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MODULE 1  
*Starting*

## **TOOLKIT 1**

### ***Building Director Training Organizations***

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T O O L K I T 1

*Building*

*Director Training*

*Organizations*



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M O D U L E 1

*Starting*



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## Starting

A well functioning board of directors is key to the performance of companies and their capacity to attract capital—and good corporate governance is key to the effective functioning of the board. A sound corporate governance framework helps ensure that corporate boards effectively monitor managerial performance, use resources wisely, and achieve an adequate rate of return for shareholders, while preventing conflicts of interest.

Directors need a firm understanding of corporate governance to fulfill their duties effectively and responsibly. They also need to keep abreast of practical and theoretical developments in the direction of their company. This calls for adequate and specialized training and professional development. This module discusses the importance of training directors and describes the types of organizations that engage in training directors. It provides the basic information needed to launch a director training organization.

### WHAT YOU WILL FIND IN THIS MODULE

This module reviews:

- The incentives for training directors
- The types of organizations that train directors
- The key roles of organizations that train directors
- The first steps in starting an organization that trains directors
- The components of a business plan
- Some of the common challenges in the start-up phase
- Sources of start-up funding

## WHY TRAIN DIRECTORS?

Most directors can enhance their effectiveness—and thus the profitability and success of their enterprise—through training and continuing professional development. Among the main incentives for directors to improve their skills and knowledge are the following:

- Impact on corporate performance
- Investor confidence
- Shareholder and stakeholder activism
- Regulatory and/or legal requirements
- Reputation of the corporation
- Changing business environment
- Fighting corruption
- Media coverage
- Public pressure

## DIRECTOR TRAINING ORGANIZATIONS

**Whether an organization that trains directors is a corporate governance association or an association devoted solely to directors depends in large part on the local context. This toolkit uses the phrases “organization that trains directors” and “director training organization” to describe an organization whose primary purpose is to train directors—regardless of the type of organization. The toolkit is not recommending the establishment of a specific type of organization, or suggesting that one program works better than another.**

The need for training is greater than ever, given the continuous and rapid change that has become the norm in business. The impact of increased globalization, financial market crises, and corporate scandals have persuaded policymakers and investors worldwide of the need to improve and enforce corporate governance standards. For developing countries and emerging markets, the ability to understand and follow sound principles of corporate governance is essential to attract foreign and domestic investment and to build companies that use resources effectively as they weather increasingly competitive markets. This need for sound corporate governance is all the more important because well-performing companies are key to overall national and international economic growth—which in turn is necessary for the alleviation of poverty.

## ORGANIZATIONS' REASONS FOR TRAINING DIRECTORS

### KENYA

“It has become increasingly evident that our continued prosperity as nations, as communities, and even as dignified individuals, is closely linked with our ability to create, strengthen, and maintain profitable, competitive, and sustainable business enterprises.

“The role of a director is increasingly becoming more professional and much more demanding with even tougher legal, statutory, contractual, and common law duties and liabilities, yet there is no legal guidance on how to fulfill those duties or avoid the liabilities.

“This suggests that directors now need to more clearly understand their roles, duties, and responsibilities and the liabilities attached thereto.”

*Centre for Corporate Governance*

### LATIN AMERICA

“The professionalization of directors and the promotion of corporate governance strengthens corporate practices, and in turn increases confidence and competitiveness in our financial markets, and, as a result, investment in Latin America.”

*The Latin American Institute for Corporate Governance*

### RUSSIA

“The program of education of members of the boards of directors of Russian companies (open joint stock companies) is designed to assist in the transformation of the board of directors into the effective organ of control and governance and, thus, to enhance the effectiveness of the operation of the company as a whole.”

*Russian Institute of Directors*

### THAILAND

“Private business organizations, corporate firms, and enterprises are the core foundation of the Thai economy. Therefore, the strength and development of the Thai economy will be dependent on the stabilization and the performance of the core foundation. For any respected business organizations, corporate firms, or enterprises to obtain stability for their respected businesses, they must obtain efficiency in production as well as an efficient management system with the appropriate directors to manage and direct.”

*Thai Institute of Directors*

### UNITED KINGDOM

“The objective of director development is to create a situation for directors where professional and personal growth can occur. This learning situation is likely to involve the acquisition and the increase of knowledge, experience and skills. It may also enable personal qualities to mature.”

*Institute of Directors, UK*

### UNITED STATES

“As fiduciaries who represent a corporation's shareholders, corporate directors have duties of care and loyalty. [We] affirm the value of ongoing director education in fulfillment of these duties. Furthermore, [we] strive to ensure that their actions and decisions meet the highest standards of law and ethics. Through this commitment, [we] serve the general public's need for corporate integrity.”

*National Association of Corporate Directors*

### ZIMBABWE

“[We] aim to help directors fulfill their leadership responsibilities in creating wealth for the benefit of business and society as a whole.”

*Zimbabwe Institute of Directors*

It is the responsibility of individual directors to build regularly and systematically upon their existing knowledge, skill, and expertise. Yet directors in developing and developed countries alike may not have the essential knowledge and skills to perform as professional board members.

THE ROLE OF DIRECTORS	
AREA	BEST PRACTICES
DECISIONMAKING	Directors help guide the future of the company and protect its assets and reputation. They consider how their decisions relate to stakeholders and the regulatory framework.
RESPONSIBILITIES	Directors are responsible for the long-term prosperity of the company. In some countries they are required by law to apply skill and care in exercising their duty to the company and are subject to fiduciary duties. If they are in breach of their duties or act improperly, directors may be made personally liable and prosecuted and/or disqualified.
ACCOUNTABILITY	Directors are accountable to shareholders for the performance of the company but should act in the interest of the corporation as a whole. Directors are generally appointed and removed from office by shareholders and in some cases by staff.
LEADERSHIP	Directors oversee management and direction of an organization. They should have the ability to hire and fire executive management.
ETHICS AND VALUES	Directors should play a key role in determining the values and ensuring the integrity of the company and obtaining commitment to those values from management.
COMPANY ADMINISTRATION	Directors are responsible for ensuring the company's effective administration.
PERFORMANCE	Directors set strategic objectives and guide and advise the management team in the attainment of these strategic objectives.



THINKING  
POINT

What type of director training organization would best suit your business environment?

WHO TRAINS DIRECTORS?

A variety of organizations contribute to the professional development and training of directors. These include stock exchanges, financial institutions, government and industry regulators, business associations, chambers of commerce, institutions of higher education, institutes of directors, and associations set up to promote good corporate governance practices. *(Examples of the types of organizations that contribute to training directors can be found on page 6. A list of organizations that promote director training, together with contact information, can be found in annex 1.)*

Director training is delivered primarily by two broad types of organizations. One is corporate governance associations, which are devoted to improving corporate governance in general and provide training as one aspect of that effort. The other is organizations that are focused on directors and that support, represent, and set standards for directors. Both types of organizations can be membership associations, such as the National Association of Corporate Directors in the United States, the Institute of Directors in the United Kingdom, and the Brazilian Institute of Corporate Governance. Or they may serve directors without having a membership base, such as the Corporate Governance Centre in Kenya and the Corporate Governance Forum of Turkey.

Many successful organizations training directors have also developed and expanded as a result of the merger of organizations with similar values and objectives. In most cases the merging bodies offer their networks and/or members similar benefits in the way of education, publications, and events. The merger can be of great value to all company directors in a country as they become represented by a single powerful voice in their dealings with government, the media, and the community at large.

EXAMPLES

EXAMPLE OF A MERGER: AUSTRALIA

The Australian Institute of Company Directors (AICD) was officially formed on January 1, 1990, as a result of a merger of the Institute of Directors in Australia and the Company Directors' Association of Australia. The merger enabled the new institute to build on the strengths of the predecessor organizations, which had been operating since the mid-1960s, and to obtain the synergy benefits of the merger. At the time of the merger, AICD had about 7,000 members; it now represents more than 17,000 members throughout Australia.

## TYPES OF ORGANIZATIONS THAT SUPPORT DIRECTOR TRAINING

### CHAMBERS OF COMMERCE

Chambers of commerce and industry traditionally provide a variety of services to the business community. With the growing importance of corporate governance issues, chambers of commerce, especially in countries with a civil law tradition, have increasingly taken to training directors.

For example, Confecámaras in Colombia was established in 2001 as a business association made up of 57 regional Chambers of Commerce and Industry. It is a private sector initiative supported by an international development agency, the Center for International Private Enterprise (CIPE). Together with CIPE, Confecámaras began developing a program to build sound corporate governance in Colombia. A National Center of Corporate Governance was established to conduct director training through regional chapters of the affiliated chambers working in partnership with universities.

### UNIVERSITIES

Universities and business schools are also active in establishing programs that promote enhanced corporate governance through training for corporate directors. In addition to their expertise, universities and business schools can provide tutors, materials, and training facilities to help start a director training organization.

