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The Handbook of Board Governance

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An MBA is an excellent degree for a condominium director or manager. MBAs receive training in accounting and finance, operations, technology, leadership, organizational systems, communication, presentations, and human resources (among other things). All of the preceding topics have obvious applicability to condominiums, but when I took my MBA, I found one course particularly relevant to condominiums: governance.

That's right, MBAs are subjected to a few months of studying private, public, and not-for-profit governance. What is the first order of business for a board? When should directors ask questions? What is a competent director? How important is an effective chairperson? The answers to these questions and more are contained in the big, heavy, "suitable for use as body armour" textbook I had to read called "The Handbook of Board Governance 2nd ed." It's a collection of essays about board governance, compiled and edited by Richard Leblanc, and you can find it easily on Amazon for about \$80 in case you're interested in owning your very own copy. Versions of the first edition are even cheaper.

All joking aside, the Handbook is excellent, and while the CAO offers some training for directors, the Handbook is undoubtedly going to interest any director or manager that is "extra."

So, what is the first responsibility of the board (setting aside conceptual differences specific to condominiums)? It is finding the right CEO. The analog of a CEO for a condominium is, of course, its manager (although managers are not technically officers of the corporation). Whether the board is hiring a manager directly or contracting out for a manager, it's clear that the choice of manager is crucial. In case you doubt the analog of the CEO in a condominium is a manager, here are some of the tasks the Handbook ascribes to CEOs:

- Provide leadership to manage the organization in the best interest of members.
- Create an operating plan for the organization.
- Achieve the goals of the organization in an ethical and socially responsible manner.
- Serve as the spokesman and liaison for the organization.
- Assist with the audit and provide a director code of conduct for board approval.
- Communicate in a timely fashion with the board on material matters.
- Communicate regularly with the board to ensure their responsibilities are complied with and that the directors are provided with enough information to make decisions.
- Provide general supervision and management of the organization's day-to-day affairs consistent with decisions requiring prior approval of the board.
- Approve commitments within the limits of delegated authority.

The list goes on for quite some time, and the majority of it really could describe a condominium manager. Directors reading this might want to consult the Handbook to prepare a job description when sourcing a manager!

What should the board do once it has selected its manager? According to the Handbook, it should start succession planning. Do not wait to begin succession planning for board members and the present manager. The condominium will be around for a long time, and responsible custody must be passed along. Something I've seen too rarely is observers to board meetings. Observers can be people that might want to join the board in the future. I think the practice is wise (if you can find someone willing to observe) as long as the observer is politely excused when discussing sensitive matters involving privacy. One should also ensure that observers comply with a code of ethics.

I can't go through the entire contents of the approximately 1400-page Handbook. Still, I will touch on a couple more points it emphasizes.

In its director independence, competency, and behaviour section, there is an entry about "independence of mind." As we all know, directors have duties to disclose conflicts for obvious things like interests in contracts or compromising relationships. But what is independence of mind? Independence of mind refers to anything that might bias a director's thinking that is not captured in a regulation or through an objective test.

In principle, one can verify whether a director owns a stake in the lawncare company or is suing the condominium. But is it possible to regulate or test for more subjective things? The foregoing is very difficult in a condominium setting. For example, condominium directors are frequently asked to make decisions about their neighbours. I live in a detached house on a cul-de-sac, and I certainly have biases about all of my neighbours. I can imagine how easily one would form opinions about neighbours in a higher-density setting. Can condominium directors live in their communities, be friends with community members, and have independence of mind? I am happy to say that my experiences on this particular issue are almost uniformly good. I've found that the large majority of condominium directors are capable of taking a fair decision about their neighbours, even knowing they might run into this or that person daily.

Other topics the Handbook covers are when directors should ask questions and even **how** to ask questions. The advice given is excellent. The main point is to ask questions when standards of care come

into play, and it outlines how to detect such instances. How to ask questions is a section filled with common sense that is often overlooked, such as:

- Don't ask too many questions at once.
- Keep questions conversational and maintain rapport.
- Express concern with moderation to avoid generating unnecessary worry.

The Handbook might seem unwieldy, and perhaps this type of thing is not of interest to you. Still, if you have a penchant for knowledge and you're a director or manager, you should get a copy. The writing is mostly accessible to anyone, and there are even about three jokes in it. See if you can find them!