and discussed at the annual general meeting. The key elements of an annual report are:

- The chairman's message, which often states the major achievements and goals that have been met during the past year and objectives for the future.
- The chief executive's review, which often reports on the organization's performance and on new activities launched to meet future market demand.
- Governance of the organization, including a description of the governing body, types of board committees and their membership, and the organization's internal control procedures.
- Names, biographies, affiliations, conflicts of interest and remuneration of senior officers, and members of the governing body.

- Financial review:
  - Overall financial performance for the past year, including information on profits and losses and the major factors contributing to the performance.
  - Membership income, including any increase or decrease in recruitment and retention and the reasons for the result (if applicable).
  - Additional sources of income, including all revenue-generating activities and highlighting particular successes (or failures) and the major factors contributing to the result.
  - Operating costs, including reductions or increases in costs such as salaries and employee benefits, indirect costs (general administration and marketing), and property expenditure.
  - Investment for the future, including major new projects and cash investments, such as developing a new training or certification program.
- Independent auditors report and accompanying management letter.
- Balance sheet.
- Income statement.
- Cash-flow statement.
- Notes explaining the accounts.
- The organization's code of ethics.

## FURTHER READING

Bryson, John M., and Farnum K. Alston. 1999. *Creating and Implementing a Strategic Plan: A Workbook for Public and Nonprofit Organizations*. San Francisco: Jossey-Bass.

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## ANNEXES

1. Sample zero-base budget
2. Sample annual budget
3. Sample operating surplus statement
4. Sample balance sheet
5. Sample income statement
6. Sample cash-flow statement, United Kingdom
7. Sample cash-flow statement, Turkey

## ANNEX I

## SAMPLE ZERO-BASE BUDGET

*The following example was provided by the Corporate Governance Forum of Turkey.*

## PLANNED PROJECTS (ADDITIONAL COST AND INCOME ESTIMATES)

## Costs

1. Int. Conference Preparations	00,000
2. Director Training Development	00,000
3. Investors Opinion Survey	00,000
4. Board Standards Survey	00,000

## Income

1. Int. Conference Preparations	00,000(GCGF)
2. Director Training Development	
CIPE	00,000
TUSIAD	00,000
3. Investors Opinion Survey	TBD
4. Board Standards Survey	TBD

Note: Cost model used is based on SU's traditional projects.

Actual costs will be followed closely and the model will be revised if necessary.

## SUMMARY CONTRIBUTIONS

## TUSIAD

Contribution to Operating Budget	00,000
Contribution to Director Training Project	00,000
TUSIAD's total contribution for operating budget	00,000
TUSIAD's contribution inc. director training	000,000

## SABANCI UNIVERSITY

Contribution in kind	00,000
Contribution general expenses and allocation	00,000
SABANCI UNIVERSITY's total contribution	000,000

Total Contribution of Founders to operating budget	000,000
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(\*) Sabanci University's cost of academic personnel is allocated to the Forum in accordance with the percentage of their time allocated to the Forum.



## ANNEX 2

### SAMPLE ANNUAL BUDGET

The following example was produced by a director training organization.

