

# Building a Successful Corporate Governance Institute in Less Than One Year

## How the Baltic Institute Became a Reality — and What Others Can Learn From It



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## Lessons Learned

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*It typically takes several years and over a million dollars to establish a functional corporate governance institute. Incorporation, staffing, policy research, training programs, marketing, and public relations take time and money. In 2009, a handful of dedicated volunteers turned this proposition on its head. With the aid of a few well-placed connections, they sparked a movement that led to creation of the Baltic Institute of Corporate Governance (BICG) and — relying almost exclusively on pro bono assistance — produced world-class deliverables. The BICG story offers valuable lessons on how to develop effective partnerships and use networks to build organizational capacity.*

The Baltic Institute of Corporate Governance began with a discussion among Kristian Kaas Mortensen and a few like-minded colleagues in Lithuania in early 2009. They wanted to do something meaningful to improve corporate governance in the Baltics (Lithuania, Latvia, and Estonia) — to strengthen management at all levels and attract investment from outside the region. They wanted to establish a regional organization to lead the charge, an entity equal to or exceeding European standards.

The initial group included Gediminas Dominas and Paulius Gruodis of Glimstedt Law Firm; Carl Berneheim, chairman of the Swedish Chamber of Commerce in Lithuania; Linas Dičpetris, a partner in Ernst & Young Baltic; Arminta Saladžienė, chief executive officer of Nasdaq OMX Vilnius; Ugnis Jankauskas, chief

*“You reach out to someone you’ve never met, and suddenly you’re armed with information and assistance you never dreamed of. The people and organizations you connect with embarrass you with riches you didn’t even know existed.”*

**Kristian Kaas Mortensen**  
BICG President

executive officer of Verslo Zinios (a business newspaper published in Lithuania); and Petras Barsauskas, a professor at ISM University of Management and Economics in Lithuania. “They were the brain trust,” says Mortensen. “I was the facilitator.”

### ABOUT THE FORUM

The Global Corporate Governance Forum is the leading knowledge and capacity building platform dedicated to corporate governance reform in emerging markets and developing countries. The Forum offers a unique collection of expertise, experiences, and solutions to key corporate governance issues from developed and developing countries.

The Forum’s mandate is to promote the private sector as an engine of growth, reduce the vulnerability of developing and emerging markets to financial crisis, and provide incentives for corporations to invest and perform efficiently in a transparent, sustainable, and socially responsible manner. In doing so, the Forum partners with international, regional, and local institutions, drawing on its network of global private-sector leaders.

The Forum is a multi-donor trust fund facility located within the IFC, co-founded in 1999 by the World Bank and the Organisation for Economic Co-operation and Development (OECD).

## BICG Historical Highlights

- **Early 2009:** Ideas and concepts for the BICG are first formulated in informal discussions.
- **Mid-2009:** Kristian Kaas Mortensen, BICG's president-to-be, travels by car throughout the Baltic States seeking funding and other forms of support from Baltic companies.
- **August 2009:** BICG registers in Lithuania as a Baltic nonprofit association.
- **November 2009:** BICG holds the first "Executive Education for Professional Board Members." Lithuania's Prime Minister Andrius Kubilius presents certificates to graduates.
- **March 19, 2010:** BICG holds the Baltic Summit, hosted by the Lithuanian Parliament and the Ministry of Economy. Prime Minister Kubilius gives the keynote address.
- **June 2, 2010:** BICG publishes *Baltic Guidance on the Governance of Government-owned Enterprises*.
- **November, 2010:** BICG publishes *Corporate Governance in Swenglish*, by Raoul Hasselgren, based on Swedish case studies and materials from IFC's Global Corporate Governance Forum.
- **March 18, 2011:** The BICG holds its first Annual General Meeting and Conference in Vilnius. U.S. Secretary of State Hillary Clinton delivers a video keynote address.

Below are lessons from the rapid development of the BICG.

