

GOVERNANCE IN ACTION

Why Governance Matters for NGOs

From late 2016 to early 2017, United Christian Nethersole Care Home (UCNH) in Kwun Tong underwent a decommissioning process. The case illustrates how good governance helps turn a potential crisis into a valuable experience. The Board of Directors of United Christian Medical Service, UCNH's operating authority, and of Alice Ho Miu Ling Nethersole Social Service Limited, managing authority of UCNH, took a hands-on approach to ensure that it was a smooth and pleasant experience for all, especially the Care Home's staff and residents, and their families.

During an interview on the importance of good governance for NGOs, Ms Michelle Chow, one of the Directors of Alice Ho Miu Ling Nethersole Social Services Limited, expatiated on how she and her Board were actively involved in the making of the end episode of UCNH, drawing on also her expertise in giving legal advice to charities and trusts.



As a lawyer by profession, Michelle stresses the importance of good governance for NGOs.

Transparency is key to good governance

"Transparency," said Michelle, when asked if there is any golden rule for good governance in the NGO setting. By transparency, she meant more than making information available per regulatory requirements or when requested. During UCNH's decommissioning, transparency was effectuated by crafting the essential messages carefully and proactively getting them across at the right time. More importantly, such fine communications would not be possible without the board's ardent support for their staff and commitment in seeing it through.

Going beyond their usual governance role, Michelle and senior executives of UCNH paid visits to other care homes to select future residence for UCNH's soon-to-be-ex clients. The UCNH nurses and carers who took care of the residents' daily needs also personally met with each and every of the residents' families to make sure they were properly informed of the situation and discussed the best possible arrangements for the elderly. The unwavering support they showed gave these frontline executives the assurance they needed to neatly fulfill the uneasy task. At the end, the process was completed more than a month ahead of schedule. The UCNH team paid visits to the elderly's new homes to ensure that their new carers are well-informed of the elderly's needs. The elderly never felt left alone in the whole process. A decision, which might be described as heartless and commercial, was beautifully executed in a professional and caring manner upholding Nethersole's Christian spirit of compassionate love.

There is no excuse to avoid investing in governance, not size, not lack or resource: governance lies in the root of good (or bad) NGO performance

It is true that, expectedly, the constant upkeep of good governance takes effort – and this is why some, especially small NGOs, hold the view that it is such a resource-intensive and laborious task that the effort is better spent otherwise, such as on fundraising or improving organization performance. Such an opinion, unfortunately, cannot be more misguided. For instance, the problem of inappropriate fundraising procedures is the tip of an iceberg one sees above sea level – beneath it hides the bigger issue of incompetent governance. After all, no one would be willing to donate to an ill-governed, secretive organization. Last but not least, it is always more economical to maintain good governance i.e. adopting a preventive approach, than to recover from bad governance i.e. a curative approach.

Governance is worthy of all the effort properly invested in it, not only because it is required ethically (and most of the time legally), but also because good governance rewards. This refers to the fact that good governance including high transparency helps realize an organization's mission, even draws resources, talents and much more.

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Good governance is constructive to realizing an organization's mission

Good governance enables open, honest and thorough debates an organization needs to make sound decisions that reflect long-term interests of the organization. While not every single stakeholder agrees with each decision governors make, with the process being completely fair, highly transparent and thus respectable, those who disagree are more likely to compromise and accept the outcomes. In other words, good governance endows an organization with legitimacy that is fundamental to the achievement of its goals.

Good governance attracts talents and other resources

In respect of recruiting talents, capable board and staff candidates, even volunteers, likely have more faith in highly transparent organizations with clear guidelines defining their roles and responsibilities, and hence willingness to service and be associated with them. Likewise, there is a positive correlation between an organization's governance performance and the morale as well as the loyalty of its existing governors and staff.

In a similar fashion, charitable foundations often seek legal advice to conduct due diligence so as to verify the target beneficiaries' organizational health before making grant decisions. In the context of NGOs, sound governance equates good health. This again corroborates the view that good governance is conducive to winning resources.

Conclusion

Governance is of utmost importance to running an NGO and, transparency is one of the main ingredients of good governance. With good governance, a potential crisis is more easily dealt with, even becoming an invaluable opportunity for the organization to win goodwill. Apart from it being a requisite for regulatory compliance, good governance runs through all veins of strong organization performance, from realizing organization mission to attracting resources. So, does your organization enjoy the perks of good governance? Please write to us at gpp@hkcss.org.hk and tell us your experience!

Good governance indicators suggested by Michelle

- ✓ regulatory and legal compliance, including but not limited to proper filing of annual returns
- ✓ high organization transparency e.g. clear descriptions of structure and activities, availability of financial information and future plans on various communications channels
- ✓ high governing competency e.g. committed persons with expertise relevant to the organization's scope of services on board (and committees)
- ✓ high organization performance including effectiveness and efficiency, and adherence to its mission
- ✓ availability of governance code or guidelines for board members

Our special thanks to Ms Michelle Chow, who provided guidance on this article and the list of good governance indicators.

Professionally a solicitor specializing on advising charities and trusts at Withers, an international law firm, and a former legal counsel to Li Ka Shing Foundation, Michelle currently serves on multiple NGO boards and committees, including:

- Alice Ho Miu Ling Nethersole Hospital, Hospital Governing Committee
- Pamela Youde Nethersole Eastern Hospital, Hospital Governing Committee
- Alice Ho Miu Ling Nethersole Charity Foundation
- Alice Ho Miu Ling Nethersole Social Services Limited
- The Hong Kong Council of Social Service WiseGiving, Steering Committee

She also regularly lectures on philanthropy and charity law issues.