

## FOCUS

### Small but Agile - Good Governance for Excellence

#### Interview with Ms Sabrina Ho, Chairman of The Child Development Centre

Ms Sabrina Ho, Chairman of The Child Development Centre (CDC), was awarded by The Hong Kong Institute of Directors in 2018 the Director of the Year in the category of Statutory/Non-profit-distributing Organisations. Talking about the honour of being awarded, Ms Ho humbly gave the credit to her board and staff team for their concerted dedication.

The CDC is a small-medium organization with around 40 staff members, governed by an Executive Committee (ExCo) of 11 members. Ms Ho believes that governance is of paramount importance regardless of the organization's size. The CDC has a profound and unique governance structure, with special emphasis on accountability and transparency. Ms Ho said, "The CDC must be accountable to the public, the government, parents, service users, donors and staff, and should ensure they have a clear understanding of our services and financial status." She maintains that small NGOs should be even more prudent in risk oversight. Under her leadership, the CDC has a risk management policy and staff responsible for risk and compliance. Ms Ho emphasized that it was essential to take the agency's distinctive features into account when setting up governance structure and policies. For example, as there were accountants in the CDC's Finance Committee to oversee audits, it was unnecessary to form an audit committee. In light of the difficulties for small NGOs to recruit suitable persons as board members, Ms Ho viewed that, instead of setting up different sub-committees like larger organizations do, it is more pragmatic to review if the existing board structure is adequate in fulfilling various governance functions, and to harness the strengths of existing members. Ms Ho also remarked that setting term limits for committee members would send away needed talents and might not be beneficial to the organization.



*Ms Ho attended the CDC Family Fun Sports Day in November 2018*

Ms Ho said that small NGOs have the advantage of their agility in taking swift action to adjust services in response to societal changes and users' needs, thus optimizing resource utilization. Furthermore, small NGOs allow closer bonding between the board and the staff. Ms Ho has discussions with staff members every week to listen to their views, understand the operation and hear users' feedback. The CDC's ExCo holds eight to ten meetings a year so that members can closely monitor the operation. The ExCo and the management team develop strategic plans together and reach consensus on future work priorities. On the division of responsibilities, the ExCo focuses on the finances so that the staff can concentrate their efforts on rendering quality services. All these qualities indicate that the board and the management team are efficiently carrying out their roles in pursuing the agency's mission.

The CDC is committed to creating social impact. Apart from providing direct services to children with special educational needs, it compiled a free guidebook and held workshops for pre-school educators, bringing the benefit to more children in the community. The CDC also reaches out to underprivileged families to promote the importance of early assessments and interventions. Parents' engagement is always an emphasis of the CDC. In March, the mobile application "CDC Connects" was launched to provide an



*Ms Ho attended the launch ceremony of the CDC's first Guide for Teachers and Therapists in October 2017*

interactive platform for parents to track their children's learning progress and to make service appointments easier. The CDC and the Springboard Project shared similar missions and for better use of resources, they merged in 2008. Ms Ho opined that, with the increasing number of small NGOs, it was worthwhile for the sector to consider room for more collaboration to maximize the social impact.

Ms Ho joined the CDC's ExCo as a parent representative, later took up the position of Treasurer, and then the Chairpersonship. Over the decades, she has led the organization in addressing service needs amidst social changes and building a community with quality services for pre-school children. The CDC's pursuit of mission and service excellence has undoubtedly established a role model in the field.

# GOVERNANCE IN ACTION

## Boards Need Regular Health Check – Insights from the Hong Kong NGO Governance Health Survey

### How Healthy is Your Board?

Many scholars have researched on the relationship between NGO governance with organizational effectiveness. A study conducted by Denise M. Cumberland in 2015 found associations between a balanced role-set of a board (monitoring, supporting, partnering and representing) with effective organizational performance.<sup>1</sup> More specifically, some studies have revealed that particular aspects of a board (i.e. board size, diversity and expertise) have impact on the organization's innovation, effectiveness, and even its fundraising income.<sup>2, 3, 4</sup>