#### IN ABSOLUTE AMOUNTS

	2003						2004						
	June	July	August	September	October	November	December	January	February	March	April	May	TOTAL
<b>Projected Revenues</b>													
<b>Orientation Course</b>													
Banks	250						250					250	750
State Owned Enterprises		250			250								500
Listed Companies		250	250	250	250	250	250	250	250	250	250	250	2,750
Family Corporations									250		250	250	1,000
NGOs				100						100			200
<b>Special Sessions</b>	100	100	100	100	100	100			100	100	100	100	1,000
Insurance & Pre-need companies													
Specialized Courses													
Audit	250		250		250				250		250		1,250
Risk Management	250		250		250				250		250		1,250
Finance		250		250		250				250		250	1,250
Board Assessment/Governance		250		250		250				250		250	1,250
Family Corporation			250						250		250		750
Compensation									250		250		500
Independent Directors										250		250	500
Board Reporting										250		250	500
<b>Core course</b>									1,000				1,000
<b>Total Course fee proceeds</b>	850	1,100	1,100	950	1,100	850	500	250	2,600	1,700	1,600	1,850	14,450
<b>Reports</b>	100	100	100	100	100	100	100	100	100	100	100	100	1,200
<b>Publications</b>						700	140	140	140	140			1,260
<b>Membership Fees</b>	150	150	300	300	300	300	300	300	300	300	300	300	3,300
<b>Corporate Sponsorships</b>	300	600	300			1,000							2,200
<b>TOTAL REVENUES</b>	1,400	1,950	1,800	1,350	1,500	2,950	1,040	790	3,140	2,240	2,000	2,250	22,410
<b>Direct costs</b>													
Training	340	440	440	380	440	340	200	100	1040	680	640	740	5,780
Reports	30	30	30	30	30	30	30	30	30	30	30	30	360
Publications	0	0	0	0	0	350	70	70	70	70	0	0	630
Membership Program	90	90	180	180	180	180	180	180	180	180	180	180	1,980
Corporate Sponsorships	120	240	120	0	0	400	0	0	0	0	0	0	880
<b>TOTAL DIRECT COSTS</b>	580	800	770	590	650	1,300	480	380	1,320	960	850	950	9,630
<b>Gross Margin</b>	820	1,150	1,030	760	850	1,650	560	410	1,820	1,280	1,150	1,300	12,780
<b>Operating Expenses</b>													
Salaries and Wages	438	438	438	438	438	438	438	438	438	438	438	438	5,256.00
Professional Fees	275	275	275	275	275	275	275	275	275	275	275	275	3,300.00
Rent, parking and other building fees	97	97	97	97	97	97	97	97	97	97	97	97	1,164.00
Representation Expense	50	50	50	50	50	50	50	50	50	50	50	50	600.00
Light & Water, other fees	11	11	11	11	11	11	11	11	11	11	11	11	132.00
Stationary & Supplies	10	10	10	10	10	10	10	10	10	10	10	10	120.00
Repairs & Maintenance	10	10	10	10	10	10	10	10	10	10	10	10	120.00
Postage, Telephone & Telegraph	41	41	41	41	41	41	41	41	41	41	41	41	492.00
Membership dues and subscription	30	30	30	30	30	30	30	30	30	30	30	30	360.00
Miscellaneous	10	10	10	10	10	10	10	10	10	10	10	10	120.00
<b>TOTAL OPERATING EXPENSE</b>	972	972	972	972	972	972	972	972	972	972	972	972	11,664.00
<b>Excess of receipts over disbursements</b>	152	178	58	212	122	678	412	562	848	308	178	328	1,116
<b>Projected Net Proceeds from Grants</b>	100	100	200	100	100	300	100	100	200	100	100	500	2,000

## ANNEX 3

## SAMPLE OPERATING SURPLUS STATEMENT

*The following example was provided by the Institute of Directors, UK.*

<b>MEMBERSHIP INCOME</b>	
Membership subscriptions	0,000
Election fees	0,000
	<u>00,000</u>
<b>MEMBERSHIP EXPENSES</b>	
Marketing and membership	(0,000)
	<u>0,000</u>
<b>REVENUE EARNING ACTIVITIES</b>	
Catering and functions	000
Publications	000
Courses	000
Conferences	000
Events	000
Product marketing	000
	<u>0,000</u>
<b>MEMBER SERVICES</b>	
Member information and advice	(000)
	<u>(0,000)</u>
<b>OPERATING AND OVERHEAD COSTS</b>	
Property costs	(0,000)
Depreciation	(0,000)
IT and website	(0,000)
Central administration	(0,000)
Interest receivable and similar income	000
	<u>(0,000)</u>
<b>REPRESENTATION AND DIRECTORATE</b>	
Representation (Policy unit)	(000)
Directorate	(0,000)
Communciations	(000)
	<u>(0,000)</u>

## ANNEX 4

### SAMPLE BALANCE SHEET

*The following sample was provided by the Institute of Directors, UK.*

#### FIXED ASSETS

Intangible fixed assets	
Publications rights of magazine	0
Tangible fixed assets	0,000
Investments	00

#### CURRENT ASSETS

Debtors	0,000
Short-term investment	0,000
Short-term bank deposit	000
Cash at bank and in hand	00

#### CURRENT LIABILITIES

Creditors – amounts falling due within one year	(0,000)
Deferred membership income	(0,000)
Bank overdraft	—

<u>Net current liabilities</u>	<u>(0,000)</u>
--------------------------------	----------------

Total assets less current liabilities	0,000
---------------------------------------	-------

#### CREDITORS

<u>Amounts falling due after more than one year</u>	<u>(000)</u>
---	--------------

<u>Net assets</u>	<u>0,000</u>
-------------------	--------------

Represented by:

