

機構董事導向講座

INDUCTION PROGRAM FOR NGO DIRECTORS

如何成為良好董事 How to be a Good Director

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Main themes

- **The Nolan Principles of Public Life**
- **Preparation for roles and duties in a NGO board**
- **Typical biases seen in boardroom decision making (and how to get rid of them)**
- **Measures that nurture positive board dynamics**
- **What makes an effective director?**

The Nolan Principles of Public Life

The Nolan Principles of Public Life – required personal qualities of NGO directors

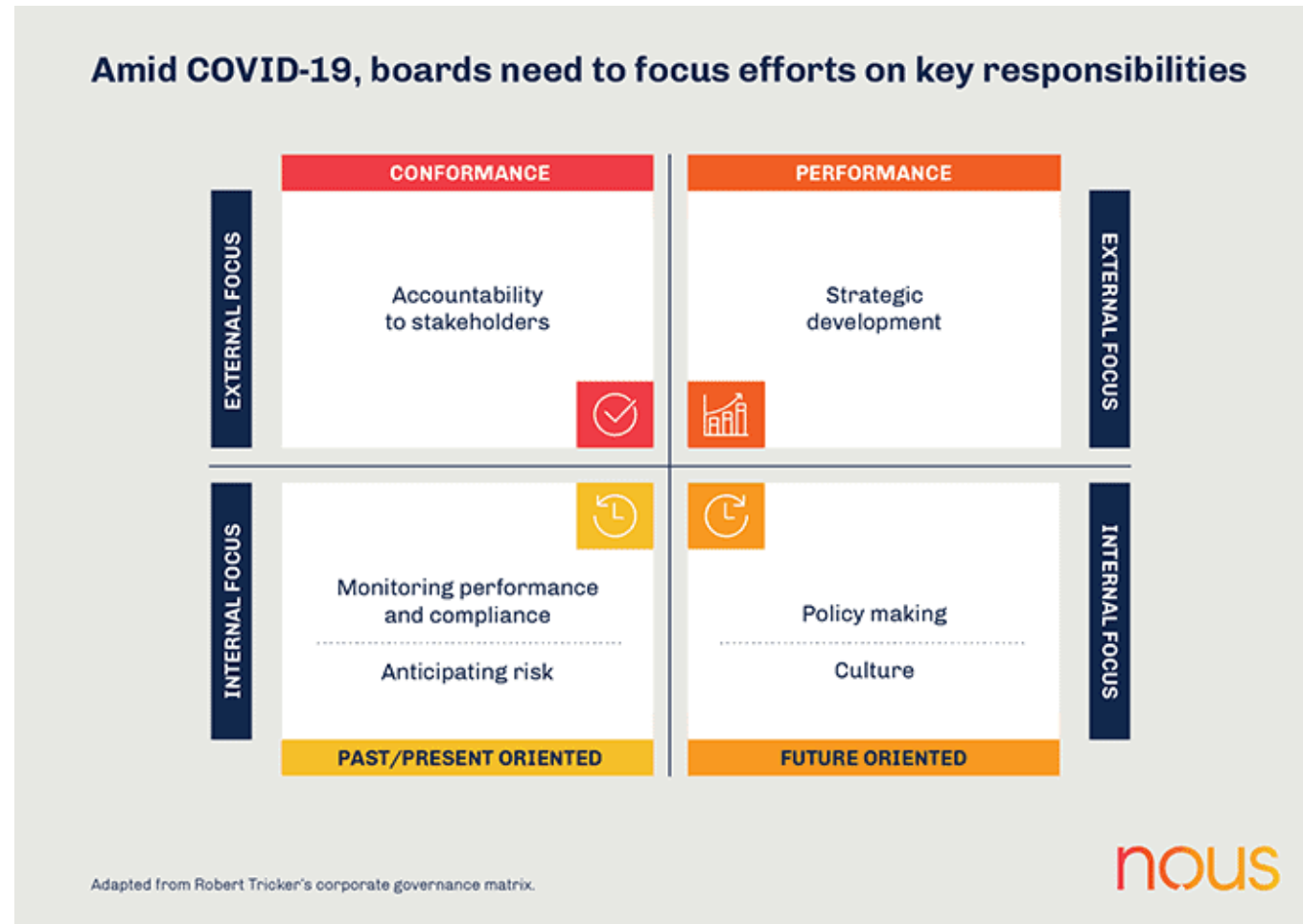
- The Nolan Committee in its *The Seven Principles of Public Life* (UK, 1995), sets out the personal qualities required for those in public office.
- With minor adaptations, these principles apply just as well to directors of NGOs because they are generally consistent with directors' fiduciary duties:
 - **Selflessness** – Directors should act solely in terms of the interest of the NGO.
 - **Integrity** – Directors must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

The Nolan Principles of Public Life - required personal qualities of NGO directors

- **Objectivity** - Directors must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
- **Accountability** – Directors are accountable to the members of the NGO and its stakeholders for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
- **Openness** - Directors should be as open as possible about all the decisions and actions they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.
- **Honesty** - Directors have a duty to declare any private interests relating to their duties and to take steps to resolve any conflicts arising in a way that protects the interest of the NGO.
- **Leadership** - Directors should promote and support these principles by leadership and example.