For example, the Corporate Governance Forum of Turkey was founded by Sabanci University and the Turkish Industrialists' and Businessmen's Association. It is developing director training programs in Istanbul. The forum's mission is to promote and improve the corporate governance framework in Turkey.

### PROFESSIONAL ASSOCIATIONS

Dedicated business leaders and associations committed to improving director professionalism have played a significant role in establishing successful organizations serving the needs of directors around the world.

For example, the Polish Institute of Directors was formed in early 2003 to foster corporate governance reform in Poland and to provide a platform for company directors to discuss governance-related issues. The Polish Confederation of Private Employers, the Association of Investment Fund Companies, the Institute of Business Development, the Polish Association of Brokers and Investment Advisors, the Polish Chamber of Insurance, and the Warsaw Stock Exchange collectively established the institute.

### STOCK EXCHANGES

In their effort to foster corporate governance reform, some stock exchanges have also been quite active in promoting professional development programs for directors.

The Singapore Stock Exchange supported the creation of the Singapore Institute of Directors in 1998, providing office facilities and secretarial services to the institute in its start-up phase.

### DIRECTOR INSTITUTES

Director institutes are membership organizations that support directors in a number of ways, including offering training and other forms of professional development and services.

The first Institute of Directors was established in the United Kingdom in 1903 and was granted a Royal Charter in 1906. It is a politically independent organization supporting, representing, and setting standards for 55,000 individual members. In addition to its wide range of director training programs and business services, the institute represents the interests of its members to government and private sector opinion leaders.

The Institute of Directors, UK has also been active in setting up similar organizations in other countries. For example, it set up a branch in Hong Kong in 1991 to provide director training to its members there. When the sovereignty of Hong Kong returned to China in 1997, the branch became an affiliate of the UK Institute as the Hong Kong Institute of Directors.

## THE ROLES OF AN ORGANIZATION THAT TRAINS DIRECTORS

Whether they cater only to directors or to a broader network, whether they are membership organizations or not, most organizations that train directors offer at least three key benefits—training, standard setting, and representation.

### ***Training***

First and foremost, organizations offer training and development aimed at raising the standards of individual directors and the boards on which they serve. In some cases, this training and development can lead to certification for board members.

Training can provide directors with:

- New skills
- Increased professionalism
- Increased confidence
- Greater awareness of relevant issues
- Access to current thinking on governance and other issues
- Opportunities to discuss issues with peers and mentors
- An increased appreciation of the ethics and values underpinning effective governance

*For a detailed discussion of developing training and certification programs, see MODULE 3: TRAINING.*

### ***Setting standards***

Researching and formulating corporate governance standards and board best practices are important tasks of an organization that trains directors. These tasks are often performed by a department or a working group dedicated to that purpose in the organization. This department or team typically monitors regulatory and statutory developments in corporate governance and conducts surveys on trends and compliance with regulations. It responds to government and other regulatory and consultative bodies; meets regularly with government ministers, regulators, and other civil servants dealing with relevant issues; and offers testimony and other formal representations wherever appropriate.

## WHAT DIRECTOR TRAINING ORGANIZATIONS SAY ABOUT THEIR KEY ROLES

### COLOMBIA

A director training organization should:

- Provide good directors, who can be trusted by national corporations and domestic and foreign investors.
- Build training programs guided by professionalism, impartiality, ethics, and expertise.
- Guide directors in being accountable, responsible, and fair by applying good corporate governance principles.
- Offer courses that meet the specific training needs of directors.
- Build registries of trained directors.
- Recommend skilled directors for appointment to boards of national companies.

*Confecámaras*

### INDONESIA

A director training organization should:

- Support director professionalism.
- Develop and promote ethical standards.
- Conduct relevant research.
- Represent and advocate its members' interests in public policymaking.
- Provide education for directors.
- Monitor ethical standards through carefully screened membership.

*Institute for Corporate Directorship*

### KENYA

“A director institute should develop, monitor, and otherwise regulate ‘director professionalism’ like any other professional organization and not like an ‘old boys club.’ A directors’ institute can

improve director professionalism through training, ensuring that only qualified, competent, and fit persons are elected to boards and by taking disciplinary action against ‘delinquent’ directors. Undoubtedly, it must of course be realized that many other institutions—schools and colleges, shareholder associations, existing professional and business associations, institutes of corporate governance, existing professional and business associations can play a critical role in developing director professionalism.”

*Corporate Governance Centre*

### THE PHILIPPINES

The Institute of Corporate Directors is promoting professionalism in the practice of corporate directorship through training corporate directors and installing a performance evaluation system via a corporate governance scorecard. It is also deeply engaged in policy advocacy as well as regional (international) networking with similar institutes in the region (East Asia).

*Institute of Corporate Directors*

### RUSSIA

The role of director organizations is to be a self-regulatory organization for corporate directors, contributing to development of the professional community, by providing information, offering opportunities for peer interaction, setting professional standards, and offering director training.

*Independent Directors Association*

### RUSSIA

The role of a director training organization should be:

- To develop professional standards and ethical rules for board members and to train directors.
- To encourage the development of the professional community of corporate directors.
- To carry out regular monitoring and assessment of the performance of corporate directors.
- To identify the most acute problems in company corporate governance practices at large and board activities in particular and present ways to deal with them.
- To contribute to the development of corporate law and judicial practices related to corporate governance.

*Russian Institute of Directors*

### ZAMBIA

The role of an institute of directors should be to promote the principles and the practice of the concepts of corporate governance as well as to provide continuing director training service. The institute of directors should also serve as an instrument through which companies and organizations can be kept constantly informed about developments in the global corporate world. The institute of directors can help improve director professionalism by identifying areas of need and disseminating information in that regard.

*Institute of Directors, Zambia*

The department or the relevant research team may publish regular policy papers setting out the organization's position on major topics of interest. These papers are circulated both within and outside the organization's network and/or membership base.

To maintain respect and influence, the organization may find it useful to concentrate its energies on only a few key topics. Its position on these topics must be communicated consistently and clearly to government officials, regulators, other businesses, the media, and members (if any). In addition, policy positions can be continuously reinforced through frequent restatement in a variety of forums. Any statement that deviates—or appears to deviate—from the established policy position may not only confuse the organization's message, but may misrepresent the organization and thus damage its integrity and reputation.

### ***Representation***

As an independent association, an organization that trains directors is in a good position to advocate the views of its members and/or the stakeholders it represents to government and other policymakers or opinion leaders. The goal is to encourage an economic and regulatory environment that is supportive of the principles of good governance and that allows business to flourish and compete internationally. By consulting directors and other stakeholders regularly, formulating policies carefully, and expressing views clearly and forcefully, the organization can build up a voice that is influential and respected.

The ability to exert influence depends on several factors:

- The quality of the arguments expressed
- The recognized independence of the organization and its nonpolitical stance
- The reputation of the organization, its directors, its managers, and its partners
- The size and nature of the membership (if it is a membership organization) and/or network
- The effectiveness of consultation with members and/or network
- The knowledge and insight exhibited by the organization's spokespeople
- Access to decisionmakers and suitable media platforms
- The nature of the issue concerned

## SETTING STANDARDS AND BEST PRACTICE

## AUSTRALIA

The Policy and Advocacy Department is the Australian Institute of Company Directors' vehicle for developing and advocating policy on specific director- and board-related issues. The department researches and communicates best practice in directorship, both nationally and internationally. It monitors trends and provides relevant education and information to assist directors and senior managers in making boards more effective. The institute's committees on national law, tax and economics, and sustainability help to develop policy, along with the Accounting and Financial Advisory Committee and various ad hoc working groups and task forces. The institute communicates its work to the wider community through policy submissions, testimony, position papers, and the "Members" Voice column in the *Company Director Journal*, which is sent to members monthly.

## KENYA


The Centre for Corporate Governance (formerly the Private Sector Corporate Governance Trust) in Kenya developed and circulated *The Principles and Sample Code of Best Practice for Corporate Governance* and put corporate governance on the Kenyan policy agenda by holding:

- Awareness-raising workshops and seminars.
- Technical workshops for members of parliament, heads of state-owned enterprises, and leaders of institutions of higher learning.
- Training courses for directors of corporate business enterprises.

## UNITED STATES

The National Association of Corporate Directors has built a solid reputation in best practice dissemination through its "Blue Ribbon Committee" reports on director-related issues. These reports are based upon workshops featuring prominent business leaders on subjects such as executive compensation and audit committees. Legislators and regulators consulted with the National Association of Corporate Directors in the United States concerning recent changes to stock exchange listing rules and the Sarbanes-Oxley Act of 2002, which tightened corporate accounting, auditing, and financial disclosure regulations.