**"Instill an activist attitude with everyone involved. When you talk to companies, align your needs with their vision and ask only for something they can say 'yes' to."**

To gain momentum, Mortensen decided to build high-level ownership in the Institute's cause and to insist on involvement from those he knew personally. For example, in April 2009, he brought onboard Ernst & Young, the company he consulted for at the time. He argued that their assistance was critical not only to making the Institute a reality, but also to the conduct of business generally and to the performance and reputation of their own clients.

Beyond his inner circle, however, Mortensen had to work harder to develop interest in BICG. He started traveling by car through the three Baltic countries — at one point driving hundreds of miles through a raging storm. "I didn't have time to think about my comfort," he recalls. "I had to make things happen."

At every stop, he invited participation, asked for pro bono assistance, requested funds, cemented relationships, and promoted the idea of better corporate governance as the touchstone of economic development and improved business and government leadership. Little by little, he and the other members of the BICG team began to build understanding and enlist participation.

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*"The relationship with the Forum has given us instant credibility wherever we go. When I explain what it does, show its tools, share its achievements, and point to its DC-based IFC and World Bank affiliation, everyone listening is impressed."*

**Kristian Kaas Mortensen**  
on the Forum's role in assisting  
with the Institute's development

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**"Focus on deliverables, not infrastructure and office space. Don't waste time building castles before you have an army."**

Bolstered by support of companies such as Glimstedt Law Firm, Ernst & Young and Nasdaq OMX, Mortensen began a search for resources to educate his group on how to formalize the organization. On the Internet he came across the Global Corporate Governance Forum's Toolkit, "Building Director Training Organizations," which gave the BICG group the ABCs for establishing the Institute and an understanding of what an Institute of Directors (IoD) could and should be. The kit essentially served as the group's first advisory team.

For the Institute to be taken seriously, it needed to offer **practical and compelling products for the business community**. Mortensen turned to the Forum's head, Phil Armstrong, for help and advice, and a few days later a 10-pound box arrived from the United States. Inside was the Forum's "Corporate Governance Board Leadership Training Resources" Toolkit — exactly what the BICG founders were looking for, an all-in-one training guide.

When he asked Armstrong for permission to use the Toolkit to educate BICG's constituents, Mortensen learned that the Forum requires trainers to be properly instructed in the use of its materials. "I pretty much stopped everything else I was doing," he says, "and went to the first Forum's Training of Trainers available, in South Africa, at my own expense."

**"Always aim for involvement from the highest levels — and inspire people to become volunteers."**

Following Armstrong's advice, Mortensen also reached out for help to the Stockholm Chamber of Commerce, which has an exemplary program for training non-executive directors in corporate governance and related matters. Using this resource along with the Forum's Toolkit, BICG built its first training program, "Executive Education for Professional Board Members," held November 4, 2009.



BICG Chairman Arminta Saladžienė prepares BICG President Kristian Kaas Mortensen for an event, September 2010.



Graduates of the BICG's second class, May 2010.

Mortensen assembled a team of high-level outside guest speakers and local specialists in auditing, finance, law, and other disciplines to serve as instructors. All came pro bono, as a result of his well-developed system of approaching important people for support and various contributions:

- **Ask those you know — and have influential people ask those you don't know.** As a nongovernmental organization you can't afford to pay for the best experts on each topic, so you have to **inspire them to become volunteers**. Target people with a "corporate socially responsible heart" who are interested in contributing to the larger good. But keep in mind that senior people often have little time, so get to the point — yes or no. Make it fun and easy for them to take part.
- **Be creative in getting access.** One person Mortensen called several times for a meeting repeatedly turned him down. Instead of taking no for an answer, he arranged a meeting at which one of the person's respected colleagues would be present, then called again. "When he heard who would be there," says Mortensen, "he agreed to join us."
- **Use peer pressure.** As in a club, it is often about who the other members are. Prospective members or donors may be more likely to agree to contribute when the request is made not one-on-one but in the presence of other people who are sympathetic to the cause or idea, and whom the target individual values.

An early victory for the BICG was getting Prime Minister Andrius Kubilius of Lithuania to visit the November 2009 program and present the graduates with their certificates of completion. Six months later, in May 2010, Prime Minister Valdis Dombrovskis of Latvia presented certificates to the next class of graduates.

