NGO Governance Health Programme

Study Report
November 2022

Meeting Efficiency & Effectiveness

The Set-up

Support Top Tier Executive

Impact of Board Leadership

Monitor Performance

Ensure Accountability to Stakeholders

Provide Expertise & Access

The Team Mix

Ensure Adequate Financial Resource

Shape Mission & Vision

Positive Culture

NGO BOARD GOVERNANCE

Involve in Strategic Planning

Monitor Board Performance

The Design

Foster Involvement & Commitment

Oversee Risk & Compliance

Recruitment

Succession Planning

Delegation & Delineation of Authority

Constructive Partnership With Management

Capacity Building

NGO Governance Health Programme

Study Report

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November 2022

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1.1 Background

1.1.1   Non-governmental organisations (NGOs) play an important role in promoting the social development in Hong Kong. Ensuring good board governance means safeguarding against risks, better monitoring and assurance of performance to deliver their missions effectively and efficiently. On the contrary, without proper governance, NGOs may drift from the organisations' missions, lose orientation and accountability to those they serve and those that support them.

1.1.2   NGOs are mainly stewarded by their governing bodies, which may be called the Council, Board or Executive Committee, etc. NGO board members have contributed their time, knowledge and experience on a voluntary basis. The governing boards of organisations assume an extremely important role in driving the development of not just respective organisations, but also the civil society sector at large. Governance is increasingly in the spotlight in Hong Kong's NGOs. Regarding the oversight of NGOs, stakeholders and the general public are demanding more *transparency*, *accountability* and *service quality*. At the organisational level, the board is responsible for ensuring that good governance is in place.

The 2018 Programme

1.1.3   In 2018, The Hong Kong Council of Social Service (HKCSS) has received support from funders to partner with the Excellence in Capacity-building on Entrepreneurship and Leadership for the Third-sector (ExCEL3) at The University of Hong Kong (HKU) as well as Governance and Management Excellence (GAME) for Public Benefit to develop a self-assessment tool for measuring governance health of NGOs and to apply the tool to collect data for a landscape survey and analysis. In the NGO Governance Health Programme (the 2018 Programme), a Board Governance Health Study (the 2018 Study)[1] was conducted to study the governance health of NGOs in Hong Kong's social service sector. Group debriefing sessions tailor-made for NGOs of different sizes were organised to disseminate the findings of the 2018 Study. In-depth briefings by professional consultants were offered

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[1] The Hong Kong Council of Social Service, The University of Hong Kong & Governance and Management Excellence for Public Benefit (2019). *Hong Kong NGO Governance Health Survey 2018 – Landscape Report.* Retrieved from HKCSS NGO Governance Platform Project website: https://governance.hkcss.org.hk/node/362

to selected NGOs with a view to facilitating their boards to better understand the governance health of their organisations, and to identify areas in which possible improvement could be made.

The 2021 Programme

1.1.4   Upon the success and positive feedback of the 2018 Programme, there is a need to continue the momentum to further promote the actionable governance health framework and the self-assessment tool developed for understanding and enhancing the capacities of NGOs for effective board governance and fostering the culture of regular review of NGO boards' performance.

1.1.5   In 2021, HKCSS has partnered with Governance and Management Excellence (GAME) for Good Limited and the Centre for Civil Society and Governance, the University of Hong Kong (the Centre of HKU) to launch the 2021 Programme. The 2021 Programme consists of two main components: Board Governance Health Study (the 2021 Study) and Board Governance Health Enhancement Series.

1.1.6   The five key objectives of the 2021 Programme are as follows:

To refine the NGO governance health check tool developed earlier

01

02

To capture knowledge on NGO board governance from the health check exercise

To promote the awareness and understanding of board governance health and good governance practice among NGOs

03

04

To trace the level of governance standard in the sector

To develop practice knowledge and recommendations with a view to addressing the "low-scoring" governance health aspects among the sector identified in the 2018 Programme

05

1.1.7   The 2021 Study aims to offer a self-assessment tool for local NGOs to measure their board governance health, and to examine the strengths and areas for improvement in governance practices. It also provides comprehensive data analysis for the reference of the sector. Social Policy Research Limited (SPR) is commissioned to carry out the 2021 Study with the online platform provided by the Centre of HKU.

