

# in the boardroom

## Directorship

Emerging “trends and skills” are the result of data gathered from contributions by managers throughout California during various CACM statewide activities and member surveys such as the Expo, CEO Business Forum, regional forums, Law Seminars, manager luncheons and other manager activities since 1993.

Remember when community managers were called property managers? The term Common Interest Development (CID) wasn't even on our radar screen. CACM identified definitions that had not previously existed. We've created common language with common tools so that our boards and service providers talk “our language”:

- Policy governance for directors
- Walk-thrus or walkabouts
- Punch lists
- “Turnover” procedures
- Board packet(s)
- “1365” disclosure package

That was nearly 20 years ago and community managers have evolved to follow exceptional standards of practice and a comprehensive code of ethics. CACM has been at the helm forging the way with industry-specific terminology.

Flash forward to 2010. One of our emerging trends is helping boards of directors understand their job is one of governance – not management. Effective boards govern; ineffective boards manage or at worst micro-manage the community manager and other contractors on the property.

Boards have many governance tools at their disposal such as leadership development, board evaluation, agenda development, communication and information and strategic planning. Certainly the relationship with the community manager is essential. Ultimately, however, successful governance requires courage. Courage includes creating a positive culture for the board and its shareholders, the owners.

## Differences That Can Be Clearly Defined

What is the difference between a director and a board member? How does an officer play into the mix? Let's discuss these in more detail but remember this – the commonality between all of these terms is the “director.”

A board of directors is a group of people elected by the owners of a business entity (vis-à-vis the association) who have decision-making authority, voting authority and specific responsibilities, which in each case is separate and



Community managers  
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distinct from the authority and responsibilities, of owners and managers of the business entity. The authority is vested in the board as a group – not as individuals, unless so directed by the group.

Directors are the members of a board of directors. A director is an individual. The position of a director is distinctly different than that of an officer; however, in most community associations an individual may hold both positions at the same time. All board member directors hold equal status. The voting at a board meeting is related to the position of being a board member director, not necessarily an officer. All board member directors and the president should vote on matters brought before the board unless the bylaws provide that the president only votes in the event of a tie. Board member directors are elected by the members of the association or may be appointed by other board members to fill a vacancy on the board.

Here are some director duties:

- Act as a fiduciary to the corporation
- Exercise proper care in decisions
- Maintain a loyalty to the association and owners
- Act in accordance with the governing documents
- Act in “good faith” and in the best interest of the association

- Make reasonable inquiry as basis for decisions
- May rely on the advice of professionals (i.e., management, attorney, CPA)
- Make reasonable & unbiased decisions
- Maintain appropriate confidentiality

Directors have no authority to act or speak on behalf of the board outside of a board meeting, unless specifically authorized by a proper resolution (a policy) of the board.

## Officers

Typically the officers are also members of the board of directors; however, this may not be a requirement of the governing documents. Officers are appointed or elected by the directors of the board and not by the membership, unless otherwise stated in the bylaws. The appointment and responsibilities of the officers are generally stated and may be more specifically described in the association’s bylaws.

As the board sets out to fulfill its cumulative responsibility, the most immediate one is to deal with the implications of being a group of trustees. In fact, it is difficult to discuss how an individual is to approach a group task. Yet each director has a responsibility to come with an effective mind-set, to take responsibility for the group.

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