**THINKING  
POINT**  
*What are the key  
characteristics required for  
an effective founding  
committee?*



## FIRST STEPS

Any group that wants to start up an organization that trains directors will need to follow a number of steps. These include defining the purpose of the organization, setting up a workable structure, and adopting organizing and operating principles to achieve that purpose. The founders of the organization also need to develop a business plan setting forth a strategy for reaching the stated goals and determining how the organization will raise both start-up and operating funds. If the organization is going to solicit members, the business plan would also set out criteria for membership and member services. Because a chief mission of a director training organization is to improve director professionalism, a key element in the planning process is designing a set of training and professional development activities.

### *Setting up a founding committee*

The driving force behind a start-up organization dedicated to training directors has often been a single individual with the vision and motivation necessary to create a body that fosters better corporate governance practices and meets the professional needs of directors. This leader typically identifies and recruits a number of individuals who share the same goals but come from various backgrounds to ensure the organization's independence and credibility. This core group, or founding committee, is then responsible for developing the business plan: that is, formulating the strategy and structure of the new organization.

The core members of the founding committee need to be committed to raising corporate governance standards through professional development. They can be people the leader already knows or will identify through an established network of colleagues. The leader will seek to recruit people with the various skills needed for the organization's development (financial and strategic planning experts, lawyers, experts in corporate governance issues), as well as business leaders, bankers, institutional investors, or other reputable representatives from constituencies with a stake in good corporate governance. In seeking advice and funding, the founding committee may also seek the support of other well-established organizations or development agencies promoting sustainable private sector development. The main challenge in recruiting a founding committee is to avoid being captured by political or financial interests while bringing in people with a wide range of skills who share the same goal.

Ideally, individuals who serve on the founding committee would have some or all of the following attributes:

- Impeccable reputations in their field of influence as well as their personal lives
- Leadership skills
- Director and board-level experience
- Good connections in the corporate world, government, and civil society
- Entrepreneurial flair
- Organizational acumen
- Financial and accounting experience
- Marketing expertise
- Good knowledge of corporate governance issues
- Commitment to corporate governance reform efforts

## EXAMPLES

### RECRUITING A FOUNDING COMMITTEE: THAILAND

The founders of the Institute of Directors in Thailand, established in 1999, included influential leaders from the:

- Stock Exchange of Thailand
- Bank of Thailand
- Office of the Securities and Exchange Commission, Thailand
- Capital Market Development Fund, a private international group

Members of the founding group might be retired or have other full-time obligations. In any case they are likely to be providing their time to starting up the organization on a voluntary basis.

#### *Duties of a founding committee*

The founding members of an organization will think about and make decisions on several aspects of the future business at the same time. For example, they might be analyzing the market to determine what sorts of services directors need while they are consulting with peers and others about the best ways to structure and operate the organization.



The founding committee undertakes the following tasks:

- Defines the organization's overarching goals (vision) and its role (mission)
- Decides on the legal status of the organization
- Prepares a business plan
- Obtains financial support
- Sets up the structure of the organization
- Hires the core staff

### PREPARING THE BUSINESS PLAN

A key step in starting any organization is the preparation of a business plan. The business plan sets out the mission and goals of the organization and maps out the strategy for achieving those goals. It covers all aspects of the organization's structure and operations, including how the organization intends to raise revenues, what services it plans to provide, how it will go about attracting directors or soliciting membership, and how it will market itself to various stakeholders and/or members, policymakers, the news media, and the public at large.

A business plan helps identify and plan for potential difficulties. It sets out benchmarks by which to measure the organization's performance. And it is the organization's primary tool for gaining support from key figures whose influence (or lack of it) can be crucial to the organization's success. This is especially true in the early stages, when the organization's founders must attract support on the basis of its vision rather than track record. Public and regular endorsement from the local, national, and international business community, regulators, and investors can lend legitimacy to the organization and should form a part of the organization's marketing campaign. *(An example of a business plan from a start-up organization that trains directors can be found in annex 2.)*

In developing the business plan, it may be useful to talk to colleagues, professional associates, and other business acquaintances. Established director training organizations in other countries can provide valuable insights into the challenges, milestones, and successes they have experienced. *(See annex 1.)*

It is important to make the business plan as concise and easy to read as possible. At the same time, it needs to be thorough and to anticipate and answer any questions that potential financial partners, members, and others might raise. Too much detail in the main body of the plan may overwhelm the reader.

### THINKING POINT

*Who can offer you sound advice on your business plan?*

## GLOSSARY

## TERMS COMMONLY USED IN BUSINESS PLANS

VISION	Desired future state; what the organization ultimately wants to achieve
MISSION	Statement of what needs to be done in order to achieve the vision
GOALS	Measurable targets leading to the achievement of the mission
VALUES	Principles and standards of conduct that inform the organization's operation
STRATEGY	Statement of the business the organization will undertake, how it will carry out its objectives, and the resources it will deploy to fulfill its mission
OBJECTIVES	Measurable targets leading to the achievement of the strategy
POLICIES	Statements relating to the activities of the organization and the way in which they should be carried out
LEGAL FORM	Fundamental rules on how the entity is to be organized. A director training organization may be a subdivision of another legal entity, a limited liability company, a trust, a partnership, or any other local form of corporation. Most director training organizations are set up as not-for-profit organizations.
TARGET MARKET	The scope, size, and trend of the market (the people and organizations) to which the director training organization plans to offer its services and activities.
ORGANIZATIONAL STRUCTURE	The governing body, key management positions, and expected staffing needs of the organization.

Statistical and other supporting information can be provided in annexes. A well-organized and well-presented plan sends the message that the organization is competent and has high professional standards.

It is important to avoid overly optimistic or under-ambitious planning. The most accurate projections possible of expected revenues and costs will be the most useful. Inaccurate marketing campaigns or membership forecasts can generate cash-flow crises, staff losses, cost-cutting, and other problems that can undermine the viability of the organization.

It is also important to realize that the business plan is not set in stone. The development strategy will be continually refined as the organization matures. For example, the target markets might change and expand and the services offered evolve. The role or the name of the organization may even change.

EXAMPLES

**CHANGES IN THE ORGANIZATION'S NAME**

**BRAZIL**

**The Brazilian Institute of Directors became the Brazilian Institute of Corporate Governance to emphasize its role in fostering corporate governance reform efforts.**

**KENYA**

**The Private Sector Corporate Governance Trust recently became the Corporate Governance Centre, as it changed its legal status from a trust to a company limited by guarantee without share capital.**

The key elements of a business plan for an organization training directors include:

- Cover and contents page
- Executive summary
- Name, legal form, location
- Vision statement
- Mission statement
- Market analysis
- Activities and services
- Marketing
- Organizational structure
- Operations
- Finance

## THINKING POINT

*What legal form would be most appropriate for your organization?*

### ***Cover and contents page***

The front cover of a business plan typically displays the name, address, and telephone number of the organization, together with the names of the founders. The contents page displays page numbers for each section and any numbering within sections. It also lists page numbers for any statistical material and supporting information included at the end of the plan.

### ***Executive summary***

The executive summary is intended to set the scene and convince the audience that what follows is worth reading. It summarizes the purpose and goals of the organization and outlines the operational, financial, and marketing strategy for achieving those goals. The information provided in the executive summary should be to the point, concise, and eye-catching. It may be helpful to write the executive summary after the main body of the business plan has been completed.

### ***Name, legal form, and location***

This section of the plan sets out the formal name of the organization and spells out its legal form. The specific legal status of an organization that trains directors will depend on the country's legal framework. The organization can be an association, a private limited partnership, a limited company, or some other legal form of local corporate entity. Typically organizations dedicated to training directors and improving corporate governance practices are either set up as "not for profit" or "nonprofit" entities.

## EXAMPLES

### **LEGAL FORM OF A DIRECTOR TRAINING ORGANIZATION: HONG KONG**

The Hong Kong Institute of Directors is set up as a non-profit-distributing and nonpolitical organization and is registered as a company limited by guarantee. It operates autonomously and is not controlled by government or influenced by any single business interest.

It is probably wise to consult with a lawyer about the options available and the registration of the organization. It may also be wise to check with the local tax authority on the tax implications of the legal form the organization is considering. In many countries, membership bodies are tax exempt, but revenue from sources other than membership is usually subject to tax.

This section of the business plan also provides comments on the location of the organization's offices. If the organization plans to use these premises for training sessions or to provide meeting areas for members and/or nonmembers, this section can describe the accessibility of the location, including the available transportation links.

Whenever possible, locating the organization in the country's main business center (or one of the main centers) will enable it to draw on the largest possible potential membership or director network base and to more easily build its influence with the communities it serves. Such office space may be quite expensive. If the government or other supporting groups can be persuaded to endorse the organization's mission, they may assist with providing subsidized premises, at least initially. Alternatively, the organization may want to consider entering into a space-sharing agreement with an organization that is not using all of its space. Such an arrangement can be an effective way of sharing costs and increasing the networks of both organizations.

