

Promoting Networks for Institutes of Directors — Why and How?

Institute of Directors (IoD) Networks promote corporate governance at the regional level through enhanced training and skill development for directors. Although the number of IoD Networks has increased over the last several years, many regions have only just begun to collaborate and address the common challenge of developing a sustainable network. In preparing this report, we began by looking for similarities among successful networks, including by speaking with several network members and IFC representatives across the globe. Throughout this process, we analyzed the benefits and key takeaways from networks in Latin America, Africa, North America, and Europe to leverage synergies to develop effective and sustainable networks.

Practice Brief

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Background and Rationale

IoD Networks strengthen the implementation of corporate governance and promote the growth of individual IoDs and overall peer exchange within their regions. They accomplish these objectives by promoting the role of directors, filling knowledge gaps, and advocating for better corporate governance practices and regulations. All in all, networks complement national programs by using shared approaches to organize courses, administer institutes, deploy learning techniques, and provide quality materials and resources. The credible regional benchmarking provided by these networks allows IoDs to ensure access to best global practices.

Benefits

The positive attention IoD Networks have received—a result of their growth over the past few years—has led to increased collaboration with external players. In response to the benefits the regional networks provide, several organizations have begun working with IoD Networks, contributing information, training, sponsorships, and funding. At the regional level, the following entities have strong, interdependent, mutually beneficial relationships with IoD Networks:

Institutes

Networks provide individual institutes with the techniques needed to grow and expand through shared experience and practices while

simultaneously implementing sound corporate governance practices throughout the region. Networks are crucial to keeping institutes current with the latest developments in corporate governance, anticipating issues that will affect the work of boards and directors.

“In a global world, corporate governance can’t be addressed in an isolated manner. Interaction among national Institutes of Directors is key to the success of European companies.”

Irena Prijovic

Slovenian Directors’ Association

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ABOUT IFC CORPORATE GOVERNANCE GROUP

The Group brings together staff from investment support and advisory operations into a single, global team. This unified team advises on all aspects of corporate governance and offers targeted client services in areas such as increasing board effectiveness, improving the control environment, and family businesses governance. The Group also helps support corporate governance improvements and reform efforts in emerging markets and developing countries, while leveraging and integrating knowledge tools, expertise, and networks at the global and regional levels.



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For example, to speed up national implementation of corporate governance practices, the Instituto de Gobierno Corporativo-Costa Rica (IGC-Costa Rica) capitalized on opportunities offered by the Latin American Network of Corporate Governance Institutes (Spanish acronym: IGCLA) by using the Instituto de Gobierno Corporativo-Panamá's (IGC-Panamá) model of development for its creation. IGC-Costa Rica initially relied on IGC-Panamá's publications, materials, and know-how and the use of its logo to save resources and cut costs throughout its development process.

Directors, Companies, and other Business Organizations

An IoD Network enhances a company's ability to navigate the business environment, avoiding structural uncertainty and potential risks. As company directors use the network's expanded resources to improve their skills and to understand and implement good corporate governance practices, the company subsequently benefits from optimized operations. Networks complement local IoDs with a broader scope of activities and resources to help directors determine how to project their role onto a regional platform.



Aware of the benefits that regional networks provide, business organizations regularly offer support through sponsorships, to ease the financial burden of membership fees. These sponsorships help finance a network's projects, meetings, and other initiatives. The European Confederation of Directors Associations (ecoDa), for example, acquires 25 percent of its funding from partnerships with corporate associates, allowing for a reduction in membership fees. Similarly, the African Corporate Governance Network (ACGN) relies on its relationship with the New Partnership for Africa's Development (NEPAD) Business Foundation, which — through its position as the ACGN Secretariat — has committed to collaborating with the ACGN to tackle issues of corporate governance in Africa.

IFC

IFC plays a key partnership role in the development and sustainability of IoD Networks by contributing its corporate governance experts' global experience and enhanced network of contacts, which helps forge links and lends credibility to regional networks. IFC also provides group and individual training and consultation, which equips networks with expert information and hands-on knowledge. For example, IFC has at times provided support to the ACGN for train-the-trainer courses as well as capacity-building training for member institutes.



"If we want to make this work, we must believe in the flywheel effect. We have the accumulation of knowledge and know-how but must turn that wheel."