1.2 Organisation of the Study Report

1.2.1   This report summarises the responses and views collected through the 2021 Study, and proposes a list for good practices of NGO Governance in the following chapters:

Chapter 1   Introduction
provides background and objectives of the 2021 Study

Chapter 2   Conceptual Framework
demonstrates the conceptual framework of the NGO governance assessment tool

Chapter 3   Methodology
presents the methodology and enumeration results

Chapter 4   Profile of the Participating NGOs
illustrates the profile and demographics of the participating NGOs

Chapter 5   NGO Governance Good Practices
summarises the adoption and perceived relevance of NGO governance good practices

Chapter 6   Board Governance Areas
summarises the level of satisfaction and perceived impact on the overall organisation performance

Chapter 7   NGO Governance Health Index
constructs the NGO Governance Health Index and presents the averages scores

Chapter 8   Observations and Recommendations
provides observations and recommendations
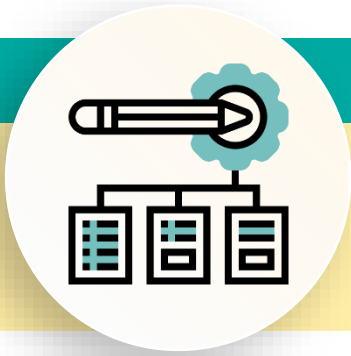
Based on the results of the 2018 Study, the NGO governance assessment tool that addresses the situation of local NGOs was refined for better understanding and fostering the culture of regular review of NGO boards' performance. The assessment tool comprises two major components: (1) the NGO Governance Good Practices which gauges the degrees to which different good practices are adopted and perceived to be of relevance to the organisations; and (2) 11 areas of NGO governance for which the participating NGOs' levels of satisfaction and perceived impact on the overall organisational performance are gauged.

2.1 NGO Governance Good Practices

2.1.1   NGOs in Hong Kong are governed and steered by governing bodies such as Councils, Boards or Executive Committees (hereafter "the board"). Board members work together to apply their knowledge, expertise and experience to lead and oversee the work of NGOs. As their governing role is embedded in relevant laws and regulations, they are legally accountable. To manage the day-to-day operation of the NGOs, the board appoints an executive director (hereafter "the agency head").

2.1.2   Good governance with a healthy and performing board is a key to the sustainability and growth of NGOs. After reviewing the international references[2] on NGO governance practices, a conceptual framework of NGO governance health is constructed to suit local context for setting institutional design and environment that the board is facing, the capacity to deliver core responsibilities of governance, and the dynamics of interaction that can be enablers or barriers to healthy board functioning. Governance health encompasses the attributes, qualities and actions that help sustain governance performance over time.

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[2] Adapted from *Nonprofit Governance Index*, BoardSource, 2012; *Survey on Board of Directors of Nonprofit Organizations*, Stanford Graduate of Business, BoardSource and Guidestar, 2015; *The Governance Wheel - A tool to measure and support change in your governance and leadership*, National Council for Voluntary Organizations, 2015; *Leading with Intent: A National Index of Nonprofit Board Practices*, BoardSource, 2017; *The Dynamic Board: Lessons from High-Performing Nonprofits*, McKinsey & Company; *Charity Governance Code*, Charity Governance Code Steering Group, 2017; *Survey on Board-level Recruitment and Retention Strategies among NGOs in Hong Kong*, HKCSS and ExCEL3, 2016; *Guide to Corporate Governance for Subvented Organizations*, Efficiency Unit, 2015; *Self-Assessment of Nonprofit Governing Boards Questionnaire*, Board Source, 1999.

2.1.3   NGO governance health is measured by assessing the way the board of an organisation is "built", the manners in which the board performs its vital functions, and the quality of interaction and behaviour in the board's operation. Three main dimensions - namely "Board Design & Processes", "Board Role Execution" and "Board Dynamics & Behaviour" - are constructed, which are illustrated in the following three diagrams.

Board Design & Processes

2.1.4   The set up or "built" of a board defines the attributes and functioning mechanisms as reflected in board composition, structure and processes. Does an NGO have an appropriate board structure and composition which enables it to exercise its governance roles and responsibilities effectively? How are boards composed and organised as a collective body? Does the board structure meet the needs of the NGO?

2.1.5   In the dimension of board design and processes, three elements and five aspects with 12 good practices are constructed.
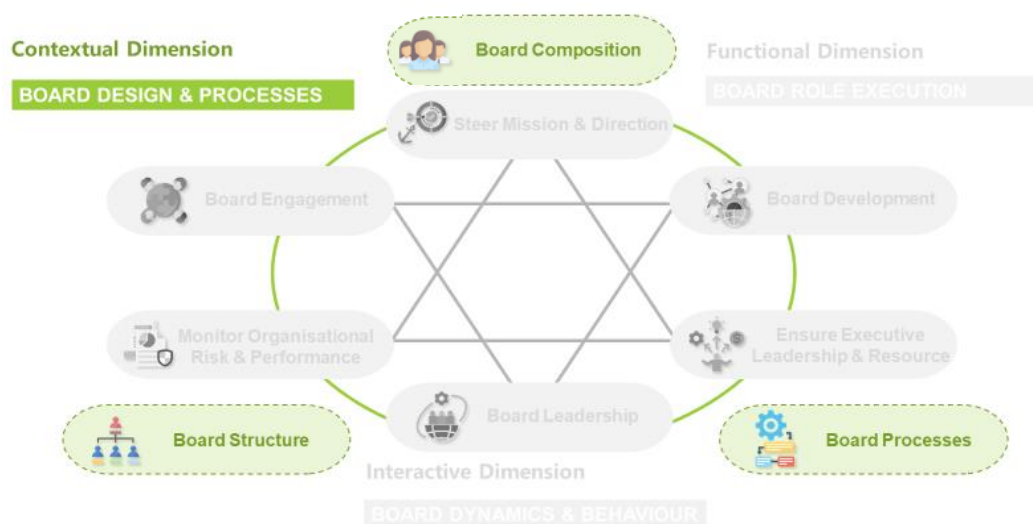
Board Composition