### ***Vision statement***

A vision statement sets out the desired future state of the organization—in other words, the organization's long-range aims. Ideally, it should be no more than three or four lines. Writing a vision statement is no easy task. It may take many weeks of consultation among those setting up the organization and other interested parties. A typical vision statement includes the formal name of the organization, the overarching goals it hopes to advance, and its target markets.

### ***Mission statement***

The mission statement articulates the organization's role and tasks to achieve the vision. The mission defines the purpose and objectives of the organization—in other words, what the organization is committed to doing. Mission statements for organizations that train directors often highlight the value of good corporate governance and high standards of director professionalism.

## THINKING POINT

*How does your organization see itself? What does it want to be?*

## SAMPLE VISION AND MISSION STATEMENTS

## BRAZILIAN INSTITUTE OF CORPORATE GOVERNANCE

“To be the main corporate governance reference in Brazil and to develop and disseminate best concepts and practices of corporate governance thus contributing to the better performance of corporations and to a more fair, responsible, and transparent society.”

## HONG KONG INSTITUTE OF DIRECTORS

“To be Hong Kong’s premier body representing professional directors working together to promote good corporate governance and to contribute towards advancing the status of Hong Kong, both in China and internationally.”

## INSTITUTE OF DIRECTORS, NEW ZEALAND

“To promote excellence in corporate governance, to represent directors’ interests, and to facilitate their professional development in support of the economic well-being of New Zealand.”

## INDEPENDENT DIRECTORS ASSOCIATION, RUSSIA

“To enhance the corporate performance of Russian joint stock companies by promoting better Board activities through the implementation of professional independent director best practices.”

## CORPORATE GOVERNANCE FORUM, TURKEY

“To support improvement of corporate governance practices and legal and institutional framework in Turkey through research and educational programs as well as to be actively involved in advocacy of good corporate governance.”

**THINKING  
POINT**

*What members or nonmembers  
might use your services?*

**Market analysis**

Describing the scale and potential growth of the market in which the organization will operate is a fundamental element of a business plan. The number of people that might potentially buy and/or benefit from the service the organization wants to offer is likely to be a persuasive factor for potential partners or donors. Having a good understanding of the potential market helps determine exactly what services to offer, how to price them, and how to market them.

There are two main ways to conduct a market analysis. One is a SWOT analysis, which examines the strengths, weaknesses, opportunities, and threats in the potential market. The other is the PEST overview, which examines the political, economic, social, and technological aspects of the potential market. It is important to consider the market trends and the force(s) that would increase or decrease the demand to join the organization or to seek its services. For example, pressure from the private sector for corporate governance reform or the introduction of new codes of best practice might encourage directors to seek professional development. *(For more details about PEST and SWOT analyses, see annex 3.)*

The market analysis should include:

- A profile of the directors to be trained to better determine their needs and the services and training materials that would be useful to them
- Market size and trends (numbers of directors/demand for training)
- Other organizations providing training in the field of corporate governance, including their market share, fees, and other activities offered, operating methods, and composition of membership/clients.

The organization's unique selling points or competitive advantage can be highlighted in the business plan. These selling points could relate to:

- Specific training activities
- Other benefits and services the organization plans to offer
- The reputation the organization has or hopes to build
- The target market (individual directors, aspiring directors, independent directors, bank directors, and so on)
- Price
- Location

*Information on how to target the market can be found in MODULE 3: TRAINING and MODULE 4: EXPANDING.*

## THINKING POINT

*How will you create growing demand for training?*

## EXAMPLES

### MARKET FOCUS: RUSSIA

The Independent Directors Association in the Russian Federation was established in 2002 after the joint stock company law required nonexecutive directors to sit on the board of listed companies. Previously, the Investor Protection Association had been coordinating minority shareholders efforts to put independent nonexecutive directors on corporate boards of directors.

### *Marketing strategy*

The marketing strategy is outlined in this section of the business plan. Based on the market analysis, it sets forth how the organization plans to market its activities, especially its training and professional development courses. If the organization is to be based on membership, this section also describes the organization's plan for recruiting and retaining members. The strategy can help assure potential partners, donors, and others that the organization is viable over the long run.

Areas to be developed in this section of the plan are:

- Positioning of the organization
- Advertising and promotion campaigns
- Potential for regulatory or market requirements for training
- Pricing of training courses, and other activities
- Expected revenues from activities and training courses, including number of directors expected to be trained in the first year
- Membership policy and fees (if applicable)
- Expected revenues from membership fees, including expected number of members to be recruited in the first year (if applicable)

*More information on developing a membership base is provided in MODULE 4: EXPANDING.*



## THINKING POINT

*What are the first services your organization will offer its members and/or network?*

### **Activities and services**

This section of the business plan outlines the activities, services, and benefits the organization proposes to offer. These activities and services are developed in conjunction with the market analysis to ensure that they meet the stated needs of a sizable portion of any given director group.

Activities and services that might be offered include:

- Promoting individual professional development through education
- Induction training for new directors
- Board evaluation
- Specialized training (for members of audit and risk committees, for example)
- Developing professional standards of conduct for directors
- Representing and advocating the interests of directors to policymakers, regulators, and the public at large
- Researching, publishing, and formulating policy on governance and other policy issues of relevance to directors
- Organizing forums for discussion and networking
- Disseminating business information and advice
- Providing premises and meeting rooms for members or clients
- Access to a director data base and support in appointing nonexecutive directors to corporate boards.
- Certification of directors if needed or required

*Activities and services are discussed in more detail in MODULE 4: EXPANDING.*

### **Organizational structure**

This section of the plan describes the organizational structure, key management positions, and expected staffing needs the organization will have, together with recruitment objectives and methods, remuneration levels, and performance requirements. The skills, knowledge, experience, and responsibilities of the members of the governing body and management team especially need to be defined. This section also sets out the way decisions will be made and delineates who reports to whom.

*Organizational structure and governance are discussed in MODULE 2: STRUCTURING.*

### ***Operations***

This part of the plan describes how the training, professional development, and other services will be produced and delivered (including any areas of the business that will be contracted to other providers). The operating plan typically contains procedures for closely monitoring prices and operating costs to ensure that the organization is not losing money. For all services and activities, the plan describes:

- Specific staffing requirements
- Training materials needed
- Marketing and promotional materials
- Equipment and technological infrastructure
- Premises required
- Research and development needs

*Information on delivering a training program is provided in MODULE 3: TRAINING.*

### ***Finance and budget***

This important section of the business plan details why the business proposition is commercially viable and how the organization will become self-sustaining. It forecasts as realistically as possible the revenues to be generated from such sources as training course fees, event fees, publications, and membership dues. It also forecasts the expenditures required to provide the planned services and activities and operate the organization.

Whether the organization is looking for initial and ongoing funding or beginning to build its membership base, the business plan is an invaluable tool for communicating why the funding is necessary and how it will be used.

*The financing of an organization is discussed in more detail in MODULE 5: MONITORING.*

A well-thought out vision statement, mission statement, and business plan, a core team of founders, and initial contacts with potential partners will help ensure the smooth start-up of the organization. Until the organization has established a reputation for providing excellent services, the business plan is likely to remain the most important tool to advocate the organization's potential achievements.

**THINKING  
POINT**

*What are some of the major challenges your organization might face starting up?*

**DEALING WITH START-UP CHALLENGES**

Most founders of organizations that train directors face a common set of challenges as they consider how to set up the organization. These challenges are also addressed in the course of developing the business plan, when possible. Three common obstacles are lack of qualified trainers and materials, director complacency, and lack of financial resources.

**E X A M P L E S**

**START-UP CHALLENGES**

**COLOMBIA**

The major obstacles facing the Colombian Confederation of Chambers of Commerce (Confecámaras) were the absence of demand for training from independent directors, the lack of experts in the country to train directors, the lack of literature in Spanish about the benefits of well-trained corporate directors, and the lack of funding to hire international experts. Confecámaras now works with the Center for International Private Enterprise, the Global Corporate Governance Forum, and the Brazilian Institute of Corporate Governance to tackle these challenges.

**INDONESIA**

In the start-up phase, the Indonesian Institute of Corporate Directorship had difficulties hiring local qualified instructors and finding adequate training materials, especially good country-specific case studies supported by research. Now, the institute is working with other countries in the region to build a database of regional case studies.

**ZAMBIA**

The major challenges confronting the Institute of Directors in Zambia were largely financial, but the organization saw those problems as transitory. Another major difficulty was associated with developing a team of skilled trainers. These issues were resolved with help from other established director training organizations and organizations such as the Commonwealth Association of Corporate Governance.

**START-UP CHALLENGES (CONT.)****UNITED STATES**

A big challenge in the development of the National Association of Corporate Directors has been the complacency of many experienced directors, who do not see the value of director education. This challenge may be overcome because of the many new regulations associated with the Sarbanes-Oxley Act of 2002, which tightened corporate accounting, audit, and financial reporting and disclosure standards. The new law provided the opportunity for the association to offer workshops and seminars to bring corporate directors up to speed on changes in the regulations. The association, for example, has been asked by NASDAQ to develop a financial literacy training program.

