

Best Practices for Leadership



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1

The Starting Point

A great Board of Directors fosters:

- Purpose;
- Leadership;
- Debate;
- Compromise;
- Intellectual Curiosity;
- Accomplishment; and
- Meaningful relationships that last beyond the term.



2

What is My Responsibility?

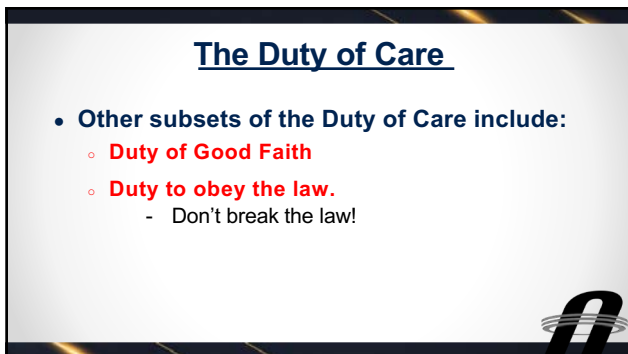
- **Fiduciary duties of governing board members are well-developed in the Non-Profit context:**
 - Duty of Care
 - Duty of Loyalty



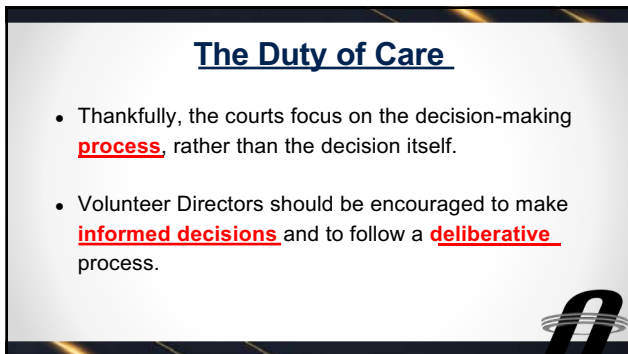
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6

How to Comply with the Duty of Care


- **Commitment**
 - Attend/prepare for all meetings.
 - Be an attentive and active participant in board meetings.
 - Exercise independent judgment – deference v. compromise.
 - Governance v. Operations.
 - Rely on Staff but work through the CEO – make policy and give direction; allow the CEO to implement the policy.
 - Distinction between micromanaging and duty of care.



7

How to Comply with the Duty of Care


- **Adequate Information**
 - Attend/prepare for all meetings.
 - Be an attentive and active participant in board meetings.
- **Remain Inquisitive, but not antagonistic**
 - Examine the information provided critically but with confidence.
 - Ask questions/voice concerns while remaining respectful.
- **Directors cannot passively await signs of problems or red flags.**



8

How to Comply with the Duty of Care

- **Business Judgment Rule**
 - Directors are deemed to have met the duty of care, even if they made the wrong decision, so long as the decision was arrived at in an appropriate way.



9

The Business Judgment Rule

Three Prerequisites:

1. Director must make decision in **good faith**;
2. Decision-making process must be **informed**;
3. Director or board must **rationaly believe** decision is in **best interest** of the corporation.

Rule may not apply if:

- o Director does not have adequate knowledge, commitment of information;
- o Director or board failed to consider a particular matter;
- o Issue presents a conflict of interest.



10


The Duty of Loyalty...



11

The Duty of Loyalty

- Duty of Loyalty requires a director to act in the best interests of the corporation, rather than his or her own interests.
- A director should not use the corporate position for personal profit or gain or for other personal or non-corporate advantage.



12

The Duty of Loyalty

- Basic idea is that director owes duty of fair dealing.
- State of the law seems to be that director can reap personal gain (generally through esteem), as long as he puts the interests of the corporation first and transparency exists.
- **Disclose, disclose, disclose! Disclosure is far better than Discovery.**



13

The Duty of Loyalty

Conflicts of Interest (2 basic ideas):


- 1. Directors engaged in transactions with the corporation.**
 - **Example** – Ownership in a company that is contracting with the association.
 - **Example** – Family ownership in a company that is receiving a financial benefit from the association.
- 2. Directors taking benefits or advantages that belong to the corporation.**
 - **Example** – Using insider information to take away a business deal from the corporation or to procure a business deal for a third party.



