



The
CO-OPERATIVE
HOUSING
FEDERATION
of Canada



La
FÉDÉRATION de
L'HABITATION
COOPÉRATIVE
du Canada

Getting **Governance** Right

Good Governance and Principled Leadership for Housing Co-ops



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Introduction

Why a guide on governance and leadership?

The CHF Canada guide *Getting Management Right* talks about how important good governance is if co-ops want to make sure they have sound management. In that guide we list some of the results co-ops are looking for from governance and management and we explain the important differences between the two. We also point out that although good governance and sound management are not the same thing, they are very closely linked. As we say in *Getting Management Right*, if one is weak, the other will be weakened.

Since *Getting Management Right* came out we've had a lot of good feedback on the link between governance and management. Co-op managers have told us that good governance is key for them if they are to do their jobs well. And members of co-op boards have asked us to tell them more about making governance better. That's why we've written this guide.

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1

About this guide

What are governance and leadership?

What do we mean when we talk about governance and leadership in a housing co-op? By governance we mean the guidance and safekeeping of your housing co-op by the board of directors. Leadership is about the directors themselves. It is the qualities and values directors need to do a good job on the board as they meet their duties of care and loyalty to the co-op. This guide is all about these twin themes of governance and leadership.

The members of a housing co-op also have a governance role to play, and we'll be talking about that too. Mostly, though, this guide is about your board.

What this guide won't do

Even though good governance is about the role of the board in your co-op, this is not a board of director's manual. We won't tell you what to look for on a financial statement, or how to run a good meeting. That ground is already well covered by resources available on the CHF Canada website, and in workshops offered by CHF Canada and our member federations.

Here we'll look at how you go about being a director rather than what the job involves on a day-to-day basis. You'll hear a lot about the importance of values for directors, and nothing at all about minute-taking or what the treasurer does.

By governance we mean the guidance and safekeeping of your housing co-op by the board of directors. Leadership is about the directors themselves - the qualities and values directors need to do a good job on the board. This guide is all about these twin themes of governance and leadership.

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Good governance

Let's start our look at good governance by reminding ourselves how important it really is to have an effective board.

An effective board – the cornerstone of your co-op

The success of your housing co-op depends so much on your board of directors. You may have a good manager, a competent auditor, sound advice from the co-op housing sector, the Agency for Co-operative Housing, and government partners – and it can still all go wrong if the board isn't doing its job properly. Because the board can make decisions and recommendations and take actions that have an enormous effect on the co-op—for better or for worse.

What we mean by governance

There's a lot of talk about governance these days. Not just in co-op housing but all through the corporate world. It sounds great, but what does it really mean? Let's try to agree on what it means for a housing co-op. Here's a definition we can use:

Governance is how directors, and the members that elect them, set and control the overall direction of the co-op to ensure its success as a viable business and a co-operative community.

Governance is the job of the board, supported by the decisions of the members who elect them. It is driven by

- a clear understanding of the board's role
- the skills to carry it out
- values that put the interests of the co-op and its members first.

It's not hard to have a board that is effective, that acts wisely and that makes good decisions for the co-op, if the board holds itself to the standards of what we call *good governance*.

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Good governance begins with ethics - standards of conduct that guide the way the board reaches decisions and whose interests they serve.

What we mean by good governance

Good governance begins with ethics—standards of conduct that guide the way the board reaches decisions and whose interests they serve. You'll hear more about this throughout the guide.

Note what our definition *doesn't* say: there's nothing there about managing the co-op.

The governance role is different from the job of managing and it's important that we're clear about that from the start. The role of the board in the co-op's management is to

- set the overall direction
- provide guidance to managers
- keep a careful eye on the results.

Governance is about the ends—where you want to go. Your management takes care of the means—how to get there. Management takes care of the day-to-day running of the co-op. It's important that these two roles are well balanced in your co-op.

Many boards have made the mistake of thinking their job includes co-op management. If that happens, not only is your management going to suffer, but so will your governance. Good governance is a big enough challenge for volunteer housing co-op directors, and that's where their energies should be focused. Managing a co-op calls for a set of skills that are more technical and administrative. It is not a volunteer's job.

Of course the board needs to be sure that good management is in place, and it should look into things if it seems that the job isn't getting done. As the saying goes, it's okay for the directors to put their noses into the co-op's management, but not their hands. Although directors shouldn't carry out the work of managing the co-op, they should definitely make sure it is being done well.

You may find that your co-op act says that the board must manage the affairs of the association. It's important to be clear about what that means. What it *doesn't* mean is directors have to give up their day jobs to run the co-op's office. What it *does* mean is that the board is responsible for making sure that the co-op is properly run. Which is exactly our message in this guide.

What about my co-op? We use volunteers for management tasks.

Some co-ops have a long history of using their members, as volunteers, to carry out management tasks. Many small co-ops feel they cannot afford to pay for management, given their limited budgets. These co-ops see volunteer management by committee as part of their tradition. How does this fit with what we've said about management not being a volunteer's task?