2.1.6   It refers to the setting of the stage for board work - who and how many people are allowed on stage? What are the talents and expertise that governing the organisation requires? The four proposed good practices of board composition include "board reviews and agrees on the board size", "board members term limits effectively balance the need for new members / skills and the retention of experienced directors", "board has a systematic process for identifying the governance leadership quality and board skills to lead your organisation" and "board members bring a range of perspectives to ensure that key stakeholders' interests can be reflected in the governance".

2.1.7   In this element of board composition, the two aspects are *the Set-up (董事會設置)* and *the Team Mix (團隊組合)*.

Board Structure

2.1.8   Regarding board structure, it is about how the organisation defines and organises the people on board? How it sets the structure of authority and decision-making processes? The four proposed good practices include "current committee is structured to reflect the needs or priorities of your organisation", "board reviews timely the committee structure to enhance governance control and functions", "the terms of reference of committees clearly define their authority, roles and responsibilities, reporting and accountability requirements" and "board uses a mix of ad-hoc, advisory and standing committees to exercise different governance functions". A caveat is warranted that no unique board structure fits all NGOs.

2.1.9   In this element of board structure, the two aspects are *the Design (董事會設計)* and *Delegation & Delineation of Authority (授權與權力界定)*.

Board Processes

2.1.10   It is the clockwork mechanics of how the board works to deliver its directives – how meetings are prepared and processed. Regarding board processes, the four proposed good practices include "calendar of board / committee meetings / non-meeting activities is set and distributed for the year to allow board members to schedule and commit their participation", "board / committee(s) receive(s) agenda and quality information well in advance of meetings to encourage members to prepare for deliberations", "board meeting has meaningful discussions on strategic issues in addition to operational matters" and "board follows up on the implementation of its decisions".

2.1.11   In this element of board processes, the aspect is *Meeting Efficiency & Effectiveness (會議效率與有效性)*.

Board Role Execution

2.1.12   The capacity of the board to deliver its vital functions or core governance responsibilities constitutes an essential dimension of governance health. Adopting the McKinsey & Co analytical framework, key governance roles are grouped under three elements in this dimension: to steer mission and direction, to ensure executive leadership and resource, and to monitor organisational risk and performance.

2.1.13   In the dimension of board role execution, three elements and eight aspects with 23 good practices are constructed.
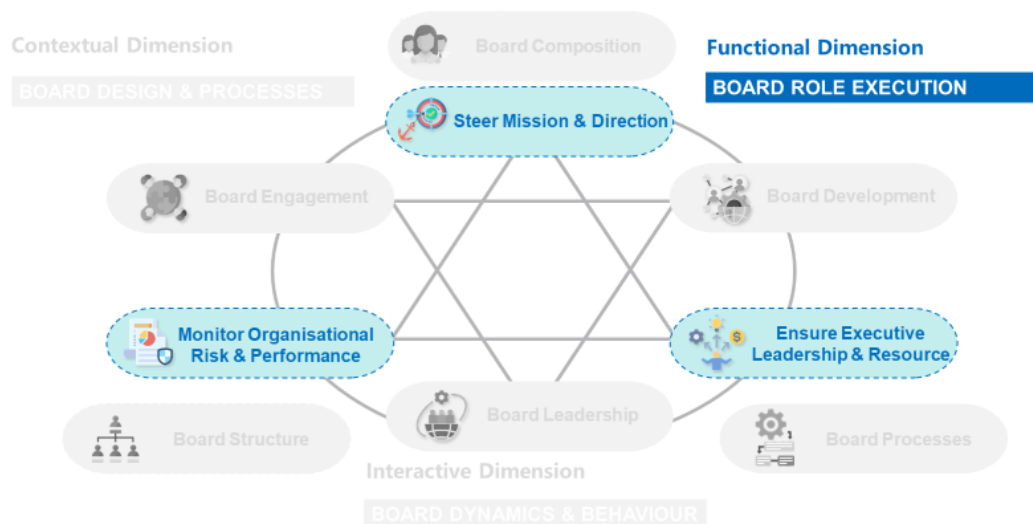
Steer Mission & Direction

2.1.14   The board uses a mission statement to remind members of the reasons why the organisation exists. The mission helps the board stay focused on the goals of the organisation. The vision stipulates the development direction of the organisation and points to possible ways forward.