***Lack of materials and qualified trainers***

Corporate governance is an increasingly important discipline, yet little practical guidance has been written from the perspective of some developing and transition economies. Without regional or international support, start-up organizations may find it difficult to find qualified trainers and adequate materials for training directors in their country. Organizations may need to invest a great deal of time to train a core group of trainers and to craft a customized curriculum. A growing body of materials is nevertheless being made available through international and regional networks and by existing organizations. Director institutes, institutes of higher education, and corporate governance associations are offering assistance and advice, particularly in the areas of curriculum and case study development, training methodologies, and assessment activities.

*More information on developing training materials and networking opportunities can be found in MODULE 3: TRAINING.*

*Director complacency*

As they start up, most director training organizations need to face the reluctance of directors to be trained. In order to build demand, organizations need to continually raise awareness of the significance of good corporate governance practices for improved company performance, investor confidence, and better access to capital. The table on pages 25-26 lists arguments provided by directors for not pursuing professional development. It also suggests several counterarguments that might be worked into the business plan, as well as some different approaches, such as mentoring and coaching, that might prove successful.

COUNTERING RESISTANCE TO DIRECTOR TRAINING	
ARGUMENTS FOR NOT SEEKING TRAINING	THE BUSINESS CASE
LACK OF TIME AND MONEY	Directors should regard professional development and training as an investment—not as a net cost.
DIRECTORS ARE EXPERIENCED ENOUGH	Directors need to keep abreast of vast and complex changes in corporate governance standards, practices, and issues.
IRRELEVANCE	Courses and other activities will be well designed and address the specific needs of directors.
NO PERCEIVED PERSONAL OR CORPORATE REWARDS FOR PURSUING PROFESSIONAL DEVELOPMENT	Training is an opportunity for directors to enhance their status. Directors who behave professionally can be more effective than directors who do not. Boards could encourage professional development by making it part of a performance and reward system. Organizations can offer director certification programs and organize public awards.
DIRECTORS FROM OTHER COMPANIES ARE NOT DOING IT	A higher degree of professionalism among a company’s board of directors can give it a competitive advantage in the marketplace.
NO PERCEIVED SUPPORT FOR PROFESSIONAL DEVELOPMENT FROM SENIOR-LEVEL BOARD MEMBERS SUCH AS THE CHAIRMAN OR CHIEF EXECUTIVE	The director organization might need to convince the chairman of the importance of demonstrating such support. The chairman could set an example by participating in training sessions or introducing his or her mentor to other directors.

*Continued next page*

COUNTERING RESISTANCE TO DIRECTOR TRAINING (CONT.)	
ARGUMENTS FOR NOT SEEKING TRAINING	THE BUSINESS CASE
LACK OF AWARENESS OF THE VALUE OF DIRECTOR DEVELOPMENT	Making the need for professional development a regular item on the board agenda or making professional development part of the performance and compensation system would help.
AUTOCRATIC BOARD CULTURE	Increasing the interpersonal skills among the directors would help create a more effective style of board leadership.
FEAR OF TRAINING	This must be handled with sensitivity so that individuals do not lose face and are not shown in a negative light in front of their peers and subordinates. Personal coaching and mentoring are two solutions. Making training mandatory for all the members of a board may be another way to handle director's personal reluctance to train.

### *The need for financial resources*

The founders must consider how the organization will obtain financing to start up and run the organization until the anticipated routine sources of revenue are in place. The business plan should clearly and comprehensively state the amount of start-up funding that is required and how it is going to be spent. In most cases organizations aim to become self-sustaining in two to five years.

### SOURCES OF START-UP FUNDING

Potential funding may be provided by partnering organizations such as business associations or universities, private benefactors, governmental agencies, and bilateral and multilateral development agencies supporting corporate governance reform efforts. Some director training organizations have been successfully established by private benefactors or business associations. Others have received financial support from international development agencies for specific projects. And some others have drawn on volunteers and members to become self-sufficient from the start. In some cases a consortium of major businesses and professional associations in a country, together with financial institutions and development agencies, jointly contribute funding to set up or develop an organization that trains directors.

## EXAMPLES OF START-UP FUNDING

### EGYPT

The World Bank is providing a grant to the government of Egypt to assist in the creation of a director training organization. The grant will help establish a nongovernmental organization that will work to strengthen corporate governance practices, provide research and technical advisory services to enhance compliance with laws and regulations, and promote awareness of the benefits of good corporate governance. The specific activities financed by the grant are expected to:

- Provide technical assistance to develop a training curriculum adapted to the specific corporate needs in Egypt, including the preparation of courses and materials, accreditation, and training for the trainers.
- Provide technical assistance to prepare a business plan for the organization, including the development of the organizational structure, mission statement, financial sustainability, and budget.

### KENYA

The Private Sector Corporate Governance Trust (now the Corporate Governance Centre of Kenya) was created when several people interested in supporting corporate governance reform and training directors donated their time to come up with a viable strategy for establishing such an organization. The founding members then approached various funders with their plan. The Ford Foundation and the United Kingdom's Department for International Development were the first donors to assist in setting up the organization. The Ford Foundation subsequently provided the organization with a two-year grant for institution building. Now over half of the organization's revenues are generated from training services.

**EXAMPLES OF START-UP FUNDING (CONT.)****RUSSIA**

The Independent Directors Association of Russia received substantial support from Ernst and Young and has recently been awarded a grant from the U.S. Agency for International Development to provide support for a program in corporate governance in the following areas:

- Formulating professional standards of good practice for nonexecutive directors of Russian Joint Stock Companies (JSCs).
- Improving the efficiency of the boards of directors of Russian JSCs by promoting best practices for independent directors through practical workshops, roundtable discussions, and surveys on balancing the boardroom (recognizing board diversity and significance of women on the board).
- Increasing public awareness of good corporate practices by disseminating project results to shareholders, government regulators, Russian JSCs, and the public at large.

**THAILAND AND THE PHILIPPINES**

The Asia-Europe Meeting (ASEM) and the World Bank provided grants to the Institute of Directors of Thailand and the Institute of Corporate Directors of the Philippines to cover the initial cost of developing a training program, including researching and drafting of a curriculum, publishing training materials, and the training of trainers.

**TURKEY**

The Corporate Governance Forum of Turkey was set up through joint funding from the Turkish business association TUSIAD and the private university Sabanci in Istanbul.



### ***Development agencies***

Organizations that train directors in developing countries have in some cases successfully sought funding from appropriate multilateral or bilateral development agencies. They have argued that promoting sound corporate governance practices and training directors is essential to improved corporate performance, access to capital, and in turn economic growth. Supporting director training organizations in developing countries therefore may well be part of the mission of a number of international or governmental agencies engaged in private sector development.

Most development agencies providing grants for private sector development projects can be researched online. They usually provide templates for funding requests as well as eligibility criteria on their websites. Most funding agencies also have regional offices in major developing countries. *(A list of selected funding organizations can be found in annex 4. A description of a grant program can be found in annex 5.)*

To receive funding, the organization or its founding committee is likely to have to demonstrate that the project would not take place or achieve the same level of success without the requested funds. Key elements required when applying for funding include:

- A description of the project, its objectives, goals, and rationale, including benefits and risks
- A description of the organization's structure and project leaders as well as their relevant experience to the project
- Marketing and promotional materials
- A work plan indicating who will do what and by when and how goals will be achieved
- Premises required
- A detailed budget, listing cofunding and requested funding as well as a strategy for making the project self-sustainable
- References

Key to winning donor funding is to present a project with specific objectives, goals, activities to achieve these goals, and indicators to measure the performance of the project. Furthermore the project proposal will need to outline how the project ties in with the strategic direction of the organization as well as the mission of the donor agency.

## EXAMPLE OF A PROJECT RATIONALE

### OBJECTIVE

Improve corporate governance practices at the board level to improve risk management and performance

### GOALS

Develop a director training program

### ACTIVITIES

Develop a training curriculum, train trainers, research and publish training materials

### INDICATORS

- Organize a first training course by a specific date
- Train a specified number of directors by another specific date
- Ask participants to evaluate the course

The donor is likely to monitor how its funds are being used as well as how the project is progressing. It may require the organization to keep specific records and make periodic reports on the use of the funding. It is also likely that the donor will require an audit before the project is complete and the last payment has been made.

Development agencies often do not supply full funding for projects. The organization will most likely need to secure cofunding in cash or in-kind. Furthermore, development agencies are generally not a source of continuing financial support. It is therefore necessary to plan for other sources of income before donor funding has ended. Donor funding is typically made on a one-to-three year basis.

