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# ASSOCIATIONS: THE CONCEPT OF GOVERNANCE

THE IMPORTANCE OF A WELL-FUNCTIONING GOVERNANCE STRUCTURE FOR AN ASSOCIATION SHOULD NEVER BE UNDERESTIMATED. ALTHOUGH THE GOVERNANCE OF AN ASSOCIATION FOCUSES MORE ON THE INTERNAL PROCESSES OF AN ASSOCIATION, IT HAS A DIRECT AND IMMEDIATE IMPACT ON THE WAY THE ASSOCIATION IS REPRESENTED TOWARDS ITS EXTERNAL STAKEHOLDERS. ANY DISCUSSION ON GOVERNANCE WILL THEREFORE TOUCH ON SEVERAL CRITICAL ASPECTS OF ANY ASSOCIATION AND THE EFFECTIVENESS IN ACHIEVING ITS OBJECTIVES. **TEXT HANS CRAEN, MANAGER, KELLEN EUROPE**

The concept of governance can be defined in various ways since it is applicable on different levels of society: public, corporate, associations etc. However, a good definition of (corporate) governance defines it as 'the effective management of relationships with integrity to produce enhanced company performance'. This definition, although used from the perspective of a company can also be used to describe associations' governance. The key elements to be extracted from this definition are: management of relationships, integrity and enhanced performance.

Some aspects of governance are integrated in the articles of association of which the decision making process is an important one. However, in addition to this, governance aspects are also influenced by less tangible elements such as the 'human factor'.

It is also worthwhile noting that, since a couple of years, associations are giving more attention to CSR - corporate social responsibility. Associations have the opportunity to learn from the corporate approach of CSR and include socially responsible aspects in

their strategic planning. Experience shows that many associations do so nowadays, however without explicitly linking their activities to the SR concept.

## A good definition of governance defines it as 'the effective management of relationships with integrity to produce enhanced company performance'

### Governance applied to associations

The following paragraphs will look closer at some of the critical governance elements which are to a certain extent all interlinked: **(1)** decision-making processes, **(2)** relationship between the Board and the Secretariat, **(3)** the need for high-level company commitment and **(4)** social responsibility.

The decision-making process for an association should take into account certain balances. It cannot be a stringent and cum-

bersome process with as a result that the association can only make progress at a very slow pace. On the other hand, a too swift and rapid decision-making process could

result in decisions that are not carried by the majority of the membership. It goes without saying that either extreme is not beneficial for the effectiveness of the association and its representation towards the external stakeholders.

Is there an ideal decision-making framework? The answer is no! Associations are not simply interchangeable. The way the decision making rules are set are subject to:

- + The size of the association
- + The type of membership: a uniform

corporate membership will have more straightforward rules than a mixed membership base consisting of different types of corporations and national associations.

- + The voting weight: a 'one member one vote approach' will be easier than weighted voting rights based on objective criteria. This however should not preclude an association with a mixed membership to use a diversified voting scheme. On the other hand, when the membership base consists only of corporations, a 'one member one vote' approach is recommended. First, competition law rules always have to be respected. A diversified voting scheme could divulge information on the market size of the corporate members which, by all means, should be avoided. Also, any differentiation in voting rights could block smaller companies to join the association due to a potential perception that the big companies anyhow will dominate the association.

Although a 'one fits all' approach is not possible, whatever the decision-making process will be, it should be transparent, democratic and applied consistently for all decisions.

Within an association, the Board plays an essential role in setting out the overall direction of the association while the secretariat takes care of the day-to-day activities to ensure that these objectives are met. As such there has to be a good working relationship based on mutual confidence between the secretariat and the Board. It is also important that the Board and Chairperson have a clear vision in mind for the association. A passive Board will result in an inactive and therefore ineffective association. The need for an active Board is of course difficult to include in the articles of association. The role of the secretariat is essential to inform the Board members and to stress the need for action on issues of interest for the association.

An important part of good governance is based on the good working relationship between the members and the secretariat. The secretariat should have all the capacities to fulfill in the most effective way its daily operations. From the membership it is expected that they show commitment to

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become involved in the working groups of the association and that they are able to share their expertise. Especially on Board level, it is essential that there is a high-level company commitment consisting of the representatives of key-members with decision making power within their respective organizations.

Applying good governance principles for an association is one way of ensuring a socially responsible organisation internally. This can be complemented by providing an environment based on trust, diversity and non-discrimination in relation to all those involved in the association. Additionally, developing efficient certification programmes or voluntary industry standards can strengthen a socially responsible reputation. Externally, SR for associations is mainly linked to responsible advocacy ('lobbying for the good'), as well as ensuring an adequate best practice sharing platform for the association members and its stakeholders.

### Governance vs. the external representation of the association

A sound governance structure will ensure that the association functions internally in an effective way. This will benefit the way the association can represent itself in an efficient way towards the external stakeholders which

is especially important in times of crisis or when strict deadlines apply. The latter often applies for EU lobby activities which requires:

- + Quick decision-making
- + Membership commitment to define positions in a constructive way and to provide where needed technical expertise. The

membership commitment is also important to avoid positions only based on the lowest common denominator

- + A supportive board with full understanding of the urgency and importance of the issues at stake
- + An effective functioning secretariat providing the necessary guidance, input and knowledge

### Conclusion

This text does not aim to give an exhaustive overview on governance applied to associations. It merely aims at provoking the readers' thought on governance and how this would apply to the associations they are working for either as part of the secretariat or as a member.

Clear and workable rules are indeed important to improve the governance of an association. But it doesn't stop there. By definition, the 'human factor' plays a very decisive role in the functioning of an association. But this is of course more difficult to capture in well defined rules.