**"Graduates are the key asset for the Institute. Nothing beats the third-party credibility of people you've trained and who've used your publications."**

The roles of supervisory boards and boards of directors are more important than ever for Baltic companies, according to Mortensen, because they are sources of fresh leadership. So, it was imperative for BICG to develop a growing cadre of qualified directors who could serve those companies.

The education program continues to be somewhat exclusive, mostly for top business leaders, with a class of about 35 people. Those selected tend to be people with a known, positive track record. BICG also has built goodwill by striving to have a class composition that represents the business community well with regard to gender, nationality, and economy sector (public and private) as well as different industry experience.

The program encompasses two days of training (in English) in each of three weeks, one week in each of the Baltic States, and ends with a written final exam. To graduate, a participant must attend at least five of the six days. Cost is € 2,500 per person, not including travel and accommodation. This **truly regional program** requires students and faculty to travel to and from each training site (currently Tallinn, Riga, and Vilnius), ensuring that participation will assist them in serving professionally on boards in any of the three Baltic States.

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*"Participation in BICG activities helped me discover practical value of proper corporate governance as well as opened new opportunities for personal growth in the business society."*

**Mindaugas Glodas**  
Chief Executive Officer  
Microsoft Lithuania

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Besides educating board leaders, the BICG has established an **independent database of candidates for public and private boards of directors**. “We not only want to train experts,” says Mortensen. “We also want to place them in board positions.”

More than 110 people have graduated from BICG trainings, 70 in 2010 alone, including a minister, 5 vice ministers, a state secretary, 5 advisors to a minister or prime minister, and 10 chief executive officers of state-owned enterprises.

Mortensen often requested their assistance while they were attending the training program. “We were able to arrange high-level meetings that would otherwise have been impossible,” he says. “In the process, those who helped became key allies and some of our most vocal advocates.”

#### **“Don’t bring them problems — offer them a solution.”**

One solution offered was the development and launch of the Baltic Guidance on the Governance of Government-owned Enterprises (GOEs)—a highly visible “first” during the BICG’s initial year of operation. The document was researched, written, and published in less than six months!

The idea came from an unexpected source, the offices of Lithuanian Prime Minister Andrius Kubilius. In September 2009, during a local government conference in Vilnius, the moderator asked the audience for a list of priorities they thought the Prime Minister should address on behalf of his country. After collecting a few suggestions, the final panel speaker said he had one of his own: “Reform corporate governance in state-owned enterprises.” Thrilled, Mortensen hurried to the Prime Minister’s side and told him that he and the BICG would support the corporate governance endeavor without reservation. The Prime Minister then introduced him to his advisor.

When Mortensen met with the advisor a few weeks later, he asked whether the Prime Minister would present certificates to the graduates of the BICG’s first “Executive Education for Professional Board Members” program. Prime Minister Kubilius not only presented the certificates, but he and his advisor also sat through the entire opening session and joined the BICG students for dinner later that evening. At the end of their meal, the Prime Minister himself suggested that **the Institute** take on governance of state-owned enterprises.

As Mortensen puts it, “The political signal that the PM’s attendance gave to the larger community, especially in business, raised the visibility and credibility of both the Institute and its education program.”

#### **“Keep your promises and stay focused on getting things done. Do the right thing, not 99 other things.”**

Making the *Baltic Guidance on the Governance of Government-owned Enterprises* a reality — and at a dizzying pace — is an example of staying focused:

- **January 2010.** Mortensen set about creating the Guidance in the fastest time possible, while being careful not to compromise the content’s credibility and usefulness. He again reached out to the Forum’s Phil Armstrong, who told him the project would take several years to implement and probably cost more than a million dollars, especially given its regional focus.

But Mortensen was undeterred. Based on the recommendation by Forum Project Coordinator Ghita Alderman, the Institute hired W. Richard Frederick, an independent advisor on corporate governance and transparency issues for such organizations as the World Bank, IFC, UNCTAD (United Nations Conference on Trade and Development), and OECD (Organisation for Economic Co-operation and Development). Frederick headed the research, wrote the text, and coordinated production of the final *Guidance*.