In the companion guide to this one, *Getting Management Right*, we have some advice about management by committee, and it's worth repeating it here. We questioned whether committees have produced good management results for co-ops and we noted that after 35 years of experience, we can say the results have been mixed at best.

Here are two questions to ask about using committees to run the co-op:

1. Do committees get the job done well every time?
2. Do committees get the work done when it needs doing?

If the answer to both isn't yes 100% of the time, co-ops might want to think carefully about how much they rely on committees to run their business.

It's been said that volunteer management works for small co-ops. But no matter what size your co-op is, you should at least use the services of a trained bookkeeper to take care of your finances. We've seen too many co-ops get into financial hot water because they've used volunteers to do the books. The same goes for essential administration tasks, like meeting your annual reporting requirements to government. These kinds of services don't cost more, proportionately, for a small co-op than a large one. And the price of not paying for them can be heavy indeed.

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Principled leadership

Good governance needs **leadership**, another word we're hearing a lot these days.

Leadership is about having a clear sense of the right direction for an organization and being able to guide others towards it. Co-op directors may not think of themselves as leaders, but they should. And they should understand what it means to be a leader.

Leadership is not about power or control. Good leaders are enablers and consensus builders who serve the interests of others, whether it's the members of a co-op or the citizens of a country. Leaders need to earn confidence and trust if they are to win support for the direction they want to set. We call this leadership by consent. It's the only kind that works in a housing co-op.

Leadership is a personal quality. In a co-op we look for leadership in the directors, individually and together.

Housing co-ops have begun to talk about *principled leadership*. Principled leadership means having a set of values that guide leaders' actions at all times. It means personal integrity—a commitment to do what is good and right, what is ethical. Here's a way to say what principled leadership means:

Principled leadership means leading by example as we apply ethical standards to our decisions and actions, in a way that reflects our shared values.

You can't get away from ethics and values when talking about this subject. Principled leadership is founded on these qualities.

Now let's see what that means in a housing co-op.

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Principled leadership means leading by example as we apply ethical standards to our decisions and actions, in a way that reflects our shared values.

Principled leadership in your co-op

Principled leadership begins with respect for shared values. In a housing co-op that means our founding purposes, our by-laws/rules* and policies, our mission and vision statements that we have chosen together, and the values of our movement. Above all, our values are about the well-being of the co-op as a whole and the fair and even treatment of the members.

As principled leaders, directors measure what they do against these values.

Principled, values-based leadership doesn't mean there is only one answer to every question. Judgment plays a big part too. But it does mean that there is only one way to make a decision: by putting the values and interests of the co-op and the membership before anything else.

CHF Canada has developed the 2020 Compass, a process that will help your co-op clarify its values, its purpose, and what kind of future it sees for itself. To find out more about the 2020 Compass go to the CHF Canada website - www.chfcanda.coop - and follow the links to 2020 Vision.

* Not every co-op act provides for by-laws. For example, in British Columbia co-ops have Rules instead.

Our Movement Our Values

At the 2009 CHF Canada annual meeting the delegates adopted a set of common values for Canadian Housing Co-ops, "Our Movement our values". Here's what the members agreed to.

The Values of Canada's Co-operative Housing Movement

Canada's non-profit housing co-operatives are dedicated to developing strong housing communities that operate under the control of the resident-members, for their mutual benefit on a not-for-profit basis. As a movement we are united by a commitment to uphold and promote these shared values:

1. The international co-op principles guide the way we govern and manage our housing co-ops.
2. Continuing to operate our co-ops on a not-for-profit basis is fundamental to our future and to our promise to those in need of housing in Canada.
3. Co-ops strive to house members with a mix of incomes.
4. Housing co-ops treat their employees and other providers of management services fairly and value the contribution they make to their communities.
5. Housing co-ops are inclusive communities and embrace diversity by fostering a membership of differing backgrounds and abilities.
6. A commitment to environmental sustainability guides the operating practices of housing co-ops.
7. Co-ops aim to provide a high-quality living environment for their members and do their best to respond to their changing housing needs over time.
8. The right of members to live in their co-op is protected as long as they respect the by-laws/rules and policies that they have together agreed will govern their housing.

The qualities of principled leaders in housing co-ops

Let's look at the ways in which housing co-op directors show principled leadership. Principled leaders

- put their duty to the co-op and the members before their own interests
- make the right decisions for the co-op, not necessarily the popular ones
- help chart a course for the co-op that is in keeping with its purposes and values
- work to win the trust and confidence of the membership
- have respect for the members, and others involved with the co-op
- deal in good faith with fellow directors and others in the co-op
- lead by example, making sure they follow the co-op's by-laws/rules and policies themselves.

Following these principles actually makes it easier to be a director because the experience will be more rewarding.

The Canadian Institute of Chartered Accountants has a very good publication on governance and leadership, *20 Questions Directors of Not-for-profit Organizations Should Ask about Governance*. In it there is a list of personal qualities that are valuable for directors to have. It's worth taking a look at the very readable guide this list comes from. You can find it on the Chartered Accountants of Canada website at www.cica.ca.