Preparation for board roles and duties

Professor Bob Tricker's governance model



- Source: Nous Group: <https://nousgroup.com/insights/boards-actions-covid-19/>

Roles of the NGO director

- Bring wider business and board experience, specialist knowledge and skills, and diversity to the boardroom
- Be an ambassador for the NGO
- Provide independent judgement on decision-making
- Be a catalyst for change for the long-term interest of the NGO
- Monitor the performance of the executives and the NGO (including its culture)
- Make **constructive** challenge

How to get yourself prepared?

- First and foremost, understand your legal and governance duties as a director
- Understand the articles of association of the NGO
- Make sure you have time to prepare for the meeting and follow up on the key matters after it
- Work out what could be your contributions to the board
- If you are new, ask for an induction programme. And don't hesitate to ask for a tailor-made one
- Get the board meetings calendar and find out the important timelines in the following twelve months
- Make sure that the company secretary can help the board be more effective

Biases in boardroom decision making

Signs of Groupthink

- **Groupthink** is a phenomenon that occurs when a group makes irrational or non-optimal decisions spurred by the urge to conform or the belief that dissent is unwelcome.
- Signs of groupthink:
 - Controversial topics are avoided or dealt with casually, and meetings are dominated by directors nodding in agreement.
 - Directors who question the prevailing views are not appreciated
 - Little time is set aside for discussion.
 - Directors rarely asks probing questions.
 - Board papers are delivered only shortly before the meeting, or fail to highlight key issues.

How to get rid of groupthink?

- Bring in external advisors or “appointed directors”
- On controversial issues, solicit views from each director
- Recruit directors who can bring diversity to the boardroom
- Ensure the relevance and timelines of board materials
- If possible, always conduct in-person meetings to facilitate interaction among directors
- Have regular board evaluation
- Introduce best practices on board proceedings

Authority bias

- The **authority bias** causes people to accept opinions and judgments of the authority figure without evaluation.
- Signs of authority bias:
 - The same director (e.g. the chairman) has the final say in the “discussion”.
 - The board regularly defers to the views of the authority figure — either as a subject matter expert or because of his/her seniority in the boardroom.
 - Once the authority figure speaks, the other directors find it formidable to challenge what is said or offer a different view.

How to get rid of authority bias?

- The chairman should solicit views from each director, making sure that every director has a voice on the board's business
- Provide CPD training in strategic or emerging areas to prevent the board from over relying on some particular directors
- Bring in external advisors or “appointed directors”
- The chairman and the authority figure should try not to preempt the discussion.
- Introduce best practices on board proceedings

Status quo bias

- **Status quo bias** is the preference for maintaining the current situation and opposing actions that may change the state of affairs.
- Signs of status quo bias:
 - Directors stick to the same strategy despite obvious change in circumstances or KPIs, and see the below-par performance as a result of things beyond their control.
 - The board has a noticeable number of long-serving directors.
 - No regular CPD training for the board.
 - Insufficient stakeholder engagement.

How to get rid of status quo bias?

- Incorporate an “activist member” mindset into strategic discussion.
- Bring in external advisors or “appointed directors”.
- Use board evaluation to identify ways the board can benefit from refreshment.
- Set the maximum length of service to promote progressive board refreshing.
- Introduce best practices on board proceedings.

Nurturing positive board dynamics

Nurturing positive board dynamics

- Effective chairmanship
- Committing to the purposes of the NGO
- Introduce best practices on board proceedings.
- Create and maintain positive board culture
- Have relevant policies in place
- Board evaluation

What makes an effective director?

Personal qualities of an effective director – echoing the Nolan Principles

- Good judgment
- Communication skills
- Active contributor
- Confidence
- Integrity and honesty
- Intellectual curiosity
- Discipline
- Genuine interest in achieving the purposes of the NGO

What an effective director does, according to the Higgs Report (UK, 1993)

- Upholds the highest ethical standards of integrity
- Supports executives in their leadership of the business while monitoring their conduct
- Questions intelligently, debates constructively, challenges rigorously and decides passionately
- Listens sensitively to the views of others, inside and outside the board
- Gains the trust and respect of other board members
- Promotes the highest standards of governance

Thank you very much

**KEEP
CALM
AND
BE A GOOD
DIRECTOR**