Frederick agreed to contribute his time and knowledge for fairly nominal pay, because Mortensen and others persuaded him that the *Guidance* would help generate the necessary resources for BICG while at the same time making a significant contribution to a cause he had done so much to develop globally. Plus, it was a professional challenge. “No one believed we could do it,” Mortensen recalls.

With limited resources, the two went to work. “We simply called the governments and asked for meetings to discuss what we wanted to do,” says Mortensen. “We didn’t delegate the phone calls, and we made our requests urgent. We wanted action, not deliberation. We met with the governments, we described the deliverables, they said ‘yes,’ and off we went. It also helped for us to name drop the Forum’s name when we talked.”

With Frederick’s help, the BICG quickly developed a professional understanding of what makes good corporate governance possible. Mortensen recommends that IoDs use the best of the best in implementing corporate governance reform. “Why try to do it yourself, if you’re not world class?” he asks, adding, **“World class is already available — use it.”**

To solidify plans for the state-owned enterprise governance, Mortensen and Frederick drove 700 kilometers in a snow storm, from Tallinn to Riga, then on to Vilnius, where they met with government officials, heads of significant state-owned enterprises, and key stakeholders. They ended the day at dinner with Prime Minister Kubilius and Minister of Energy Arvydas Sekmokas, during which they learned about their corporate governance concerns. As a result of this and other regional discussions, Frederick advocated that a Baltic Summit be organized to discuss the region’s corporate governance challenges.



W. Richard Frederick in a thoughtful moment before the Baltic Summit in the Lithuanian Parliament, March 2010.



Swedish Ambassador to Lithuania Ulrika Croonenberg-Mossberg with BICG members at the first alumni event, September 2010.

- **February 2010.** Frederick began to outline the *Guidance*.
- **March 19, 2010.** The Seimas (parliament) of the Lithuanian Republic and the Lithuanian Ministry of Economy sponsored the **Baltic Summit**, in cooperation with the BICG. Attendees included Members of Parliament and key participants from the Baltic governments and their GOEs, along with related stakeholders and international speakers. Prime Minister Kubilius gave the keynote address.
- **April 2010.** Frederick completed the first draft of the *Guidance* and circulated it for comments and suggestions.
- **June 2, 2010.** The *Guidance* was published in conjunction with the Baltic Development Forum Summit in Vilnius. (For a copy of the *Guidance*, visit: <http://corporategovernance.lt/uploads/docs/BICG%20Guidance.pdf>.)

Pondering the confluence of people and circumstances that brought the *Guidance* to fruition and that provided the lifeblood for the BICG's success with the project, Mortensen observes, "Most people never see the true beauty of such an undertaking. It was like watching the creation of a symphony. The music was written by the people to whom Richard Frederick spoke, and . . . Richard, in turn, was the librettist and conductor."

Frederick emphasizes the importance of keeping the focus on people. "In building corporate governance," he says, "**we have a tendency to focus on the technical issues of governance. But, the human side is more important.** If you are able to win the hearts and minds of the key stakeholders in the governance process, your project will go like a hot knife through butter. People are what make things happen — or block progress, as the case may be."

**"Position your organization as a distinctive, branded experience. Involve senior external advisors who have strong, practical networks."**

An important overarching lesson from BICG's first year in operation is the way it has managed to maintain a small footprint while at the same time being big on delegation and stakeholder engagement. It has become both *exclusive* in the quality of people it attracts and *inclusive* in the way it operates and is governed.

**"The quickest fundraiser is spending less of the money you have,"** says Mortensen. For example, the BICG office in Vilnius covers no more than 20 square meters and has only one employee: Mortensen, its president.

Membership in BICG is by invitation only. Corporate members must be approved by the BICG board, and individual members are business and government executives who must be graduates of the Institute's "Executive Education for Professional Board Members" program.

At the same time, BICG has an elaborate governance and management structure:

- A nine-member corporate governance council that sets the Institute's political agenda, advises on strategic direction and activities, endorses the Institute's corporate governance guidance and codes, and sets the "tone at the top" in corporate governance.
- A nine-member board of directors (headed by a chairman) that governs the BICG and oversees its operations, sets policy, approves annual plans, evaluates goals and responsibilities, and elects BICG's chairman.
- The president.