Ethical conduct agreements

Many co-ops ask their directors to sign ethical conduct agreements to confirm their commitment to be principled leaders. You can find an example of an ethical conduct agreement in the guide to 2020 Certification on CHF Canada's 2020 Vision website. Just go to our home page and follow the 2020 Vision links.

Leadership and conflict of interest

Principled leadership means putting the interests of the co-op before your own interests, every time. And we do mean the interests of the co-op here, not the interests of the members, whether groups of them or all of them, which can be different.

Nothing compromises leadership more than a conflict of interest – making a decision about a matter in which you have a personal interest that is not shared by all the members.

It is important that directors learn about conflict of interest and the procedures in place to help avoid it. Because a director's first loyalty is always to the co-op, no matter how much the co-op's best interests may conflict with personal ones. When it comes to conflicts of interest directors should inform themselves and set the bar high.

There's a point here to be made about conflict of interest and housing charges. Directors have a very personal interest in how much the co-op's housing charges are, and this time it's a personal interest that is shared by all of the directors, by all of the members in fact. But when it comes to recommending housing charges to the members that support the co-op's annual budget, there can be only one interest in the minds of the directors: the financial requirements of the co-op. Directors need to set aside any thoughts about the effect of housing charge increases on them personally.

They also need to pay their housing charges on time, every time. Directors in arrears just don't have the moral authority to collect housing charges when they're not paying up themselves.

Good governance and principled leadership – you can't have one without the other

It's not hard to see that good governance and principled leadership are different sides of the same coin. Good governance for your co-op needs principled leadership from the members of the board. You can look at principled leadership as one of the key ingredients that goes into good governance. Good governance is the outcome.

Principled leadership means putting the interests of the co-op before your own interests, every time.

It is important that directors learn about conflict of interest and the procedures in place to help avoid it. Directors should inform themselves and set the bar high.

Ten signs that governance needs work at your co-op

How can you tell if you need to work on governance at your co-op?
Take a moment to test yourself!

1. The board often changes its own decisions
 - because it is not taking care to make the right decision with the right information in the first place.
2. It seems like you have board meetings all the time
 - boards that are in turmoil or just plain inefficient find that they are constantly meeting, and still not getting results.
3. There is frequent conflict between board and management
 - which can mean they are stepping on each other's toes because their roles aren't clear.
4. It's hard to keep a full slate of directors
 - which can be a sign of a lot of problems, but it certainly means that being a director is neither inviting nor satisfying. It should be both.
5. The members do not trust the board
 - the board is not open with the membership, or even-handed in its decisions.
6. You lose good staff
 - a sure sign that there is a poor relationship between board and staff, and that working conditions are not good overall.
7. There is a change of direction every time a new board is elected
 - always a sign of personalities and politics coming before the board's duty to the well-being of the co-op.
8. You have directors that do not follow the co-op's by-laws/rules and policies
 - how can directors talk about ethics when they are not leading by example?
9. Your board doesn't take advantage of training opportunities for directors
 - you won't get governance right if your directors don't understand what is expected of them.
10. Members' meetings are like Question Period in the House of Commons
 - enough said! You have serious work to do if things are this bad!

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Good governance in practice

We've talked in a general way about good governance and principled leadership. Now we need to look at what these ideas mean in practice, and how we can recognize them in our co-ops.

Good governance and principled leadership aren't just ideals: they can be put into practice. You can see if your board measures up.

So here we're going to talk about 10 good governance practices, together with some simple ways you can tell how your board measures up on each one. Let's start by listing them. A board that practises good governance

- is aware of its legal duties
- knows the co-op's purposes
- has a strategic focus
- acts transparently
- is accountable
- acts fairly
- is responsive to the members
- is effective in getting results
- evaluates its own performance
- plans for its succession.

Let's look at each of these more closely.

- *the board is aware of its legal duties*

For the board to know its role and its duty to the co-op it must first know what is required of it by law. **Directors have the legal duties of care and loyalty, and must act prudently, always in the co-op's best interests.**

Acting ethically as directors isn't just something we do voluntarily. The law requires it.

That's not just advice. You'll find language like that in the laws that govern the conduct of directors of corporations—all kinds of corporations. There are many other statutes that can affect their actions—those having to do with employment conditions for example. Directors also have what are called common-law duties. Common law is law that's based on custom, usage and rulings by courts, not on acts or regulations made by governments.

This isn't a legal guide so we won't go through all the legal requirements of co-op directors. Federation education programs will cover the legal duties of directors in their board training workshops. You can also have a look at the "Meeting Legal Requirements" section in the Resource Centre on CHF Canada's website. And if you type *legal duties of directors* into your internet browser you'll get a lot of resources popping up. But we can say this here: acting ethically as directors isn't just something we do voluntarily. The law requires it.

Here are signs that your board is aware of its legal duties:

- the board takes training that includes information about its legal duties
- the directors sign ethical conduct agreements that set out their duties of care and loyalty.