Fuad Hashimi

Pakistan Institute of Corporate Governance

IFC regularly organizes global meeting of Institutes of Directors – in Washington, DC, USA in 2011 and Istanbul, Turkey, in 2014.

Through its Global Corporate Governance Forum (later merged into IFC CG Group), IFC has also worked with leading IoDs to develop key global tools and publications, including *Toolkit 1: Building Director Training Organizations*, *Toolkit 3: Board Leadership Training Resources*, and associated training supplements, which have been widely distributed throughout the networks.

Governments

Government support provides networks with credibility and exposure. In turn, networks foster awareness of and compliance with regional regulations, thereby allowing for better diffusion of corporate governance practices throughout the region. Some networks capitalize on public-private partnership opportunities provided by governments in the region. These collaborations enable networks to strengthen their development as well as improve outreach by involving government officials in programs and publications.

For example, through IGCLA, the Organization for Economic Co-operation and Development (OECD) can connect regional government regulators with national IoD representatives to discuss public policy during conferences held at the Latin America Roundtable for Corporate Governance. This ability to connect all relevant parties makes it easy for decision makers, regulators, and key regional corporate governance representatives to exchange insights based on their experience and to provide input and suggestions to stay ahead of applicable policymaking.

Benefits of IoD Networks

- Educate, develop, and promote well-informed and well-trained company directors through expanded resources.
- Offer peer-exchange opportunities for institutes: mentoring, networking, and the ability to leverage relationships.
- Provide local IoDs with key information and know-how to create credible regional benchmarks and expedite their development processes.
- Promote good corporate governance through creating awareness of emerging governance issues and influencing regional decision makers.
- Provide international credibility and endorsement through memberships.
- Reduce time and costs by becoming a one-stop shop for connecting IoDs.
- Provide a common platform for advocacy on corporate governance matters.
- Encourage the exchange of professional trainers whose capabilities can diffuse throughout the network.

Key Takeaways from Past Development and Implementation Methods

There is no universal structural model for IoD Networks; development and implementation techniques are entirely dependent on a region's resources and overall environment, including size, culture, and corporate governance knowledge. IoD Networks vary between formal and informal structures, some of them stemming from corporate governance nonprofit research centers, associations, or professional institutions.

This section highlights certain good practices drawn from analysis of a number of IoD Networks. While there is no single formula for success, following the key takeaways below will improve the chances of designing and implementing an appropriate strategy for creating a successful network.

Governance and Management

When creating a network, it is important to establish a solid governance foundation. Below are three networks that have organized structures to promote their implementation and growth.

Africa Corporate Governance Network

The ACGN is governed by a constitution that provides for an executive committee of six to thirteen members. Each founding institute can appoint a committee member, while the remaining seats are filled by nominations at the annual general meeting. All committee members must be unanimously appointed and are eligible only if they are councilors, board members, executives, or other officers or office holders of a member institute. After a three-year term, one-third of the committee members must resign (but can be reelected) as part of a staggered rotation strategy. To conduct meetings and organize related matters, the committee elects a deputy chair to hold office for up to one year. The NEPAD Business Foundation supports these activities as the current secretary.

The ACGN holds meetings in person at least once a year (the location rotates annually) and organizes at least three additional Web or telephone conferences. When decisions during these meetings must be taken to a vote, the ACGN requires a majority of 75 percent of members.

Latin America Institute of Corporate Governance

IGCLA has an executive committee made up of three members who rotate every year. Members consist of the president from the previous year, the current president, and the president for the upcoming year. During the first four years, the members were chosen based on their size and level of development, with the IBGC (the largest and most developed institute) appointed president for two years. But beginning with Ecuador in 2016, members will be chosen in alphabetical order. The executive committee is responsible for organizing meetings, standardizing the network using best practices, and ensuring that members are completing the necessary requirements; each of these tasks is supported by the executive secretary. Similar to the ACGN, IGCLA hosts an annual meeting in which all members may

present, decide, and vote on key topics. The network looks for consensus when issues go to a vote, accepting a majority win if consensus cannot be reached.