2.1.15   To shape mission and vision, the three proposed good practices are "all board members share a common understanding of your organisation's mission", "all major policy and strategy discussions are in line with your organisation's mission and vision" and "board undertakes to update your organisation's mission and vision as necessary".

2.1.16   The board is involved and guides strategic planning to deliver the mission of the organisation, the three proposed good practices are "board works with management to design and participate in strategic planning process", "board works with management to review strategic plan to ensure that programme / service goals are tightly linked to your organisation's mission and vision" and "board translates strategic plan into oversight responsibilities for the board / committee(s) to follow through".

2.1.17   In this element of steering mission and direction, the two aspects are *Shape Mission & Vision (訂定使命及願景)* and *Involve in Strategic Planning (參與策略規劃)*.

Ensure Executive Leadership & Resource

2.1.18   To ensure the organisation delivers its mission, the board has the responsibility to ensure effective executive leadership, to secure sufficient resource required for operating the organisation and to provide expertise and access.

2.1.19   The board hires and oversees the performance of the top-tier executive, hence support to the top-tier executive is a key role of the Board. The three proposed good practices are "board provides development opportunities for top-tier management according to their identified strengths and weaknesses", "documented evaluation on top-tier management performance is

done at least annually against pre-defined criteria and process (e.g. a self-assessment, written feedback or development plan)" and "board has preparedness and planning of succession for top-tier management".

2.1.20   To ensure adequate financial resource, the three proposed good practices are "board supports management in preparing / reviewing multi-year financial plan that results in robust discussion of resource allocation, funding plans and investment objectives in context of strategic goals", "board works with the management to review financial statements regularly" and "board members financially support or fundraise for your organisation".

2.1.21   To provide expertise and access, the two proposed good practices are "board proactively provides expertise, external access or influence needed to accomplish organisational goals" and "board members act as effective representatives or ambassadors for your organisation".

2.1.22   In this element of ensuring executive leadership and resource, the three aspects are *Support Top Tier Executive (支援最高管理層)*, *Ensure Adequate Financial Resource (確保財政資源充足)* and *Provide Expertise & Access (提供專門知識及聯繫網絡)*.

Monitor Organisational Risk & Performance

2.1.23   The third key function of the board is to monitor the performance of the organisation, identify sources of risk, estimates potential risk exposure, and ensure accountability to the organisation's stakeholders.

2.1.24   To oversee risk and compliance, the four proposed good practices are "board works with management to ensure timely and independent financial audit", "policies on managing conflict of interest of Board / committee members are enforced", "board understands regulatory and funding requirements to safeguard operation compliance" and ensuring that the organisation has an effective risk monitoring mechanism in that the "board reviews risk assessments compiled by management that acknowledges potential risks and approves mitigation plans".

2.1.25   To ensure accountability to stakeholders, the two proposed good practices are "board identifies key stakeholders and ensures that performance results are communicated effectively to the stakeholders" and "board ensures that stakeholder perspectives and feedbacks are used to inform strategy and resource allocation".

2.1.26   To monitor performance, the three proposed good practices are "board works with management to set performance targets with reference to peer organisations", "board knows the strengths and weaknesses of major programmes" and "board monitors and uses the performance results to inform decisions on strategic planning, resources allocation, and evaluation of the top-tier management".

2.1.27   In this element of monitoring organisational risk and performance, the three aspects are *Oversee Risk & Compliance (監管風險及合規)*, *Ensure Accountability to Stakeholders (確保接受持份者問責)* and *Monitor Performance (監察表現)*.

Board Dynamics & Behaviour

2.1.28   People's behaviour and the dynamics of their interaction constitute the governance culture, which critically affects the functioning of the board. Board members' engagement or having a sense of ownership, board development practices from recruiting, learning and growing to work and lead as a group to succession planning, board-management relationship, and leadership style and abilities are key factors influencing board performance. The board is the highest decision-making body of the non-profit organisation. A healthy and effective board should be able to grow with the organisation and be reflective of its accountability to the public and its key stakeholders to lead with impact.