- ***the board is aware of the co-op's purposes***

This sounds like an easy one, doesn't it? After all, the purposes of your co-op are pretty clear — affordable co-operative housing, right? But when's the last time you looked at your co-op's incorporation documents where your co-op's founding purposes are set out? And more to the point, what about the values that underlie your purposes?

Fortunately it's not that hard to become familiar with the principles and values your co-op has adopted. The trick is to put them into practice.

Here are signs that your board is aware of the co-op's purposes:

- the board has read the co-op's articles of incorporation
- the board understands what the co-op principles are
- the board is familiar with any other values statement the co-op has adopted, such as the co-op sector's *Our movement, our values*, and with the co-op's mission and vision.

It's not that hard to become familiar with the principles and values your co-op has adopted. Look at your co-op's incorporation documents where your co-op's founding purposes are set out.

- *the board has a strategic focus*

The board has to have a clear idea about its role before it can be effective. Good governance means the **board has to keep its eye on the big picture**, on the overall direction of the co-op. That means concentrating on

- planning (including financial planning) and setting goals
- having the right by-laws/rules and policies
- keeping up to date on the co-op's management
- watching the finances carefully
- making sure the co-op's legal requirements are met
- protecting the co-op from risk.

These are all high-level tasks, and that's where the board's focus belongs: on the view from above the trees, so to speak. The board makes decisions on these big-picture issues, often taking advice from the manager in the process. Then it's the manager's job to carry them out. This emphasis on a big-picture, or strategic, focus for the board, and not on the day-to-day operation of the co-op, is central to good governance.

The board does remain responsible for the operation of the co-op, though. It has to make sure that the co-op and its assets are not at risk and its plans and directions are being followed. That requires very good working relations with the co-op's management. We'll be talking more about this soon.

Here are signs that your board has a strategic focus:

- board meetings are spent planning and reviewing the co-op's business, not doing it
- the co-op has good management in place that reports to the board of directors.

- *your board acts transparently*

Transparency in co-op governance means that the board conducts its affairs and makes decisions in a way that is open and visible to the members. **Transparent governance means keeping the membership in the picture** about what the board is doing.

The board has to have a clear idea about its role before it can be effective. Good governance means the board has to keep its eye on the big picture, on the overall direction of the co-op.

Some matters the board deals with are confidential. The privacy of members must be protected, but confidentiality can be overused.

It's particularly important to share information about decisions the board makes that affect the membership as a whole.

Some matters the board deals with are confidential. The privacy of members must be protected, and there are times when the legal or commercial interests of the co-op require confidentiality. But confidentiality can be overused. There has to be a good reason to keep information from the members. It shouldn't be just an excuse to avoid accountability, which we'll talk about in a moment.

It's particularly important to share information about decisions the board makes that affect the membership as a whole. You'll want their support for what you decide, so share the board's thinking with them and listen to what they have to say.

Here are signs that your board acts transparently:

- the board shares non-confidential minutes, financial statements and other reports with the members
- the board only keeps matters confidential when it is necessary to protect the privacy of the members or the interests of the co-op.

An accountable board takes care to make good, fair decisions on the issues that come before it and keeps the overall interests of the co-op in mind at all times.

- ***your board is accountable***

Good governance means the board is ready to answer to the members for what it does. The members place the safekeeping of the co-op in the board's hands, and **the board is accountable to the members for the job that it does on their behalf.**

An accountable board is one that

- takes seriously its duty for the guidance and well-being of the co-op
- stands by its actions and decisions and takes responsibility for them collectively.

An accountable board takes care to make good, fair decisions on the issues that come before it and keeps the overall interests of the co-op in mind at all times.

If it does, the board should have no difficulty in standing behind its decisions, even if they are not always the most popular ones. This is an important point. The board needs to listen to members, but once it has made a decision that it believes is the right one for the co-op, it should keep to it, and all the directors need to support it.

Here are signs that your board is accountable to the members:

- the board reports to the members on the decisions it makes for the co-op and the reasons for them
 - the board gives the members the information they need to make good decisions themselves.
- *the board acts fairly*

Have you ever heard members say that sometimes the Board seems to be making it up as it goes along? That it doesn't always follow the co-op's by-laws/rules and policies? That it treats some members differently than others?

Applying the rules evenly and fairly is a key sign of good governance at any level. The same principle applies to housing co-ops. Good governance in a co-op means that the **by-laws/rules and procedures are applied evenly and fairly, every time.**

This is particularly important when dealing with members in breach of the co-op's by-laws/rules or policies. The board must make sure that the co-op's response is consistent and just. That includes the actions of managers in their direct dealings with the members.

Being even-handed means more than making sure that by-laws/rules are applied fairly. It applies to the board's relationship with the members generally. Whatever rights or privileges one member has, all members should have, as long as the circumstances are the same in each case.

Here are signs that your board acts fairly:

- the board always checks the co-op's by-laws/rules and policies where they apply to board decisions
- when a matter that concerns individual households is under discussion, any director with a personal or family relationship to that household steps aside.