European Confederation of Directors Associations

ecoDa is composed of 12 board members who are either chairs/CEOs or board members of their institutes. The confederation includes five standing committees (policy, benchmarking, education, membership, and communication); two board committees (nomination and evaluations and administrative); and an ad hoc working group. The administrative committee is composed of a chair, treasurer, and secretary general, who is responsible for the day-to-day management. All committee representatives are appointed by national IoDs. ecoDa holds an annual general meeting in which members discuss pressing topics; each member has one vote, and resolutions require a majority (modifications to the statutes require a two-thirds majority).

"Leadership is key for the success of a network"

Heloisa Bedicks
GNDI

Timing is Key

Networks should be nurtured in an environment where IoD members are willing to share and collaborate intensively. As demonstrated by current efforts in South Asia and in Europe and Central Asia, the first and most important step is to identify and strengthen a solid base of capable IoDs that can support lesser developed IoDs through the development process. Once these IoDs are interested in creating a regional presence and committed to establishing a network, the timing is right to do so.

Importance of Leadership

Leadership is crucial during the beginning stages of the development process. A lack of leadership can ultimately lead to the failure of a network, as was suspected with IGCLA's first attempt at establishing a network in 2003 (see the case study).

Leadership of an IoD Network, possibly by an internal member, may be provided through financing and/or by organizing the framework. In other words, an IoD can take the lead in implementing the network. For example, during the development of the Global Network of Director Institutes (GNDI), the Australian Institute of Company Directors (AICD) assumed the role of leader to implement and organize the network.

Steady Ambition

People involved in establishing regional networks often tend to be too ambitious during the development stage. A lesson from IGCLA's early experience is that a network's increasing demands can put too much pressure on members, thus frustrating IoDs and creating a sense of non-collaboration. Networks must remember that IoDs are occupied with further developing their own individual initiatives and are unable to be 100 percent



Meeting of the Latin American Corporate Governance Network, 2014.

Case study: IGCLA

The Latin American Corporate Governance Network has become a leading example of the positive benefits of implementing a regional network. The idea of creating such a network sparked in 2003, but a suspected lack of leadership kept it from being pursued at that time. By 2009, however, the Brazilian Institute of Corporate Governance (IBGC), the Institute of Corporate Governance-Panama (IGC-P), and the Corporate Governance Center of Excellence (CGEC) in Mexico had already begun exchanging materials and know-how and were prepared for a long-term collaboration with other institutions.

During the 2009 OECD Latin American Corporate Governance Roundtable, these institutions—along with institutes from Argentina, Chile, and Colombia—came together to discuss the creation of a regional network; discussions covered issues such as funding, leadership, and structure. In a follow-up meeting in March 2010—including representatives from Bolivia, Costa Rica, Ecuador, and El Salvador—the group began establishing working groups, planning future meetings, and collaborating on important issues related to corporate governance in the region.

IFC's initial and continued support for the initiative, combined with the network's strong implementation process fueled by member participation and regular communication, has helped IGCLA achieve excellent results. The network's benefits include the regular exchange of valuable information, the expedited progress of member institutes, and the overall ability to advocate for corporate governance among the region's key decision makers based on a perception of the organization as a solid and credible.



Launch of the African Corporate Governance Network, 2013.

focused on the needs of the network. Therefore, networks do well to develop slowly, focusing on forging strong links through peer exchanges. Networks should begin by meeting once a year and organizing intermittent conference calls. From here, they can slowly increase fees and organize activities to foster the network—for example, a pilot project such as a webinar or a publication—that can test network capabilities and reveal deficiencies before undertaking further expansion.

Communication

The success of an IoD network depends on strong internal and external communication; lack of communication will lead to loss of interest in or commitment to the network. Every network must establish a common platform for communication—including with third-party collaborators—that should be constantly strengthened through innovative approaches. IGCLA relies heavily on social media, especially Twitter, as a fast and effective platform to share information between members and external players. Conversely, the complexity of ecoDa's internal organization makes it difficult to maintain a steady flow of information. To address this issue, the network has established several committees—regarding communication, membership, and education—to provide focus and avoid information overload.