2.1.29   In the dimension of board dynamics and behaviour, three elements and eight aspects with 22 good practices are identified.
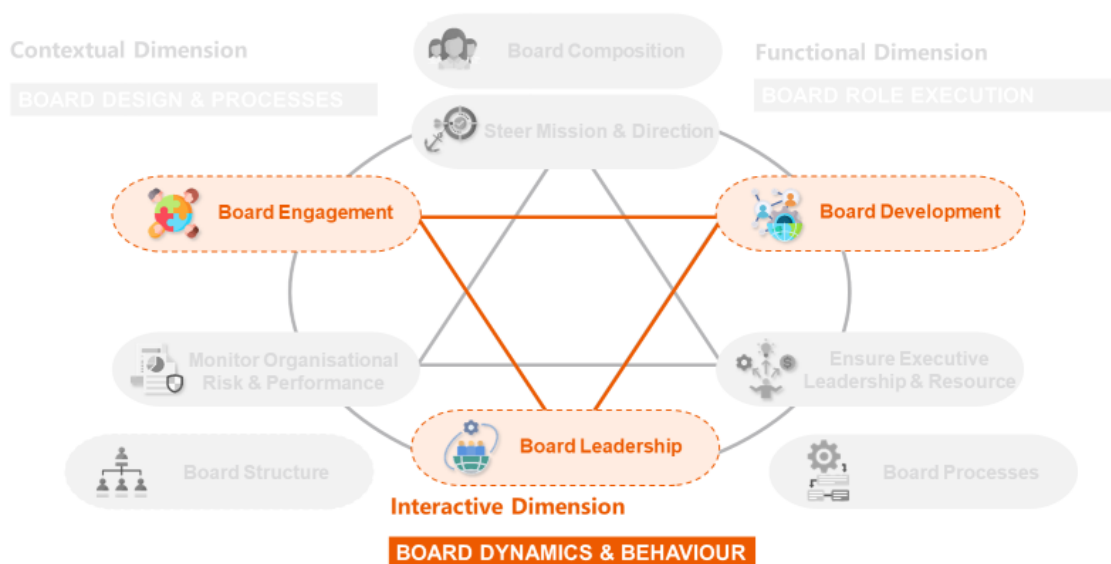
Board Development

2.1.30   Good-hearted and mission-driven individuals need to be groomed to work with one another as an effective team. Board development involves identifying and cultivating board talents and, perhaps more importantly, putting in place conscious efforts and procedures to encourage and develop capacities in board members so that they can perform their roles and duties in a most effective manner.

2.1.31   The two proposed good practices of board recruitment are "board has formal processes to recruit and nominate members with clear evaluative criteria" and "board proactively seeks for and provides opportunities to potential recruits to familiarise with your organisation".

2.1.32   For capacity building, the two proposed good practices are "there is orientation for all new board members to understand the organisation programmes, finances, governance responsibilities and introduction to their board colleagues" and "continuous and collective learning opportunities are provided to board members".

2.1.33   For succession planning, the two proposed good practices are "succession planning is discussed and processes are in place to recruit and develop potential board leaders" and "potential board leaders are given committee assignments to gain experience and opportunity to lead".

2.1.34   In this element of board development, the three aspects are *Recruitment (成員招募)*, *Capacity Building (能力建設)* and *Succession Planning (接任規劃)*.

Board Engagement

2.1.35   An engaged board is vital to the growth and sustainability of the organisation. The reasons of joining a board vary across board members, but all board members should be united by their belief in the mission and vision of the organisation. The board experience has to be satisfying, engaging and bring growth for members to contribute effectively and continuously. The culture and characteristics of board interaction can help or hinder the board's ability to carry out its work.

2.1.36   To create a positive culture, the four proposed good practices are "a culture of trust, commitment, openness and transparency exists among board members", "board is not dominated by a few individuals. Members work as a team, taking collective responsibility for failures and successes", "board members spend time together outside board meetings (e.g. a "retreat day" or an "away-day") to know each other and enhance bonding" and "board is able to resolve differences, build consensus and reach compromise in a positive way".

2.1.37   To foster involvement and commitment, the four proposed good practices are "there are conscious engagement efforts to enhance individual board members' understanding and participation (e.g. assigning buddies / mentors to new members, formal training, Board Chair's proactive communication on expectations to members)", "board members devote sufficient time to carry out their duties effectively, including meeting preparation and sitting on board committees", "board members see the connection between what they do and the positive impact on the beneficiaries" and "board members' contributions to your organisation are appreciated".

2.1.38   In this element of board engagement, the two aspects are *Positive Culture (正向文化)* and *Foster Involvement & Commitment (推動參與及承擔)*.

Board Leadership

2.1.39   Healthy board leadership is grounded upon a shared and mutually supportive partnership with the management. It requires that board members be able to work as an effective team to provide insight and judgement, to be reflective of the board's performance, and to be accountable to the public and various stakeholders.

2.1.40   Regarding constructive partnerships with management, the three proposed good practices are "board and management have a shared understanding of their different roles and

responsibilities in governing and managing your organisation respectively", "board-management maintains a trustful relationship and constructive partnership" and "board gives the top-tier management enough authority and responsibility to lead the staff and manage your organisation and is conscious to avoid micro-management".