Grant money is generally disbursed according to an agreed schedule and may be disbursed in one of three ways:

- Installments at fixed periods.
- Payment only after proof of actual expenditure.
- A partial payment at the outset, and then phased disbursement upon delivery of the expected outputs or when specific requirements have been met. (For example, a payment might be conditional on the project employing a certain number of people or providing the final draft of a report).

### ***Short-term loans***

Because grants from development agencies may not be disbursed in full at the beginning of a project or incoming revenues from activities may be delayed, the organization may need to apply for a short-term loan from its bank. Banks will often require proof or guaranty of the expected income to deliver a bridge loan in anticipation of the intermediate-term or long-term financing.

### ***In-kind support***

In addition to seeking necessary funding, start-up organizations should also seek in-kind support. Interested parties may be willing to lend office space and staff members or provide free legal or financial expertise. For example, the Commonwealth Association of Corporate Governance lent personnel to the Institute of Directors, Zambia in the planning stages.

## FURTHER READING

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## ANNEXES

1. Organizations that promote director training
2. Sample business plan
3. PEST and SWOT analyses
4. Sources of start-up funding
5. A donor grant program

## ANNEX I. ORGANIZATIONS THAT PROMOTE DIRECTOR TRAINING

EXAMPLES OF ORGANIZATIONS THAT PROMOTE DIRECTOR TRAINING			
COUNTRY	NAME	CONTACT	ADDRESS
Argentina	Institute of Corporate Governance	Marcos Bertin	Gaspar Campos 1372, B1638 ARZ Vte Lopej, Buenos Aires
Australia	Australian Institute of Corporate Directors	John Hall	Level 25, Tower Bdg Australian Square 264-278 George St, Sydney, NSW 2000
Brazil	Brazilian Institute of Corporate Governance	Paulo Villares	Av. Naceos Unidas, 12.551-190 anda-Cjto.1912, 04578-000 Sao Paulo
Canada	Institute of Corporate Directors	Bernard R. Wilson, LLD	277 Wellington Street West, Toronto ONT, M5V 3H2
Caribbean	The Caribbean Institute of Directors	Bob Knowlessar	---
Colombia	Confecámaras	Paola Gutierrez	Carrera 13 No. 27-47 Floor 5th - 47 Piso 5 Bogota
Czech Republic	Czech Institute of Directors	Monika Zahalkova	PO Box 171, Praha 6, Kafkova 19, PSC 16041
Fiji	Institute of Directors	Joe Singh	GPO Box 13730, Suva
Ghana	Institute of Directors	Frank Ocran	Box 20372, GPO Accra
Hong Kong	The Hong Kong Institute of Directors	Carlye Tsui	505 Bank of America Tower 12 Harcourt Rd, Hong Kong
India	Indian Institute of Management Bangalore	N. Balasubramanian	Bannerghatta Road, Bangalore – 560 076
Indonesia	Indonesian Institute for Corporate Directorship	Anugerah Pekerti	Puloasem Raya JL, Jakarta,

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EXAMPLES OF ORGANIZATIONS THAT PROMOTE DIRECTOR TRAINING (CONT.)			
COUNTRY	NAME	CONTACT	ADDRESS
Ireland	Institute of Directors	Susan Thornber	89 James's Street Dublin 8
Jamaica	Private Sector Organisation	Greta Bogues	39 Hope Road, Kingston 10, W1
Kenya	Centre for Corporate Governance (formerly Private Sector Corporate Governance Trust)	Karugor Gatamah	PO Box 13936, 00800 Westlands, Nairobi, Kenya
Malaysia	Institute for Corporate Governance	Lee Leok Soon	27A Jalan Mohd Fuad 3, Tarman Tun Dr. Ismail, 60000, Kuala Lumpur
Mexico	Instituto Mexicano de Gobernabilidad Corporativa	Sam Podolsky	Avenida de las Palmas Loma de Chapultepec, DF11000
New Zealand	Institute of Directors	David Newman	PO Box 8017, Wellington
Nigeria	Institute of Directors	Akin Iroko	PO Box 51037, Falomo, Ikoyi – Lagos
Papua New Guinea	Institute of Company Directors	Ray Clark	Box 660, Port Moresby
Peru	Asociacion de Directores Corporativo	Andres Nobl	Anteguera 866 San Isidro, Lima 27
The Philippines	Institute of Corporate Directors	Jesus Estanislao	24th Flr., Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City
Poland	Polish Institute of Directors	Krzystof Lis	36, Krucza Str., 00-921, Warsaw
Russia	Russian Institute of Directors	Igor Bellkov	Kitaigorodski proezd, 7 103074, Moscow, Russia



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**EXAMPLES OF ORGANIZATIONS THAT PROMOTE  
DIRECTOR TRAINING (CONT.)**

COUNTRY	NAME	CONTACT	ADDRESS
Russia	Independent Directors Association	Alexander Filatov	20/12 Podsosenski per Moscow, Russia
Singapore	Singapore Institute of Directors	John Lim	2 Finlayson Green #07-01/02 Asia Insurance Bldg Singapore 049247
South Africa	Institute of Directors in Southern Africa	Richard Wilkinson	2nd Floor, 15 Wellington Rd. Parktown 2193 – Johannesburg
Thailand	Thai Institute of Directors	Charnchai Charuvastra	5th Floor, The Stock Exchange of Thailand, Bldg 62, Rachadapisek Road, Klongtoey, Bangkok 10110
Turkey	Corporate Governance Forum	Melsa Ararat	Graduate School of Management, Orhanli 81474 Tuzla, Istanbul, Turkey
United Kingdom	Institute of Directors	Kerrie Waring	116 Pall Mall, London, SW1Y 5ED
United States	National Association of Corporate Directors	Roger Raber	1828 L Street, NW, Suite 801 Washington, D.C. 20036
Venezuela	Executives Association of Venezuela	Sonia de Paola	Edufco Venezuela, Piso 3, Oficina 33, El Rosal, Caraces
Zambia	Institute of Directors	Patrick Chisanga	P.O. Box 50576, Lusaka
Zimbabwe	Institute of Directors	Peter Broadway	Box 2629, Harare

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## ANNEX 2. SAMPLE BUSINESS PLAN

*The following is extracted from a business plan drawn up by a young director organization.*

### Executive Summary

The Institute is a professional organization made up mainly of individual corporate directors and reputational agents committed to the professional practice of corporate directorship . . . in line with global principles of modern corporate governance.

The Institute is for corporate directors with professional needs and requirements directly related to their serving in the board of directors of corporations and other institutions vested with public interest.

It is directed and governed by corporate directors acting in their individual capacity and serving to keep the institute open, autonomous and independent of specific political, business and other interests.

The Institute is primarily an institute of, for and by corporate directors. Its focus is on serving the professional needs of its Associates. It also helps promote corporate governance reforms.

The Institute caters mainly to the professional requirements of its Associates as they start their practice as corporate directors and as they grow, mature and become more fully experienced in their service to corporate boards. It sets standards for the professional practice of corporate directorship. It certifies those who have qualified as Fellows of the Institute. It arranges for and requires continuing education. It stages regular, institutional events that address the changing and dynamic needs of corporate directors.

It provides orientation and training in all aspects of the practice of corporate directorship. Its training program includes the knowledge, skills and values demanded by modern corporate governance. It extends to corporate ethics, an appropriate corporate culture and strategic issues highlighted by responsible citizenship.

The Institute may also assist, if called upon, in the formulation and implementation of corporate governance improvement programs in specific boards where its Associates serve.

It subscribes to quality in all aspects of its service to its Associates. As an independent and autonomous institute, it is open to working with others in the pursuit of systemic corporate governance reforms . . . .

### I. Vision

To professionalize the practice of directorship . . . . The underlying premise is that professional directors maximize the leadership contribution of boards to corporations, thereby positioning the company for better performance. As companies do well, wealth is created, the national economic and social well being is ensured, and eventually poverty is alleviated.

All of these shall be undertaken with the highest standards of ethics and corporate governance as well as with utmost integrity and social responsibility.

## II. Objective

The key objective is to establish and efficiently operate a professional organization for directors . . . .

## III. Key Roles

To be able to achieve the objective, the following are the key roles that the Institute must fulfill:

- a. To represent . . . director interests both domestically and internationally;
- b. To conduct research and advocate policies on director related issues;
- c. To promote excellence in director performance through quality education and professional development programs for . . . directors;
- d. To provide relevant and up-to-date information on director-related issues;
- e. To attract quality associates and maintaining their loyalty and sustaining their enthusiasm;
- f. To encourage codes of conduct and ethics;
- g. To forge strategic alliances with key organizations;
- h. To collaborate with key reputational agents that have a role to play in modernizing corporate governance practices in the country.

