

GOVERNANCE IN ACTION

HOW TO THINK ABOUT GOVERNANCE?

From What to Make of Your Vision, Mission, Value Statements to Board Members' Assessment

"The way to think about governance is not day-to-day," according to Prof Robert Gertner of The University of Chicago Booth School of Business. What he meant is that it is extremely difficult to assess governance by observing the day-to-day operations of an NGO; "Governance always works if it is business as usual – it doesn't matter so much," he explained, speaking at the Governance Symposium took place in November 2017. Rather, it is at moments of unexpected crises or when opportunities arise that an NGO's governance gets tested – whether the organization has a governance structure in place that can lead to effective decision making with regard to managing the new crisis or seizing and materializing the opportunity.



Prof Robert Gertner of The University of Chicago Booth School of Business

New Life Psychiatric Rehabilitation Association (New Life)'s experience with its last Chairperson succession testified such proposition. In 2006, Dr Raymond Wu, the first Chairman of New Life's Executive Committee (ExCo), passed away after a tenure of 40 years. Dr Wu's passing away, expectedly or not, incentivized New Life's better succession planning.

Furthermore, New Life took advantage of the opportunity to propel its transition from traditional volunteerism to modern board governance – it undertook a strategic review at the governance and senior management level: the organizational structure that defines the roles of Executive Committee, subcommittees and management was reviewed; human resources, pay and benefit policies examined; and administration and management policies streamlined; and most important of all, New Life's statement of vision, mission and values (VMV) was revisited, extended to cover also the wellbeing of the caregivers and the general public in addition to only people recovering from mental illness. This series of strategic moves, almost an overhaul, contributed to the enhancement of organizational efficiency and overall performance, enabling New Life to better respond to the new social needs that had emerged in the 2010s.



Prof Fanny Cheung of New Life

Needless to say, an organization's VMV determines the making of any big decisions by board members, as they are the very foundation of an organization that defines its existence and stewards its continuous development; as Prof Gertner has succinctly put, "such statements should not be a political one that makes everybody happy, but a guide to tough decisions about where the organization could go when there are threats or opportunities." On making the uneasy balance between working towards a social goal and balancing the books, for example, an NGO's VMV would most likely connote prioritizing the former, seeing making a financial return as the means to achieve that. Speaking of the major review recently conducted on its social enterprises, New Life's ExCo has decided "to minimize loss rather than aiming at making profit," said Prof Fanny Cheung, Chairperson of New Life, echoing the "mission first" orientation of NGOs.

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Also, New Life's experience highlights that an NGO should regularly review its VMV, in order to ensure that it aptly provides the direction apposite for its needs pertaining to its developmental stage and the evolving circumstances. Prof Gertner elaborated that it is underneath the rather brief and virtually ambiguous VMV that programs are listed with more details, of how to manage the organization and what activities it engages in. In other words, the purpose, indeed the power, of VMV lies in communicating the ultimate objective of the organization, but with details so few that the many possibilities of its manifestation are not stifled, its great potential not impeded.

The board's commitment to being engaged with the organization is the most fundamental to good governance. And, it is not just their time that is required, but their determination and perseverance to properly understand the issues and to work closely with the management team to deal with the unexpected situations. Engagement with board members starts before the person is recruited to the board - if not even earlier. Already during recruitment, the organization sends a real signal to the candidate how the board operates, what it means to be on the board, and how incumbent board members think the board should run – the process should be rigorous and be taken seriously. Then after the person is recruited, apart from induction and orientation, review and feedback on their participation or performance should be provided, possibly on an annual basis and through one-on-one conversations with the Chairperson or the governance committee, covering what they have done for the board and the plan going forward. A transition should be made, if necessary, in a way that is clear and not creating the stigma that associates with it.

Presentations by Prof Gertner and Prof Cheung are available for download and viewing online:

<http://governance.hkcss.org.hk/node/165>.



Our special thanks to Prof Gertner and Prof Cheung for their insightful presentation and generous sharing at the Governance Symposium held on 1 November 2017; and Mr Lester Huang for moderating the session.

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