14

The Duty of Loyalty

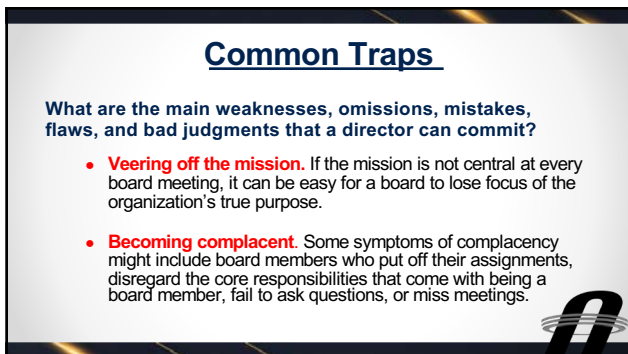
- Directors owe a duty to the Association that they represent.
- Why the emphasis on fiduciary relationships?
 - Failure of Duty of Care can lead to personal liability.
- **TRANSPARENCY IS YOUR BEST DEFENSE!**



15



16



17



18

Common Traps (cont.)

What are the main weaknesses, omissions, mistakes, flaws, and bad judgments that a director can commit?

- **Micromanaging.** A board's role is to oversee that the organization is well-run – not to interfere with the domain of the chief executive.
- **Limitless Terms.** New perspectives and differing ideas keep a board and organization moving forward. Term limits can help boards avoid stagnation.



19

Sexual Harassment & Gender Discrimination

1. Per NAR, this is the fastest growing area of litigation for real associations.
2. Expressly prohibited by the Association Personnel Policy.
3. Association has employees; not independent contractors.
4. Most prone at social events involving alcohol.
5. Don't play the comedian! Focus on your words and actions and recognize that words and actions can make another person feel very uncomfortable.
 - o Sexual humor, sexual stories, sexual advances.
 - o Self-policing before "The Real Police".



20


Diversity in Leadership



21

Why is Diversity in Leadership Important?

- **Diversity is all encompassing!** (more than just PC's – also includes different opinions, backgrounds, talents, life experiences, interests, etc.)
- Diversity is important for association leadership because:
 - Generates different perspectives;
 - Helps associations to be representative of all communities and demographic groups in the market area;
 - Increases trust among different groups;
 - Improves service for members;
 - Identifies new leaders; and
 - Addresses community issues.




22

Roadmap to Diversity

How to promote diversity within association leadership?

- **Engage in community outreach.** Meet new potential leaders who are representative of different interests within your market.
- **Engage members.** Host leadership cultivation events. Offer trainings on diversity, inclusion and implicit bias. Build relationships with real estate professionals who serve underrepresented areas.
- **Nurture a Pool of Leaders.** Reach out to members who may not be represented in current committees or leadership.




23

Roadmap to Diversity

How to promote diversity within association leadership?

- **Partner with Multicultural Real Estate Organizations.**
This is an effective way to engage with a more diverse membership base and expand perspectives. The association will gain:
 - Value & Respect
 - Leadership/New Talent
 - Improved Policy & Programs
 - Increased Professionalism
 - Expanded Influence



24

Don't Forget...

- Remember that diversity is **all encompassing.**
- Think about why having a diverse leadership team is important.
- Make your Board a place where members want to serve!
- Work to create a welcoming environment and foster a culture of inclusiveness.



25

Resources & Training Opportunities

Resources

- Local Multicultural Real Estate Organization Directory https://www.nar_realtor/diversity/multicultural-real-estate-organizations/directory_
- Diversity & Inclusion Grants <https://realtorparty.realtor/community-outreach/diversity/grant-applications>.

NAR Training Opportunities

- At Home with Diversity
- Leading with Diversity
- Implicit Bias Training



26

You're a Delegate, Now What?



27

Section 2. Authority.

The Delegate Body shall have sole authority to approve amendments to these Bylaws, approve the public policies of the Association, and elect the Ex-Officio Directors for the National Association of REALTORS® apportioned to the Association pursuant to Article IV of the Constitution and Bylaws of the National Association of REALTORS®.