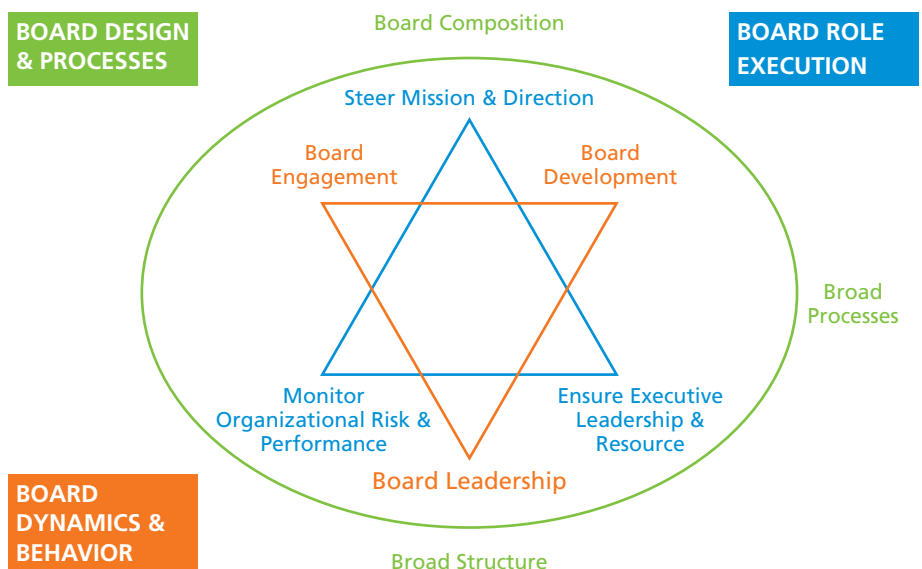
Indicated from these studies, there are multiple factors of a board's governance that could influence the organization. Best practices suggest that directors should review their governance performance from time to time. Board review and assessment exercises allow directors to examine areas that they are performing well and areas to improve on. In the US, BoardSource has a series of studies known as "Leading with Intent" that tracks and analyze trends in nonprofit board leadership over the years.<sup>5</sup> These nation-wide statistics provide direction on governance as the NGO sector grows and develops.

### Hong Kong NGO Governance Health Survey

In Hong Kong, The Hong Kong Council of Social Service (HKCSS) has partnered with ExCEL 3 of The University of Hong Kong (HKU) as well as Governance and Management Excellence for Public Benefit (GAME), to develop a self-assessment tool for measuring governance health of local NGOs and collect data for landscape analysis. This study does not only aim at providing a sector-wide survey, but also, as its name suggests, provide a "health-check" to participating NGOs with a self-assessment on their governance.

The design of the conceptual framework of this health-check was based on references from international studies and advice from local experts to suit the Hong Kong context. Given the diversity of boards in the NGO sector and the interactive nature of a board's dynamics, the framework consists of three dimensions, with each subdivided into elements and aspects, as a mean to cover most areas of healthy governance of an NGO:

- Board Design and Processes** describes the setup that defines the boards' functioning mechanism, such as its composition, structure and processes.
- Board Role Execution** is the capacity of the board to deliver its vital functions and core governance responsibilities.
- Board Dynamics and Behavior** is the interactional, people dynamics and culture that affect the board's growth and determine the performance of individuals and the group.



Conceptual Framework of the NGO Governance Health-check Tool

<sup>1</sup> Cumberland, D. M., Kerrick, S. A., D'Mello, J., & Petrosko, J. M. (2015). Nonprofit board balance and perceived performance. *Nonprofit Management and Leadership*, 25(4), 449-462.

<sup>2</sup> Ladki, S. M., & Ahmad, F. A. (2018). *The Effectiveness of Boards of Directors in Nonprofit Organizations*.

<sup>3</sup> Betzler, D., & Gmür, M. (2012). Towards fund-raising excellence in museums - linking governance with performance. *International Journal of Nonprofit and Voluntary Sector Marketing*, 17(3), 275-292.

<sup>4</sup> Bai, G. (2013). How do board size and occupational background of directors influence social performance in for-profit and non-profit organizations? Evidence from California hospitals. *Journal of business ethics*, 118(1), 171-187.

<sup>5</sup> BoardSource. (2017). *Leading with Intent: 2017 National Index of Nonprofit Board Practices*.

# GOVERNANCE IN ACTION

There are a total of 62 good practices conducive to NGO governance health under this framework. Board members and agency heads were asked to rate themselves on the adoption and the perceived relevance of these board practices based on their current situation.

The survey results showed that governance is healthy amongst the 77 participated NGOs. Smaller NGOs were stronger in board engagement, while larger NGOs were stronger at developing a proper board structure. Two common weaknesses among the surveyed NGOs were in board development efforts and board oversight in organizational risk and performance.

The practices that were **most frequently adopted** were:

- All board members share a common understanding of the organization's mission.
- Board works with the management to monitor financial statements regularly.
- All major policy and strategy discussions are in line with mission and vision.
- Board members see the connection between what they do and the positive impact on the beneficiaries.
- Board-management has a trustful and open relationship. Top-tier management actively involves the Board in leading the organization.

The practices that were **less adopted** but perceived with **great relevance** were:

- Succession planning is discussed and processes are in place to recruit and develop potential board leaders.
- Board reviews risk registers compiled by management that acknowledges potential risk and includes mitigation plans.
- Board conducts periodical assessment to evaluate governance performance.
- Continuous and collective learning opportunities are provided to board members.
- Committee assignments are rotated to give board members experience and opportunity to lead, as a part of succession planning.