Sustainability

Sustainability is the key issue that networks face once they complete the development process. To become sustainable, networks need to adopt an independent and professional structure—one driven by a good reputation, continuous internal and external transfer of knowledge, and cost-effectiveness—and then continually assess its institutional strengths and weaknesses. To guarantee professionalism and overall

Case study: GNDI

What would become known as the Global Network for Institute of Directors was first established in 2002 as the Global Director Development Center. To create this center, corporate governance representatives from the United Kingdom, Australia, South Africa, Canada, and Brazil collaborated to create training programs and share benchmarks.

When the members decided to institutionalize the center, they established a steep annual fee that ultimately resulted in the center's failure. In 2011, the organization was relaunched as the Global Network for Institute of Directors and now has 13 members.

Based on lessons learned from the initial failure, GNDI adopted a softer approach. Although the network again implemented annual membership fees—still its only form of financing—it modified the fee depending on the size of each member, thereby alleviating the financial strain on smaller IoDs. The network has gradually increased its fees while maintaining an awareness of each member's needs. Another strategy for reaching sustainability was to grow the network at a moderate rate; members began by meeting only once a year and holding occasional conference calls.

Today, GNDI is a well-known, sustainable network that plays a large role in corporate governance on a global scale. The key factor leading to GNDI's success was a combination of strategies, including low membership fees and a moderate growth plan.

sustainability, it is equally important to regularly evaluate the quality of the network's services, materials, and training.

Dependence on external actors for financial support can lead to complications. Yet the costs associated with the development and maintenance of an IoD Network—including staff engagement, marketing materials, publications, and travel and accommodation expenses—are extremely high, making it difficult for some regions to establish a successful network (or for certain member institutes, such as ACGN, to contribute fees to the network). Thus it is important for networks to research and develop cost-effective methods to achieve sustainability—for example, the use of online platforms to arrange meetings and training courses.

Networks can also partner with the private sector. Interested companies can sponsor the network by covering the costs of meetings throughout the year. Or networks may find several financiers, each of which sponsors an event. This was the approach the ACGN and GNDI took, relying on corporate sponsors to cover the costs of annual meetings.

Another option is to finance a network entirely with membership fees (see the GNDI case study). However, the cost is often too great a financial burden for IoD members. This has led many networks, such as IGCLA, to use both sponsorships and membership fees, thus ensuring that the network is not entirely dependent on an external provider.

To complement these strategies, developing networks can also collaborate and establish links with representatives from more developed networks, which can assist with training and know-how.

Highlight Membership Benefits

Members will continue to collaborate as part of an IoD Network only if they believe the benefits significantly outweigh the costs. Therefore, networks must consistently emphasize the benefits offered by the network—for instance, by touting the advantages of credibility and benchmarking. As part of ecoDa's commitment to maintaining existing members, for example, the network currently focuses on providing the right services to each member. ecoDa argues that to sustain a network's value addition, it must listen closely to the needs and expectations of its members. Each network must also enhance its communication so that members feel involved and want to remain engaged. For example, participation in conferences can give members a sense of common purpose, which leads to greater collaboration.

Impact and Relevance

The increase in the number of networks has yielded several benefits. Overall, networks have led to advances in corporate governance practices and growth in director capabilities. In Europe, for example, ecoDa has successfully established its regional reputation and has been positively received by organizations and decision makers alike. The network has since used its profile to campaign for corporate governance issues and to train high-caliber directors. In Latin America, ICGLA has benefited its members through peer exchange, creating synergies between small and less experienced institutes and more developed ones such as the IBGC. Also, ICGLA has served as a platform to channel such critical studies as the comparative study of corporate governance frameworks and board practices in Latin America, conducted by the OECD. In Africa, the ACGN now represents 11,000 directors and senior executives, providing them with the training, materials, and resources necessary to enhance their skills and properly govern their companies.

Next step: Measuring the Impact of Networks

As highlighted by network representatives, the challenge ahead for IoD Networks is to operate as efficiently and effectively as possible to achieve their objectives. Measuring the impact of these networks is a crucial part of this task. This Practice Brief is a first step toward the creation of a baseline on which IoD Networks can be analyzed. Subsequent steps to help IoD Networks improve and expand will include developing metrics and indicators that the networks can use to measure their impact.

"IoD networks are successful when they have their mission clear: either advocacy, regional development, or strengthening of numbers. Most important is that the benefit is relevant for all the members. This will make the network succeed."

Adriane Almeida
IBGC