The board must make sure that the co-op's response is consistent and just. That includes the actions of managers in their direct dealings with the members. Whatever rights or privileges one member has, all members should have, as long as the circumstances are the same in each case.

The board's job is to serve the members and help meet their collective needs. For that you need a board that listens to the members and is responsive to the things that matter to them.

- *your board is responsive to the members*

The board shouldn't seem like a distant planet, orbiting far from the members. The board's job is to serve the members and help meet their collective needs. For that **you need a board that listens to the members and is responsive to the things that matter to them.**

Responsive governance means the board

- has a service focus and listens to the members
- gives the members a chance to talk about the issues that matter to them
- pays attention to the changing needs of the members.

At the same time you should be careful not to get dragged into the minor disputes and brushfires that are a common feature of any community. If you let that happen you'll never get anything else done. You need to encourage your members to sort things like that out for themselves, or use a mediation process if there are serious personal differences between members. It's the bigger picture that directors need to keep focused on—the things that matter to all your members, such as good housing services from the co-op.

Here are signs that your board is responsive to the members:

- the board surveys the members to ask them if the co-op's services meet their needs
- the board makes sure the co-op takes action to address member concerns.

Effective governance isn't rocket science. It's basic stuff, like getting organized, having the information the board needs to get the job done and working in partnership with competent management.

- *your board is effective in getting results*

Your board needs to get the job done and get results if it is going to meet the members' needs. In other words it needs to be effective. **Effective governance means making sure the co-op's business is carried out – and looking down the road to see what lies ahead.**

Too many boards of all kinds—profit and non-profit alike—seem to snooze their way through the business of the organization, only to wake up to a crisis. This is one of the biggest weaknesses in governance as it's often practised: boards that are asleep at the wheel. Your board needs to do better than that.

Effective governance requires

- having a clear sense of what the board is trying to get done
- making sure that decisions and plans lead to action and results
- looking ahead—paying attention to what’s on the horizon for your co-op
- ensuring that efficient management is in place for the co-op
- getting the relationships right between the board, managers and committees, so people aren’t tripping over each other – or leaving their jobs to others.

Effective governance isn’t rocket science. It’s basic stuff, like getting organized, having the information the board needs to get the job done and working in partnership with competent management. And as we’ll see, training for directors really helps the board to be more effective.

Here are signs that your board is effective at getting results:

- the board plans for the co-op’s operations and measures whether the plan is carried out
 - the board measures the quality of the co-op’s management.
- *the board evaluates its own performance*

It’s a good idea for board members to take a look in the mirror now and again to take stock of how well they are doing, both as individual directors and collectively as the board. A self-evaluation is a good tool for that.

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Sometimes, boards can get off track and lose focus without even knowing it. Maybe there have been too many recent crises and the board has allowed its strategic role to take a back seat – even though thinking strategically may have avoided some of those crises in the first place. Perhaps the board is overlapping the role of the manager too much. It could be that board meetings are not effective. An evaluation can flag problems like these that you might never have noticed otherwise.

Then there are the directors individually. How is each board member performing? Do they have the training needed to do the job? Do they prepare for meetings? How well do they contribute at the board table? Are they always putting the co-op’s interests first?

What kinds of questions should the directors be asking themselves in an evaluation? Here's a sample list.

Does the board

- focus on the big picture without getting drawn into management tasks
- have a clear sense of the co-op's mission and vision
- receive training to help it do its job effectively
- plan what it wants to get done over the year
- understand the co-op's finances
- have effective, well-organized meetings with the right information
- communicate with the membership?

Do I, as a director

- understand and meet my duties of care and loyalty to the co-op
- put the co-op's needs first and avoid conflicts of interest
- attend and prepare adequately for meetings
- participate in the discussions at the board table
- listen to my fellow directors, even if I don't always agree with their views
- support board decisions once they are made?

These are just some of the questions that can form part of an evaluation for boards and for directors individually.

How to carry out the evaluation? The best way is to do it individually and collectively. You can make the process anonymous and you can even do it using an online tool such as Survey Monkey that allows you to easily create and distribute your own surveys. If you do a paper evaluation, ask your manager or your board secretary to compile the results. They can do it without revealing names.

And finally on this subject, learn from the results. If it looks like your board is struggling a bit, well, you're not alone, and there's help available. Just talk to your local federation or get in touch with us here at CHF Canada.

Signs that the board evaluates its performance:

- board and director evaluations take place every year
- the board uses the results of the evaluations to improve its performance.

- *the board plans for its succession*

It's one thing to work hard to make sure the board you're on is getting governance right, but what about the next board, and the ones after that? In order to avoid the shifts and bumps of uneven governance over time, boards need to look ahead. Where are the next leaders of the co-op? What can we do to make sure the directors we'll need tomorrow are ready and willing to do the job?

You can begin by setting the right example. If the members see that being on the board is a rewarding experience, that being a director means making a difference to the quality of life at the co-op, then they're more likely to want to have a go at being a director themselves. And of course the opposite is also true.