2.1.41　The board needs to monitor and be conscious of the need to improve its own performance. The two proposed good practices are "board conducts periodical assessment to evaluate and find ways to improve its governance performance" and "board regularly assesses and gives feedback to all members to enhance their participation and contribution".

2.1.42　To develop the impact of board leadership, the three proposed good practices are "current Board leaders have the necessary skills, enthusiasm, energy and time to provide leadership to the Board", "board leaders often reach out and are approachable to key stakeholders (including staff, service users and funders)" and "board leadership strengthens the performance of your organisation".

2.1.43　In this element of board leadership, the three aspects are *Constructive Partnership with Management (與管理層建立具建設性的夥伴關係)*, *Monitor Board Performance (監督董事會表現)* and *Impact of Board Leadership (領導力的成效)*.

Framework

2.1.44　A framework which comprises three dimensions and nine elements of NGO Governance Health is shown in the diagram below:
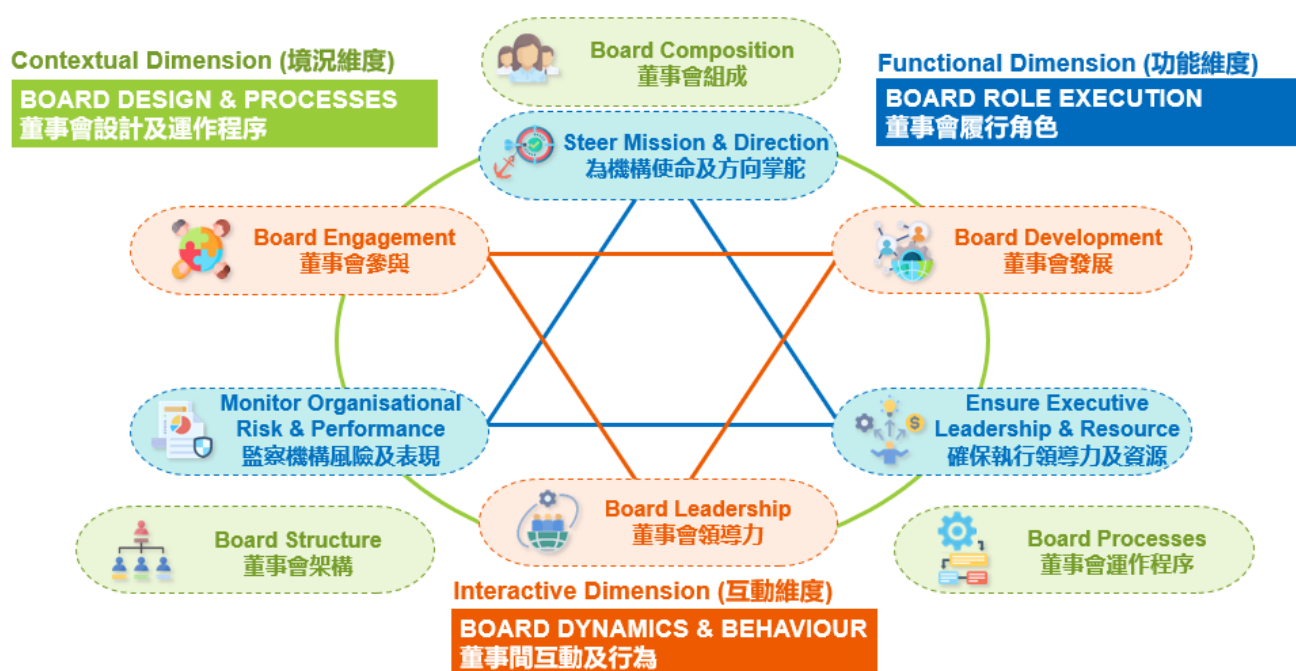
2.1.45   The three dimensions are further divided into nine elements and 21 aspects, with a total of 57 good practices conducive to NGO governance health. A full list is shown in *Annex 1*. The details are shown in the table below:

Table 2.1.1 NGO Governance Good Practices

3 Dimensions	Contextual Dimension (I) Board Design & Processes	Functional Dimension (II) Board Role Execution	Interactive Dimension (III) Board Dynamics & Behaviour
9 Elements	**1. Board Composition**	**4. Steer Mission & Direction**	**7. Board Development**
	2. Board Structure	**5. Ensure Executive Leadership & Resource**	**8. Board Engagement**
	3. Board Processes	**6. Monitor Organisational Risk & Performance**	**9. Board Leadership**
21 Aspects **( ) = number of good practices in the aspect concerned** **57 good practices in total**	1.1 The Set-up (2) 1.2 The Team Mix (2)	4.1 Shape Mission & Vision (3) 4.2 Involve in Strategic Planning (3)	7.1 Recruitment (2) 7.2 Capacity Building (2) 7.3 Succession Planning (2)
	2.1 The Design (2) 2.2 Delegation & Delineation of Authority (2)	5.1 Support Top Tier Executive (3) 5.2 Ensure Adequate Financial Resource (3) 5.3 Provide Expertise & Access (2)	8.1 Positive Culture (4) 8.2 Foster Involvement and Commitment (4)
	3.1 Meeting Efficiency & Effectiveness (4)	6.1 Oversee Risk & Compliance (4) 6.2 Ensure Accountability to Stakeholders (2) 6.3 Monitor Performance (3)	9.1 Constructive Partnership with Management (3) 9.2 Monitor Board Performance (2) 9.3 Impact of Board Leadership (3)