"It is not our intention to set a standard on governance with this survey. Rather, the results create a platform for mutual learning. The governance health framework serves as a tool for NGO directors. It also nurtures a common language in promoting a positive governance culture in the sector," said Mr Cliff Choi, Business Director of HKCSS at the debriefing session of the survey.

Ms Christine Fang, Director of GAME and a key architect of the governance health framework, commented that it is more important for NGOs to reflect on their governance health according to what they deem as important and relevant to their respective organization. Each participated NGO received an individual report that captured the analyzed results of the respondents' self-assessment. It also provides benchmark with the overall data of all participating NGOs, allowing directors to review how "healthy" their board is and have an idea of where they stand with peer organizations of similar size.

## Taking on the Journey of Developing a Healthy Board

One of the results of the landscape data was that conducting evaluations and assessments on governance performances was a less frequently adopted practice, although it is regarded as highly relevant. While NGO boards focus on going through the agenda at each meeting and approving each important decision, they may consider dedicating reasonable effort for an internal reflection of the board's performance.

At the debriefing session, Professor Wai-fung Lam, Project Director of ExCEL 3, reminded NGO boards that the essence of the health-check tool is to provide a framework on governance and inspire the boards to candidly discuss and identify actions that should be taken to strengthen their performances in the future.

Conducting board assessments is an enlightening process for directors to acknowledge their strengths and reflect upon weaknesses in governance. The impact that a healthy board is able to bring to the beneficiaries would definitely make the effort spent on reviewing its performance periodically worthwhile and rewarding.

Summary of Key Findings of the Hong Kong NGO Governance Health Survey: <https://governance.hkcss.org.hk/node/329>



Debriefing Session of the Hong Kong NGO Governance Health Survey

From the left: Dr Rikkie Yeung, Consultant, GAME; Dr Ruby Lo, ExCEL3; Professor Wai-Fung Lam, Project Director, ExCEL3; Mr Cliff Choi, Business Director, HKCSS



# UPCOMING ACTIVITIES

## NGO Directors' Luncheon

The coming NGO Directors' Luncheon, sponsored by The Hong Kong Institute of Certified Public Accountants, will be held in late May 2019. We are delighted to have Mr Paul Lam Ting-kwok, SC, and Ms Gilly Wong Fung-han, respectively the Chairman and Chief Executive of Consumer Council, as our special guests, to share on the governance philosophy and practices of Consumer Council that shapes its credibility and public image in advancing consumer interests.

Details are as follows:

<b>Date:</b>	31 May 2019 (Friday)
<b>Time:</b>	12:30pm to 2pm (registration starts at 12:15pm)
<b>Venue:</b>	Ernst & Young, 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong (near Exit D of Admiralty MTR station)
<b>Target:</b>	Board or Committee Members, or agency heads of HKCSS agency members

For event details and enrolment, please visit our website <https://governance.hkcss.org.hk/node/349>

## Better Boards Conference 2019 (1 - 4 August 2019; Brisbane, Australia)

The Hong Kong Council of Social Service has applied for funding from the Community Chest to subsidize **3 delegates** on 50% basis to attend the Better Boards Conference 2019. Board/Committee members and agency heads of Chest Members are welcome to apply, and **representatives of non-Chest agency members can also join the delegation on a self-financed basis**. The deadline for enrollment is 3 May 2019.

For details of the event and application, please visit our website <https://governance.hkcss.org.hk/node/346>

# SNAPSHOTS

## Induction Workshops for NGOs Directors 2019

Co-organized with GAME, the two sessions of Induction Workshops were held on 23 February and 9 March 2019. More than 30 board and committee members from 20 NGOs attended the sessions. Speakers from GAME and guests from NGOs gave presentation on various governance issues and shared their valuable experience.



Participants and speakers had discussion on various governance issues

## Seminar on "Compliance Requirements for Charities with Recognition of Tax Exemption Status under the Inland Revenue Ordinance"

The Seminar was held on 22 February 2019, attended by nearly 200 participants. Representatives from Inland Revenue Department (IRD) made presentation on the compliance requirements for tax-exempt charities and explained what relevant information organizations have to provide in order to fulfill the statutory duties.



From the left: Mr Chua Hoi Wai, Chief Executive, HKCSS; Mr Patrick Leung, Assessor (Donations), IRD; Ms Michelle Ong, Senior Assessor (Donations), IRD; Mr Tam Tai-pang, Deputy Commissioner (Operations), IRD; Ms Judy Yip, Chief Assessor (Special Duties), IRD; Ms Elizabeth Law, Honorary Treasurer, HKCSS