But you need to go further, and actively encourage the members to consider serving on the board. Further on we talk about opening up board training to non-directors. An active nominations committee that invites members to run for the board can really help. And while you shouldn't show personal favouritism, look for members who are already showing an active interest in the co-op. And those you think have potential, especially younger members.

We can't stress this latter point too highly. The future leadership of your co-op won't emerge unless there is a generational mix on the board. A co-op that doesn't have a generational mix on the board will face a leadership gap down the road.

Here are signs that your board plans for its succession:

- you have a nominations committee that seeks out candidates for election to the board
- you actively encourage younger members to get involved in the co-op.

Are you thinking that there's a big gap between the way things look at your co-op and these signs of good governance? It's actually not as hard to reach these standards as you might think.

You'll be well on the way to better governance if you take the job of being a director seriously, pay attention to good communications, and build a good working relationship with your co-op's management.

Boards need to look ahead. Where are the next leaders of the co-op?

You should actively encourage the members to consider serving on the board.

Ten good governance tips

1. Have directors sign ethical conduct agreements, and keep to them.
2. Spend time on building good relations on the board. The board makes decisions together so get to know your fellow directors and what makes them tick.
3. Have good, well-chaired board meetings where things get done. That's where you'll do most of your work as directors, so make board meetings count.
4. Make sure you have sound management—good governance depends on it.
5. Listen to different views on the board, even if you don't agree with them. Once the board makes a decision, support it.
6. Know your role. The directors have authority only as a governing body, acting together, not as roaming co-op police.
7. Plan your business cycle. Know ahead of time what you want to get done in the coming 12 months.
8. Act according to established by-laws/rules and policies; don't make it up as you go along. If you find some policies aren't working you can propose new ones to the members.
9. Hold members' meetings regularly, but not more often than you really need. Don't waste your members' time.
10. If you have committees, make sure they know what their roles are. Committees are advisory. Unlike the board, they don't have the authority to make decisions.

5

The role of your members in good governance

In this guide we talk mostly about the board of directors. But good governance is something all the members should be aware of, and, as we said at the beginning, they also have a role to play in governance. The members, of course, are not the board. They don't have the range of authority that the co-op acts give to the board to direct the co-op's affairs, and they shouldn't try to do (or undo) the board's work in general meetings. At the same time though, there are key governance decisions that only the members can make, such as

- choosing the directors
- amending the co-op's by-laws/rules
- making policies that are set by the members.

In some cases—in Ontario for example—only the members can approve the housing charges that are set annually. You should check the co-op act that applies to your co-op to find out which decisions must be made by the members.

Aside from meeting their legal requirements, the members support good governance by

- understanding what we mean by good governance
- learning about the values and principles of co-operation and co-op housing
- participating in members' meetings and speaking up
- applying the principles of good governance in any committee work they may be doing
- taking care to choose directors who will act ethically and put the co-op's interests first
- supporting education and training opportunities for members—and going to them.

The board needs to help the members understand about good governance by giving them the chance to learn about it.

Think about sending members who are *not* directors to board training sessions offered by the co-op housing sector.

The board needs to help the members understand about good governance by giving them the chance to learn about it. Think about sending members who are *not* directors to board training sessions offered by the co-op housing sector. And help your members prepare for the decisions they make. Make sure they have the information they need in plenty of time to make good decisions at meetings. Try to use materials that are easy to read and follow.

Sharing this guide with your members will help as well.

We've talked quite a lot now about different aspects of good governance and principled leadership. The big question is how do you get these outcomes in your co-op? Let's take a look.

6

The building blocks of good governance and principled leadership

You need to invest in governance and leadership to get them right. There are three key building blocks towards good governance:

1. The individual commitment of the directors
2. Board training
3. Support from good management

Commitment to being a director

There are lots of resources and support out there that can help you become a good director. But there's one ingredient that you have to bring to the table yourself, and that's your personal undertaking. And that's equally important whether you were pressed into putting your name forward to fill a vacant seat or you won a hotly contested election.

As a committed director you understand and take your role seriously:

- You understand that together with your fellow board members you have a responsibility for the well-being of your co-op and you are ready to meet that responsibility on behalf of the members.
- You are dependable – you go to board meetings regularly.
- You prepare for meetings and think carefully about the decisions you will be asked to make.
- You accept the importance of ethics in the role of a director.
- You are ready to meet the standard for directors set out in the various co-operative acts in Canada. These acts usually say that directors must act honestly and in good faith in the best interest of the co-op, and that they must be prudent—in other words, as we said earlier, directors have the twin duties of loyalty and care.

You need to invest in governance and leadership to get them right. There are lots of resources and support out there that can help you become a good director.

The first ingredient of good governance is the commitment of the individual director to do the best job possible.