Scoring Method

2.1.46   Board members of the participating NGOs were asked to rate the degrees to which particular good practices are adopted in their organisations in a 5-point Likert scale, with "1" representing "never" and "5" representing "always", or the level of agreement on whether a positive health status is reflected in their organisations, with "1" representing "strongly disagree" and "5" representing "strongly agree".

| Never (Strongly Disagree) | Seldom (Disagree) | Sometimes (Neutral) | **Often (Agree)** | **Always (Strongly Agree)** |
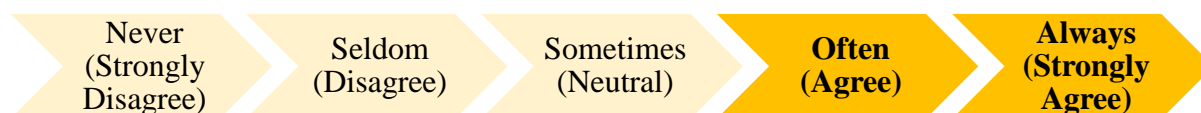
2.1.47   Further, the board members were asked to report the perceived relevance of particular good practices to their organisations in a 5-point Likert scale, with "1" representing "strongly disagree" and "5" representing "strongly agree".

| Strongly Disagree | Disagree | Neutral | **Agree** | **Strongly Agree** |
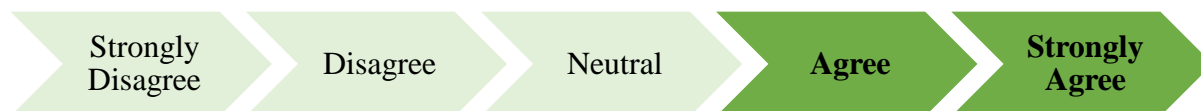
2.2 Board Governance Areas

Level of Satisfaction and Impact on the Overall Organisational Performance

2.2.1   To gauge the NGOs' overall perception of their own governance health and performance, 11 areas of board governance are listed for the NGOs to indicate their levels of satisfaction and their views on the impact on the overall organisational performance in these areas.

- ○   Commitment to Mission and Vision
- ○   Direction and Leadership
- ○   Providing Adequate Financial Resources and Oversight
- ○   Ensuring Integrity, Ethics and Legal Compliance
- ○   Monitoring Risks and Organisational Performance
- ○   Supportive and Constructive Relationship between Board and Management
- ○   Stakeholder Representation and Accountability
- ○   Disclosure and Transparency to the Public
- ○   Community Relations and Outreach Efforts
- ○   Board Effectiveness
- ○   Learning and Continuous Improvement

2.2.2   A full list with the detailed descriptions is shown in *Annex 2*.

Scoring Method

2.2.3   A self-assessment method was adopted. The board members were asked to indicate their levels of satisfaction in a 5-point Likert Scale, with "1" representing "very unsatisfied" and "5" representing "very satisfied".

Very unsatisfied	Unsatisfied	Neutral	**Satisfied**	**Very satisfied**
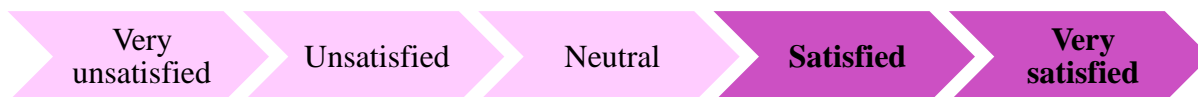
2.2.4   Further, the board members were asked to indicate the perceived impact on the overall organisational performance in a 5-point Likert Scale, with "1" representing "very low" and "5" representing "very high".

Very Low	Low	Moderate	**High**	**Very High**

3.1 Methodology

Target NGOs

3.1.1   The target NGOs of the 2021 Study are:

(i)   Any charitable institutions or trusts of a public character, which are exempt from tax under section 88 of the Inland Revenue Ordinance; and

(ii)   with governing bodies such as a Council, a Board or an Executive Committee.

Design

3.1.2   For each NGO which had agreed to participate in the 2021 Study, the agency head and three board members - including the board chairperson, one board officer bearer and one board member who had served on the board for more than one year - were invited to fill in the assessment tool. The agency head provided the information about the NGO in Form A and his/her views on the board practices in Form B; and the three board members provided their views in Form B.