## IV. Core Activities

The following are [the Institute's] main activities:

### *Associates Program*

The Institute invites to enroll as Associates all the Directors and Board[s] of Directors [that have] taken the Orientation Seminar on Corporate

Governance. The invitation is open also to high ranking corporate officers with a commitment to improved corporate governance practices. In addition, others who belong to important professional groups with a key role to play in improving corporate governance—such as business reporters, auditors, financial analysts, etc.—may also become Associates . . . .

### *Training Program*

[The Institute] offers an Orientation Seminar on Corporate Governance to corporate directors. It offers the same seminar to other professionals who serve as key reputational agents for corporate governance.

Specialized courses on Audit Committees, Risk Management Committees, Governance Committees, and Financial Issues (Financial Numeracy) for Directors are also on offer. In addition to these the Core Course on Corporate Directorship is being developed and will be offered in the second quarter of 2004. . . .

### *Certification Program*

The Institute has initiated a certification program in corporate governance. . . .

The Institute's certification program is open mainly to corporate directors. It is open as well to other professionals belonging to groups that play a key role as reputational agents for modern corporate governance.

The groups include, among others, journalists, auditors, financial analysts, corporate lawyers, corporate secretaries, and judges in specialized courts.

The main aim of the program is to professionalize the practice of corporate directorship.

The program includes the following main components:

- a. An Orientation Seminar, which provides a general introduction and initial exposure to the field of professional directorship and modern corporate governance.
- b. A Core Course, a 3-module course that focuses on the role of the board and the key issues they face. Each module lasts a day and a half.
- c. Pre-qualification for Fellowship, which includes submission of a successful initiative in corporate governance improvement.
- d. A positive result of an interview to determine commitment to professional ethics and continuing education.

Those who attend any of the orientation or special courses will be invited to be an Institute Associate. For those who succeed in completing the requirements of all four components of the program are given Institute certification as Professional Directors and invited to become Institute Fellows. . . .

#### *Advocacy for Policy Reform*

In close cooperation with other reform-oriented groups, and with government agencies as well as with business and other civil society organizations, the Institute contributes to the formulation and pursuit of a Corporate Governance Reform Agenda. . . .

#### *Research, Consultancy and International Networking*

Together with its partner institutes, the Institute is active in promoting research and developing training materials for corporate directors and other professionals committed to the practice of modern corporate governance. The Institute organizes

Directors' Forums, Roundtables, and Regional Videoconferences and Annual Conferences to keep its Associates and Fellows up-to-date with regional and global trends and best practices of corporate governance.

Together with its partners, the Institute extends assistance to banks and other corporations with a corporate governance improvement program.

## **V. Business Strategy**

### *Positioning Statement*

The Institute positions itself as the pre-eminent professional organization of Corporate Directors in the country.

Its core business is to attract associates, keep them, and serve them and specifically their professional needs as corporate directors as best as possible. It likewise helps promote corporate governance reform. . . .

It is an organization with an independent governance structure and is working towards being the opinion leader on director issues and governance trends.

### *Key Service Attributes*

The Institute's Associates services shall be delivered in the most professional manner observing highest standards of quality.

Its training programs as well as its reform and advocacy efforts shall demonstrate intellectual credibility and independence. The content of such efforts must be very relevant and as much as possible, leading edge. However, there should also be a conscious effort to "contextualize" the issues to make it more applicable locally, thereby making it realistic for those concerned.

*Intellectual Leadership in Directorship and Corporate Governance Issues*

Central [to the] strategy is for the Institute to establish itself as the intellectual leader in directorship and modern corporate governance issues. As such, it shall have a strong and globally benchmarked research and development capability.

Complementing this would be a solid, well trained and highly competent set of facilitators who are fully committed to the Institute and its training programs. These facilitators should not only be technically competent and experienced. They also have to be highly motivated and trained. They are expected to be familiar with basic concepts of adult education and shall be able to effectively handle and facilitate training sessions.

*a. Research and Case Development*

The Institute is working towards building its own research capability that will primarily develop various curricula, training programs, case studies, codes of conduct for directors, technical papers, publications, and other teaching materials and related policy briefs. . . .

*b. Faculty Development*

[The] faculty pool shall be a mix of those from the academe and actual practicing directors who are experts in their respective fields. Although dominated by the latter, the pool will be of a caliber that will maintain high-quality training. To further complement in house faculty development and to keep abreast of the latest international developments in directorship skills and corporate governance, the Institute will continue to coordinate and forge agreements with multilateral agencies such as the World Bank, AusAID, and USAID.

The objective is to get grants/funding for both local and international Faculty Training and Development Programs.

The Institute is working towards having 40 individuals attend a “training the trainers” program in early 2004. . .

*Information System*

For efficiency and effectiveness, the Institute will require a state of the art information technology infrastructure that would allow it to manage not only its internal and external systems according to best standards.

The IT system should be able to address . . . administrative and financial requirements (i.e., payroll, associates database, etc) but also its training and advocacy needs (i.e., virtual resource center, website, etc).

**VI. Marketing Strategy**

The primary strategy will be to market the . . . Associates program . . . and the training courses to different sectors (banking, publicly listed, family corporations) focusing on the Top 30 to 40 commercial and industrial groups.

These marketing efforts would be enhanced by the conduct of roundtable discussions and the publication of committee reports on 4-6 issues that are of major interest to directors.

*CG Orientation Courses*

The Corporate Governance Orientation Programs would aggressively be marketed to publicly listed corporations, insurance companies, pre-need companies and other non-bank companies whose nature of business is imbued with public trust. . . .

Every orientation session would end with a CG self-assessment exercise. [This will] serve as a basis for determining the client's baseline CG practices and monitor its progress. . . .

#### *Specialized Courses*

The specialized courses are initially targeted as a way of making follow-ups to those that had their CG Orientation last year. These special courses would then be opened to the big commercial-industrial groups soon after their directors take the Orientation Seminar. . . .

To enhance and support these specialized courses, [the Institute], in cooperation with [its partner], will organize videoconferences around 4 topics of Audit Committees, Risk Management Committees, Governance Committees, and Financial Issues. Speakers from the National Association of Company Directors (NACD) as well as other experts in the above fields would be invited to participate in the videoconferences.

#### *Boosting the Number of Associates*

For 2003, focus would be on the local [companies]. The Institute President and Executive Director will make personal calls on the principals of each of the [companies] to invite them to enroll their entire boards as Associates of the Institute.

In addition to the personal calls, invitations are being sent to individuals and corporations who have participated in Institute seminars, roundtables, working sessions and open conferences. This is being complemented by the invitations made by friends and pioneering associates of the Institute.

The target number of Associates for the next three years is as shown.

YEAR	NEW	CUMULATIVE
1	200	200
2	200	400
3	400	800

All members are to be encouraged and pressed to take some of the specialized 1-day courses, the more comprehensive and higher-level Corporate Directors Program, as well as other organized activities.

#### *Roundtables*

Experience thus far suggests that roundtables have been a very effective way to generate interest for the Associates program and training courses.

The personal, friendly exposure provided to relatively small groups of corporate directors coming together to listen and respond to presentations of recognized experts on various directorship and governance issues, have proved to be a very effective way to market Institute services.

In this regard, the Institute will seek the assistance of the Global Corporate Governance Forum and World Bank Institute for the production of a set of short videos from top experts in various aspects of corporate governance, and when possible, to bring in experts . . . .



### *Marketing Program*

The marketing program will be integrated as it will include direct mail campaign, a speakers bureau where the President, Executive Director and select Associates will talk before various groups about the Institute and its programs. Brochures, flyers, mailers, marketing presentations will be utilized. The quality of these marketing materials will be excellent. Professional design, artwork and copywriting will be used.

#### *a. Institutional and Marketing Publicity*

The Institute has already launched institutional public relations and a marketing publicity campaign. . . .

#### *b. Website*

The Institute will need to develop and maintain a state of the art, easily accessible and user-friendly inter-active website. Its content will always be relevant and will be constantly updated.

The website will be designed to serve as a major marketing tool for the Institute's Products and Services. It shall be capable of supporting the Institute's training programs and a distance learning or a correspondence training program.

The website will always contain the latest information about the Institutes and its services. It will serve as the medium by which associates can be informed about on-going activities, offerings and other information.

The website shall likewise serve as the gateway to the virtual resource center where relevant information on directorship, corporate governance, and other relevant information would be posted.

## **VII. Publications**

### *Committee Reports*

A Working Committee is tasked to develop the materials for a specific subject and would be involved in the actual delivery of it during a special course. It will be composed of four to five individuals wherein 2 or 3 will come from the Institute, one from a partner institution, and one from a regulator. . . . After which, a Committee, made up of select, high profile individuals with special interest in selected topics, will be asked to pass upon the content and materials developed by the Working Committee. They are expected to suggest any improvements, based on their experience and perspective.

The materials would be continuously improved through additional course offerings and/or regular roundtables where the materials are to be tested and validated. . . .

