

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.¹ 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.^{2, 3, 4}

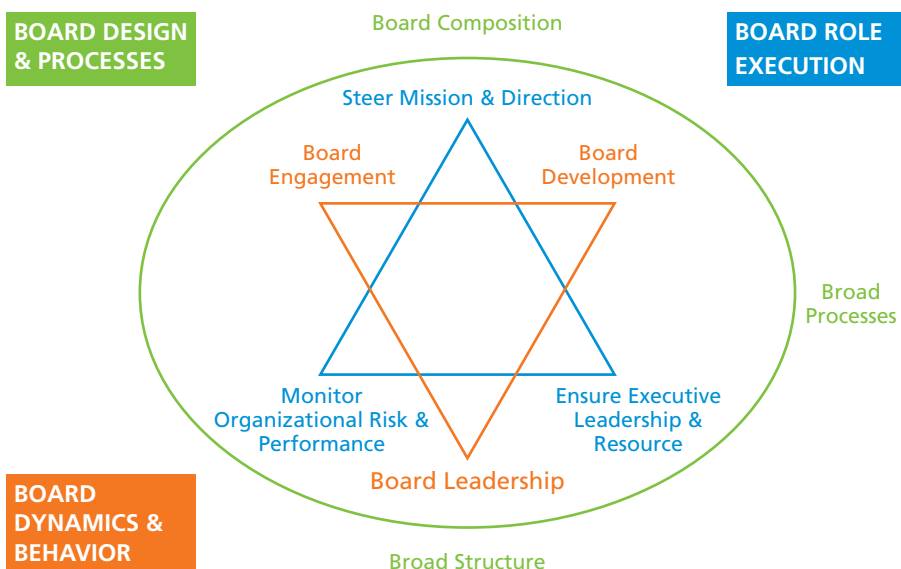
Indicated from these studies, there are multiple factors of a board's governance that could influence the organization. Best practices suggest that directors should review their governance performance from time to time. Board review and assessment exercises allow directors to examine areas that they 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.⁵ 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:

1. **Board Design and Processes** describes the setup that defines the boards' functioning mechanism, such as its composition, structure and processes.
2. **Board Role Execution** is the capacity of the board to deliver its vital functions and core governance responsibilities.
3. **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

¹ 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.

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

³ 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.

⁴ 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.

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

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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