BICG makes good use of its many connections with people at high levels. For example, it has had remarkable success in fund-raising, attracting € 40,000 in contributions in its first full year of operation (2010) — a large sum in the context of small economies hard hit by the financial crisis.

At least as important as the money are the in-kind contributions. For example, Glimstedt Law Firm provides BICG's offices and administrative support without charge. At the Institute's early stages, the Swedish Chamber of Commerce in Vilnius provided its physical location. The Institute also outsources finances, bookkeeping, production of educational materials, and so on.

But, BICG **does not** outsource its stakeholder communications. A key communication for 2010 was its first annual report. "We work for absolute transparency," says Mortensen. "Trying to implement good corporate governance in an entire region — with many stakeholders nationally, regionally, and internationally — makes **our annual report an indispensable tool for ensuring that everyone you work with knows what you're doing, what you've done, and what you intend to do.**"

The annual report also is a valuable fund-raising tool that helps build trust among those who join and contribute money, says Mortensen. It shows them that their support is being well-spent, and it creates a strong multiplier effect. (The 2010 Annual Report is available at: <http://www.corporategovernance.lt>)

## Conclusion

Mortensen and his colleagues have made the BICG "a fun initiative that generates fast and impressive results." So, when they ask for what they need, they typically get it. In return, they deliver on their promises. As Mortensen sums it up, "Who wouldn't want to be part of such an enterprise?"

## Basics of the *Baltic Guidance on the Governance of Government-owned Enterprises*

One noteworthy aspect of the *Guidance* is its regional approach. Few international pronouncements on the corporate governance of state-owned enterprises exist. And fewer still seek to embrace a regional focus.

The *Guidance* neither repeats nor supplants the principles and practices presented in the *OECD Guidelines on Corporate Governance of State-Owned Enterprises*. Instead, it provides detailed recommendations—for the governments, their supervisory boards, and their management teams—on how to achieve those international best principles and practices.

Mortensen is proud of what the *Guidance* has led to in such a short time. “At the very least,” he says, “it has encouraged the Baltic governments to publish CG-related reports.” In July 2010, the Lithuanian government produced the annual report of the GOE sector, and Latvia followed suit two months later.

The BICG expects more publications of this sort to be issued in the years ahead, further extending the reach of the good corporate governance message and the movement behind it, not only in the Baltic countries but worldwide.

## “Remarkable Transformation”



The BICG’s first Annual General Meeting and Conference, held in Vilnius on March 18, 2011, presented a special video keynote address by U.S. Secretary of State Hillary Clinton. **“The transformation of the Baltic region over the past two decades is remarkable,”** she said. “You have shown a commitment to democracy and expanding economic opportunities that is transforming your communities and your countries.”

I share with all of you the belief that transparent corporate governance is essential to stable finance markets and sustainable economic growth. It prevents corruption and helps attract the business and investment required to make economies grow. Your work to reform state-owned enterprises sends a strong message across the region about the importance of transparency and accountability.”

Other speakers included political and business leaders from Europe. “We make it a point to involve speakers with enormous authority and expertise,” says Mortensen. “We want our members to be inspired and excited. We also want them to return to their organizations with new ideas and new knowledge from the very best in corporate governance.”

## Visit Forum’s website for earlier Lessons Learned on the subject:

- Launching an Institute of Directors in Mozambique: Business Leaders Drive Effort to Advance Good Governance, October 2007.
- Panama’s Experience Shows Importance in Defining Objectives, Attracting Committed Supporters, Exerting Leadership, December 2007.
- Walking the Talk: How the Brazilian Institute of Corporate Governance Succeeds, December 2008.

Visit [www.gcgf.org](http://www.gcgf.org)



## NEXT ISSUE:

The global financial crisis exposed weaknesses in banks’ corporate governance systems, particularly in their risk management policies and procedures. To help banks address these problems and thereby prevent, or at least mitigate, future systemic banking crises, the Forum launched the Financial Markets Recovery Program. The lessons from program design and rollout can inform work of bank board directors and training professionals working with financial institutions.

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