

## A Shining Example of Board Behavior

BY MELINDA YOUNG, CCAM

**W**e don't need statistics to tell us that media focuses more on "Boards Gone Wild" than on the significant majority of associations that are governed well. And, proposed changes to common interest development law often punish many simply to address the sins of a few.

With an estimated 46,000-plus associations in California, and an average board size of five members per board, there are potentially 230,000-plus volunteers donating personal time, energy and effort to the community in which they live. In any given month, the vast majority of these individuals make a

commitment to civic duty that far exceeds their neighbors'. Compare this to how often associations fail to reach an annual meeting quorum because the members fail to return ballots – perhaps an action that only takes 15 minutes of the member's time.

To these dedicated individuals, a discussion about board ethics may be superfluous. The issue of ethical behavior may be self evident to those who do volunteer, so why would anybody want to be on a board of directors if not to "do the right thing"? And yet, it can take only one board member without a clear sense of duty and ethics to derail the actions of the remaining directors. One of the challenge with association boards is to convince

them that even if a problem doesn't exist today, it can readily exist tomorrow. Think of it this way – each association is only one annual meeting away from the possibility of a new board member who may be unsuitable, unethical and selfishly motivated.

The unfortunate truth is, there are examples of board members who breach their ethical and professional duties to their association and thus to their neighbors. Successful boards of directors initiate proactive and preventative steps to address unethical behavior and a potential breach of fiduciary duty, before it happens.

### **Develop a Strategic Nomination Process for Board Member Candidates**

Associations often suffer from owner apathy. Consequently, boards are sometimes reluctant to establish criteria for potential board members because they think it will be a deterrent. If it is difficult to find volunteers in the first place, how can this strategy help? You really want the "cream of the crop" when it comes to prospective board members. By creating some structure,



guidelines and specific candidate criteria, boards are more likely to attract the “cream” than just hoping for a warm body to fill a seat. It is much easier to address unsuitable candidates than to remove a problematic board member after being elected.

1. Establish criteria to qualify being nominated to the board. Is the nominee in good standing with the association? Are assessments current? Are there any outstanding violations? Has the nominee attended any past association meetings or served on a committee? What about past experience in serving on other boards or living in a common interest development? Does the nominee exhibit the attributes necessary to be of true service to the members of the community?

2. Clarify expectations of board members prior to election. Let the potential candidates know the time commitment. Does the association require regular board education? Are board members expected to prepare for board meetings by becoming familiar with the association’s governing documents and reading board meeting materials?

### **Set the Ground Rules Early for Board Conduct**

We’ve all had experience with a person who does not treat others well. And, while those of us who interact with associations are familiar with this behavior, it is even more troublesome to see fellow board members fail to treat each other well. Here are a couple of examples of how to neutralize this kind of conduct and create a more productive environment.

1. Establish a board member code of conduct. A very basic code of conduct may be the golden rule: treat others like you would want to be treated. Or, it may be more detailed and include defined behavior to encourage simple good manners. For instance, board members are to act in a professional and courteous way at all times – loud, argumentative voices or name calling will not be accepted. Board members are to be prepared for each meeting and be willing to accept the opinions of others. Board members are to attend at least 85% of meetings each year and participate in at least one committee. Board members are to treat fellow members of the community with respect and equality.

2. Board members should be educated about the business judgment rule. The practice of good solid business judgment seems relatively simple. Yet, a brief outline about the basics of the duty of care and the duty of loyalty should be established as the benchmark against which all board decisions are measured. Common sense also works well!

### **Require Each Board Member to Agree to a Code of Ethics**

The Merriam-Webster dictionary defines ethics as “the discipline dealing with what is good and bad and with moral duty and obligation.” In their book, *The Power of Ethical Management*, Kenneth Blanchard and Norman Vincent Peale refer to three questions to ask when faced with an ethical dilemma – Is it legal? Is it balanced? Is it right?

An effective code of ethics will empower board members, both individually and collectively, to practice loyalty, commitment and trust. Maintenance of confidentiality, singleness of purpose, dedication to the community mission and restraint from self-serving decisions are absolute requirements contained within a code of ethics.

Quite simply, a code of ethics should state, “Do the right thing. Do no harm.”

If board member candidates understand the basic ground rules of true community service and civic duty before being elected, they then understand they must hold themselves to a higher standard. Not only is this appropriate, board member adherence to ethical and professional behavior directly benefits other board members, members of the community and, ultimately, the individual.

CACM’s online Managers Toolkit offers downloadable samples of a Board Member Code of Ethics and Board Member Commitment Pledge. Members can log in and access these tools now at [www.CACM.org](http://www.CACM.org).

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