*For 2003, the special topics are:*

1. Audit Committee
2. Risk Management Committee
3. Governance Committee
4. Financial Issues and Numeracy for Directors
5. Governance Issues for Family Owned Corporations
6. Compensation for Directors

### *Other Publications*

The Institute will likewise issue other publications such as Institute Papers, newsletters, brochures, and leaflets. Some of these may be made available to the general public however; most of them shall be developed primarily for Institute Associates & Fellows and key business and regulatory groups. . . .

## VII. Human Resources

### a. Management

*President and CEO*

*Adviser for Academic and Policy Affairs*

*Adviser for Administrative/Finance*

*Advisers for Marketing and Institutional Relationships*

1. Three prominent business individuals will be helping the Institute build and nurture relationships with its different client groups. . . .

Together with the President and Executive Director, they are expected to help manage the Institute's relationship with key business leaders and organizations. A full-time marketing officer will assist them.

*Executive Director . . .*

*Special Events and Communications Consultant . . .*

### b. Support Staff

To minimize overhead expenses without having to sacrifice on efficiency, the Institute will maintain a lean, but well trained, skilled staff. The staff will be a multi-functioning one.

This group is headed by the Admin and Treasury Officer and shall be composed of the following:

2. IT/MIS Assistant
3. Accountant
4. Administrative Assistant
5. Office Messenger
6. Driver

Whenever additional staff services are needed, part time staff shall be hired for the duration of the need (less than 6 months).

### c. Compensation and Benefits

All employees shall enjoy the basic benefits and privileges as provided for by law.

Advisers are compensated through token amounts given to them as honoraria.

The Board of Directors shall determine compensation and benefits for the President/CEO, the Executive Director and other senior management positions.

## IX. Projected Revenue Structure

In the past, funding was mainly from the founder's contribution (time, expertise, name, and money), volunteer contributions and commitments from associates, as well as from grants, and in 2002 from training services.

As an Associates-based institute, the Institute shall gradually move towards getting annual fees from its associates. After 3 years, membership fees are envisioned to cover some 40% of the operating budget. . . .

Training would continue to be an important source of support. Over time, training revenue shall cover some 40% of the Institute's operating budget.

The special events being staged were either "break-even" or have become sources of grants and special contributions from donors and supporting institutions and foundations. They are expected to continue to yield some income streams. But over time, the net contribution from events to cover the operating budget would eventually come down to 10%.

The special services such as tutorials and consultancies, are expected to, over time, contribute to cover at least 10% of operating expenses. . . .

*[The plan then spells out specific targets, including increasing the number of associates and expanding the reach of its training programs.]*

## ANNEX 3. PEST AND SWOT ANALYSES

A PEST analysis is a tool for analyzing the market that focuses on four broad factors:

- Political factors (P), including formal laws and regulations such as company law, securities regulations, and listing rules, and informal factors such as political demand for corporate accountability.
- Economic factors (E) that affect the purchasing power of the potential beneficiaries and/or members and cost of providing training programs and other activities. These factors include such issues as economic growth and inflation and interest rates.
- Social factors (S) affecting the number and needs of the potential beneficiaries and/or members, such as changing attitudes about the importance of good corporate governance and the need for professional development of directors.
- Technological factors (T), such as the information technologies enabling training through distance learning programs.
- Weaknesses (W) are defined as the absence of specific strengths, such as lack of funding or lack of qualified trainers.
- Opportunities (O) are potentially new areas for growth, such as a new regulation affecting corporate financial reporting or a growing demand for skilled nonexecutive directors.
- Threats (T) are outside changes that could negatively affect growth, such as director complacency about professional development.

The broadly based PEST analysis can then be combined with more specific information about the internal strengths and weaknesses and the opportunities and threats in the marketplace. This analysis is called a SWOT analysis.

- Strengths (S) are the resources and capabilities that can give a competitive advantage, including reputation, expertise, knowledge, and influence in the world of corporate governance.

## ANNEX 4. SOURCES OF START-UP FUNDING

## SOME ORGANIZATIONS THAT PROVIDE GRANTS AND TECHNICAL ASSISTANCE TO FOSTER PRIVATE SECTOR DEVELOPMENT

ORGANIZATION	WEBSITE
AFD (France)	<a href="http://www.afd.fr">www.afd.fr</a>
Africa Capacity Building Foundation	<a href="http://www.acbf-pact.org">www.acbf-pact.org</a>
Asian Development Bank	<a href="http://www.adb.org">www.adb.org</a>
AusAID (Australia)	<a href="http://www.ausaid.gov.au">www.ausaid.gov.au</a>
CIDA (Canada)	<a href="http://www.acdi-cida.gc.ca">www.acdi-cida.gc.ca</a>
CIPE	<a href="http://www.cipe.org">www.cipe.org</a>
Commonwealth Secretariat	<a href="http://www.thecommonwealth.org">www.thecommonwealth.org</a>
DEZA/SDC (Switzerland)	<a href="http://www.sdc.admin.ch">www.sdc.admin.ch</a>
DFID (UK)	<a href="http://www.dfid.gov.uk">www.dfid.gov.uk</a>
EBRD (European Bank for Reconstruction and Development)	<a href="http://www.ebrd.org">www.ebrd.org</a>
European Commission	<a href="http://www.europa.eu.int/comm/index_en.htm">www.europa.eu.int/comm/index_en.htm</a>
FIRST Initiative	<a href="http://www.Firstinitiative.org">www.Firstinitiative.org</a>
Ford Foundation	<a href="http://www.fordfound.org">www.fordfound.org</a>
Global Corporate Governance Forum	<a href="http://www.gcgf.org">www.gcgf.org</a>
GTZ (Germany)	<a href="http://www.gtz.de/english">www.gtz.de/english</a>
Inter-American Development Bank	<a href="http://www.iadb.org">www.iadb.org</a>
International Finance Corporation	<a href="http://www.ifc.org">www.ifc.org</a>
Islamic Development Bank	<a href="http://www.isdb.org">www.isdb.org</a>
LUX-DEVELOPMENT (Luxembourg)	<a href="http://www.lux-development.lu">www.lux-development.lu</a>
NDA (South Africa)	<a href="http://www.nda.org.za">www.nda.org.za</a>
SIDA (Sweden)	<a href="http://www.sida.se">www.sida.se</a>
SNV (Netherlands)	<a href="http://www.snvworld.org">www.snvworld.org</a>
USAID (USA)	<a href="http://www.usaid.gov">www.usaid.gov</a>
World Bank	<a href="http://www.worldbank.org">www.worldbank.org</a>
To search for other organizations, see	<a href="http://www.idealists.org">www.idealists.org</a>

## ANNEX 5. A DONOR GRANT PROGRAM

*The following release from the Center for International Private Enterprise explains how an organization that trains directors can apply for a grant.*

CIPE's mission is to build democracy around the world through the promotion of private enterprise and market-oriented reform

Corporate governance is one of the core areas of interest for CIPE as part of both its support grants and technical assistance to business associations and think tanks in developing countries. Established in 1983 as an affiliate of the U.S. Chamber of Commerce, CIPE is supported by the National Endowment for Democracy (NED), with additional support from the U.S. Agency for International Development (USAID) and private foundations. With roots in the global business community, CIPE takes a distinctly "business-approach" to its activities, which distinguishes it from other development organizations.

CIPE's expertise in corporate governance reform has aided in the success of such programs such as: the Russian Institute for Directors (RID), the Strategic Alliance of Business Associations (SABA) in Romania, the Bulgarian Corporate Governance Initiative, the Center for Corporate Governance in Kenya, the Colombian Confederation of Chambers of Commerce (CONFECAMERAS), and most recently, the Association of Development Finance Institutions in Asia and the Pacific (ADFIAP).... CIPE's grants assistance, these and other programs have been able to further corporate governance initiatives in their respective regions. Further information on these and other programs can be found at [www.cipe.org](http://www.cipe.org).

How can my organization apply for a grant?

CIPE awards grants to organizations that will advance the development of corporate governance in developing countries through policy advocacy, business services, and educational programs. CIPE grants normally range from \$30,000 to \$70,000, based on program goals. Proposals must demonstrate specific project goals and objectives rather than for operating support or research.

CIPE's grants program provides both management assistance and practical experience. Potential applicants are urged to submit a brief concept paper explaining the proposed project before a complete proposal is prepared. When preparing formal proposals, applicants should review the criteria described in the grant guidelines available on CIPE's website, [www.cipe.org](http://www.cipe.org), and carefully follow the format. While a grant award is based on a number of criteria, applicants must include matching funds from their own budget or other sources of revenue or provide a compelling reason why this criterion should be waived....

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To develop this toolkit and gather lessons learned from developing and developed countries alike, the Global Corporate Governance Forum invited representatives from director training organizations from various regions of the world to share their experiences and discuss milestones and challenges in building director training organizations. The Forum would especially like to thank the following people for their contribution to this toolkit by providing materials, examples, and extensive comments on building director training organizations:

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