- You understand that directors can be personally liable in certain circumstances. To our knowledge, no co-op housing directors in Canada have been found personally liable. But you should be aware of how that could happen. For instance, directors can be personally liable for unpaid wages to employees. And there are other examples. Get some advice from your lawyer, or go to a legal clinic workshop put on by the sector.
- You ask questions. You look for the information you need to make sound decisions. Being a director is not a passive role where you sit back and wait for things to go wrong. A committed director is not a spectator. If you have an opinion, share it.
- You listen and keep an open mind. As a director you need to be open to new ideas that you hear from your fellow directors. That means paying attention to the discussion in the first place. So listening is an important responsibility for a director. So is keeping an open mind about what you hear. A board can bring together a range of views and experience that help us make better decisions than one person might make alone – as long as there is a commitment to sharing ideas. The whole really can be greater than the sum of the parts.

If you fit this picture then clearly you're making the commitment to good governance that a co-op needs from its directors. And you're ready to put the next good governance building block in place – training for the directors.

Good leaders are made, not born. No matter how keen your board members are to do a good job, they won't get too far without the learned skills co-op directors need.

Begin with the basics of board training, which all federations offer in their education programs.

And make the education of your directors and members a priority by allowing for it in the budget.

The importance of board training

Good leaders are made, not born.

No matter how keen your board members are to do a good job, they won't get too far without the learned skills co-op directors need. As a famous president of the United States once said, leadership and learning are indispensable to each other.

As we said earlier, this is not a how-to guide for co-op directors. But good, skilled training is available throughout the co-op housing sector, from CHF Canada and regional federations, through workshops, manuals, guides and internet resources.

Make the education of your directors and members a priority – they can't attend workshops if there isn't any money available. So allow for it in the budget! Begin with the basics of board training, which all federations offer in their education programs. There are more advanced courses available as well. For the full range of board training available from the co-op housing sector, check out the websites of CHF Canada and your local federation if there is one.

As well, there is a lot of general information available on the internet for directors of all kinds of corporations—for-profit and not-for-profit alike. You'd be surprised how little difference there is between the general and legal duties for directors of a large corporation and for housing co-op directors.

It's hard to overstate the importance of training to good governance. A lot of careful thought has gone into the co-op housing sector's training materials, which draw on 30 years of experience—the good, the bad and the ugly—to offer you the best possible advice on governance. Make use of it!

The support of good management

The third building block of good governance is your co-op's management. First, let's say what we mean here by management. We mean the management staff you hire or the management services you contract for. Either way, we are talking about professional, trained management, not a member with some spare time or the spouse of a director.

Just as governments can't function without effective, professional public servants, boards will struggle without the support of skilled management. Your management gives the board the information and expert advice it needs to make good, sound decisions—decisions that your manager then carries out on your behalf. And remember: making sound, informed decisions is the basis of good governance.

While the roles of management and governance are different, they support each other, so it's important that they work well together. And because directors come and go with elections, stability and strength in your management are vital.

How successful you are at having a strong stable partnership with your co-op's management depends on you. Here are some tips to help you get the management governance relationship right.

Just as governments can't function without effective, professional public servants, boards will struggle without the support of skilled management. Your management gives the board the information and expert advice it needs to make good, sound decisions—decisions that your manager then carries out on your behalf.

- 1. Choose sound management to start with.** Whether you hire your own staff or contract with a management company, make sure they understand co-ops and co-op programs and have the skills needed to manage the different functions of your co-op's operations and offer your members good service.
- 2. Management is not in competition with you, so don't battle with your staff or management company.** They are there to help, so let them do that. As we said, the two roles are complementary. Try not to work against that by doing the management job yourselves, and count on your managers not to play the governance role that belongs to the board.
- 3. Recognize that co-op management is an expert field.** Make sure your managers have an opportunity for training and professional development, so they can keep up with the skills they need to do the job. If you employ your own staff, invest in training for them—it will pay off for your co-op.
- 4. You want a professional standard of management; offer a professional employment environment.** Offer fair salaries and benefits and a method of supervision that doesn't leave the manager taking directions from every member of the board. Offer a professional working environment too—a proper, well-equipped office that's free from unnecessary distraction. And evaluate your management periodically. This is not a finger-pointing exercise, but rather an opportunity to sit down with your management to see what's working well and what could work better – on both sides of the board management partnership.
- 5. Make co-op management a stable career that's worth choosing.** Many good people leave co-op management because they see it as a field that lacks stability. They see boards coming and going, each with an agenda to “fix” the management of the co-op. That creates uncertainty and distrust in managers and can send them off in search of different career options. The best advice for new boards? Don't assume your management needs fixing until you're sure it's broken. Chances are it isn't. Otherwise, fit your co-op's office with a revolving door. You're going to need it.

Good management is not a one-way street – it won't happen without the board's support. If you follow these few guidelines you can expect to attract and keep good people and have accountable, responsible management that works to support the board in its governance role.

7

A last word

Co-op housing is a force for good, a people-first housing option founded on community values of social justice and mutual self-help.