#### ACCUMULATED FUND

Accumulated fund at 1 January	0,000
Revenue (deficit)/surplus for the year	(00)

Accumulated fund at 31 December	0,000
---------------------------------	-------

## ANNEX 5

## SAMPLE INCOME STATEMENT

*The following sample was provided by the Institute of Directors, UK.*

## INCOME

Membership income	000
Revenue earning activities	000
Other trading income	000
Interest receivable and similar income	000
	<u>000</u>

## EXPENDITURE

Employment costs	000
Direct costs	000
Indirect costs	000
Property expenditure	000
Depreciation	000
Branch expenditure	000
	<u>000</u>

Surplus on ordinary activities before taxation	000
Taxation	<u>(000)</u>

<u>(Deficit)/Surplus on ordinary activities after taxation</u>	<u>000</u>
--	------------

## ANNEX 6

### SAMPLE CASH-FLOW STATEMENT, UK

*The following sample was provided by the Institute of Directors, UK.*

<i>Net cash inflow from operating activities</i> (see reconciliation below)	000	
<i>Returns on investments and servicing of finance</i>		
Interest received	000	
<i>Taxation</i>		
UK Corporation tax paid		(000)
<i>Capital expenditure</i>		
Payment to acquire tangible fixed assets		(000)
Payment to acquire investments		(000)
<i>Cash inflow/(outflow) before use of liquid resources</i>	000	
<i>Management of liquid resources</i>		
Purchase of short-term investments	(000)	
Realisation of short-term deposits	000	
<i>(Decrease)/Increase in bank current account in the year</i>		000
<i>Reconciliation of surplus on ordinary activities to net cash flow from operating activities:</i>		
Surplus on ordinary activities before taxation		000
Depreciation on tangible fixed assets etc		000
Loss on disposal of fixed assets		000
Interest receivable and similar income		(000)
	000	
(Increase)/decrease in debtors	000	
(Decrease) in creditors	(000)	
Increase in membership deferred income	000	
<i>Net cash inflow from operating activities</i>		000

## ANNEX 7

## SAMPLE CASH-FLOW STATEMENT, TURKEY

*The following example was provided by the Corporate Governance Forum of Turkey.*

**CASH-FLOW STATEMENT**  
**PERIOD: 1/3/2003 - 28/2/2004**

**EXPENSES**

One-off Expenses		
Trademark registration	000	
Logo Design, stationary and folders	0,000	
Web design	0,000	
Launch	(SU,TUSIAD direct)	
Total "One -off"	0,000	
Running Expenses		
Human Talent(*)		
Gross Salary Forum Director		
(5 months)	00,000	(SU in kind)
Gross Salary Secretary	0,000	
Gross Salary Projects Coordinator	00,000	
Gross Salary Academic Coordinator	0,000	(SU in kind)
Gross Salary Academic Coordinator	0,000	(SU in kind)
PhD student(4 months)	0,000	
Sub-total Human Talent	00,000	
External Audit	000	
Total Running Expenses	00,000	
Promotion and representation		
Flier, brochure, press	0,000	
Representation	0,000	
Total Promotion	0,000	
Travel		
Domestic Travel	0,000	
International Travel	00,000	
Total travel	00,000	
Research Preparation		
and Project Development	00,000	
Awareness Sessions		
(Panels, Media, etc)	0,000	
Miscellaneous/Sundry Expenses	0,000	
Total Expenditure	000,000	
SU Allocated Costs inc.		
Overhead(%25)	00,000	
TOTAL COST	000,000	

## CASH-FLOW STATEMENT *continued*

### INCOME

TUSIAD Contribution	00,000
SU Contribution (Allocated Costs inc. Overhead)	00,000
Office space	
Office materials	
Office Equipment	
Communications Equipment	
Stamp duties and legal cost	
Utilities	
Maintenance and security costs	
Information Technology Costs	
Insurance costs	
Rental and leasing costs	
Web services (Web master and Web server)	
Campus commutation costs	
SU in kind contributions (exc. Allocation)	00,000
Total Income for Operations	000,000

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### Peer Review Group

To develop this toolkit and gather lessons learned from developing and developed countries alike, the Global Corporate Governance Forum invited representatives from director training organizations from various regions of the world to share their experiences and discuss milestones and challenges in building director training organizations. The Forum would especially like to thank the following people for their contribution to this toolkit by providing materials, examples, and extensive comments on building director training organizations:

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