These are ethical values and the way we conduct ourselves as co-op directors should reflect them. Of course ethics are expected from directors of any corporation, but we've all seen how often self-interest has come before ethics in corporate boardrooms. In the co-op housing sector we hold ourselves to a higher standard. We need directors who commit themselves to good governance and principled leadership. Fortunately, they'll be the richer for it if they do, and so will their co-ops.



Resources

The following is a list of tools that support good governance found in the CHF Canada Resource Centre.

Tools



Governing your co-op

Good governance

- **Getting Governance Right**

A video version of Getting Governance Right is available to view online.

http://www.chfcanada.coop/eng/pages2007/resources_movieggr.asp

- **Effective Governance Manual – British Columbia**

CHF BC has created an Effective Governance Manual in two volumes: Volume One addresses the Co-op Act and Model Rules, and Volume Two is a Co-op Policy Manual. Together they help co-ops in BC understand and comply with the Cooperative Association Act(BC) and create a sound governance framework.

An online resource.

<http://www.chf.bc.ca/pages/modelrules.asp>

- **Pay up or step down? Dealing with board members in arrears**

Choose your approach to board members who skip housing charges. NewsBriefs article, 2007, available online.

<http://www.chfcanada.coop/eng/pdf/ResourceDocs/Pay%20up%20or%20step%20down.pdf>

Board of Directors

- **How well does your co-op run?**

Use this governance review quiz to check how well your co-op is run and how you can improve.

An online resource.

http://www.chfcanada.coop/eng/pages2007/res_pages_cooprund.asp

- **Board of directors' book**

Information for Ontario-program co-ops.

PDF available online.

http://www.chfcanada.coop/eng/pdf/BenchmarkDocs/BoardSupplement_final.pdf

- **Board of Directors Evaluation Tool**

Use this quiz to evaluate your board's effectiveness and what still needs work.

PDF available online.

<http://www.chfcanada.coop/eng/pdf/ResourceDocs/CHFBOARDEVALUATIONtoolNov2004.pdf>

- **Directors' and officers' liability insurance**
Directors are obliged to cover some of their insurance costs.
PDF available online.
http://www.chfcanada.coop/eng/pdf/ResourceDocs/newsbriefs_excerpts/16_directors_liability.pdf
- **Sample ethical conduct agreement**
All housing co-op directors should sign this agreement.
PDF available online.
<http://www.chfcanada.coop/eng/pdf/ResourceDocs/sample%20ethical%20conduct%20agreement.pdf>
- **Your co-op's board of directors**
Know what to look for to make sure your co-op's board of directors is on track.
An online resource.
http://www.chfcanada.coop/eng/pages2007/res_pages_coopboard.asp

Meeting your legal requirements

- Both the board and the manager need to know how the law applies to your co-op. This page in the Resource Centre will give you all the background you need to understand the legal requirements for your co-op, from co-op acts to property taxes.
http://www.chfcanada.coop/eng/pages2007/res_governing3.asp

The co-op community

- **Getting our co-op principles right**
A CHF Canada guide that explains the international co-operative principles and how to use them in governing your housing co-op.
PDF available online.
http://www.chfcanada.coop/eng/pdf/ResourceDocs/principles_complete.pdf
- **Member satisfaction survey**
A CHF Canada survey that you can customize for your co-op and use to get the feedback on how members feel about living in the co-op.
An online resource.
<http://www.chfcanada.coop/eng/pages2007/satisfactionsurvey.asp>
- **The end of Participation**
A NewsBriefs article on rethinking how we involve members in our co-ops.
PDF available online.
http://www.chfcanada.coop/eng/pdf/ResourceDocs/end_of_participation_features_part_one_and_two.pdf

Working with your manager

- **Getting Management Right**

A guide to meeting the core management standards for housing co-ops. PDF available online.

<http://www.chfcanada.coop/eng/pdf/ResourceDocs/GettingManagementRight.pdf>

- **Quality co-op employer charter**

If your co-op employs staff, commit to being a quality employer by signing a certificate to adopt this charter.

PDF available online.

http://www.chfcanada.coop/eng/pdf/ResourceDocs/Quality_co-op_employer_Eng_cover_page.pdf



Education events and workshops

Regional federations and CHF Canada offer a variety of education training opportunities for co-op members and staff over the calendar year. You can also arrange for workshops to be customized for your own housing co-op, as part of your regional federation's education program or through CHF Canada. Contact Rebecca Richardson, Program Manager, Education Services rrichardson@chfcanada.coop / 1.800.465.2752, ext. 236 For more information about education events and workshops go to http://www.chfcanada.coop/eng/pages2007/res_education.asp



Online training

Online training offers members the opportunity to learn at their own pace, wherever they are.

For more information about online training go to

http://www.chfcanada.coop/eng/pages2007/res_onlinetraining1.asp



2020 Vision

Visit the CHF Canada website and follow the links to learn more about 2020 Vision.

Other

Lindsay, Hugh. "20 Questions Directors of Not-for-profit Organizations Should Ask about Governance." Chartered Accountants of Canada. 2006. Accessed March 2010. <<http://www.rogb.ca/abstracts-directors-series/item12302.pdf>>.

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