Positions	Participation in the Assessment
Agency Head	1 (Form A & B)
Board Chairperson	1 (Form B)
Board Officer Bearer	1 (Form B)
Board Member	1 Board Member who had served on the board for more than 1 year (Form B)

3.1.3   A pilot study was conducted to fine-tune the assessment tool (Form A and Form B) as well as the operation of the 2021 Study.

3.1.4   On 18 August 2021, a briefing session was conducted to explain to NGOs the design and procedures of the 2021 Study. Invitations were sent to the NGOs in August 2021. From September to November 2021, after collecting the board members' information, invitations were also sent to agency heads and board members separately via an online platform. Responses of the assessment were received during the period from October 2021 to February 2022.
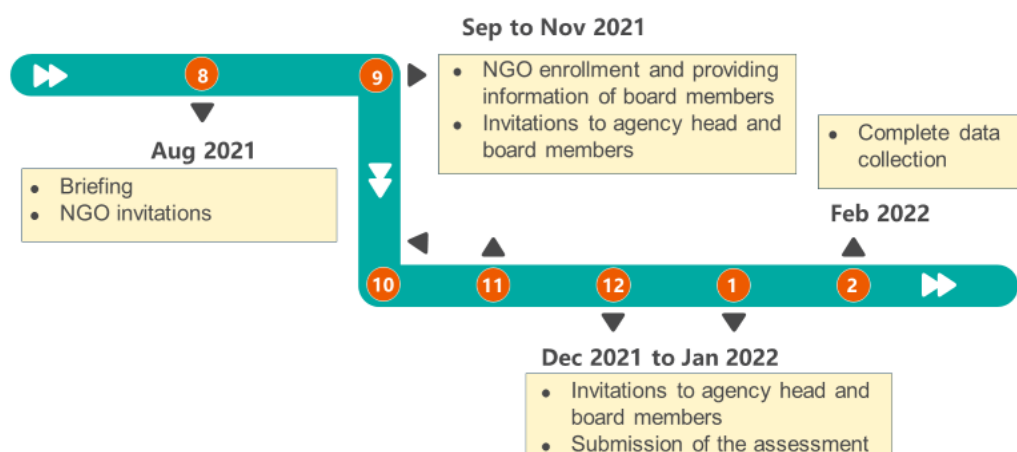
Questionnaire Design

3.1.5   Based on the constructed conceptual framework, two questionnaires - namely Form A and Form B - are designed. *Form A* consists of 23 questions concerning organisational information, board composition and structure. The information in Form A is provided by agency heads. *Form B* consists of 68 questions gauging the degrees to which particular good practices are adopted, the perceived relevance of the practices to the organisations, the levels of satisfaction of governance health aspects and impact on the organisational performance. The information in Form B is provided by agency heads and board members.

Form A	Form B
○ 23 questions	○ 68 questions
○ Organisational information (year of establishment, functions, missions, number of staff, annual total expenditure, funding sources, etc.)	○ Degree of adoption of the good practices and the relevance of the practices to the organisations
○ Board composition and structure (number and profiles of board members, number and types of board meetings, etc.)	○ Level of satisfaction of governance health aspects and their impact on organisational performance
○ Completed by Agency Head	○ Completed by Agency Head and board members

3.2 Enumeration Results

3.2.1   The 2021 Study was conducted in the period from August 2021 to February 2022. In the recruitment stage, a total of 59 reply slips from eligible NGOs were received. Of these 59 eligible NGOs, 51 provided information on their board members. After recruitment and confirmation from these NGOs, 258 questionnaire invitations were sent to their agency heads and board members separately via an online platform. A total of 50 NGOs participated in the 2021 Study; from which a total of 215 valid completed assessments were received. The completion rate was 83.3%.

Table 3.2.1 Enumeration results

Stages	No. of NGOs	No. of Assessments (Completion rate)
(I) Recruitment		
Received reply slip from NGOs	61	
○ Eligible NGOs	59	-
○ Ineligible NGOs	2	
(II) Confirmation		
Sent confirmations	59	
○ Received confirmations	51	-
○ Withdrew	8	-
(III) Questionnaire Invitation	51	258
Agency Head		51
Board Chairperson*		48
Board Member		159
(IV) Questionnaire Submission	50 (98.0%)	215 (83.3%)
Agency Head		50 (98.0%)
Board Chairperson		45 (93.8%
Board Member		120 (75.5%)

3.3 Statistical Analysis

3.3.1   Descriptive statistics were generated to summarise findings of the 2021 Study, covering the following:

- The profiles of the 50 participating NGOs, in terms of the mean, median and percentages;

- The 50 participating NGOs' views on the degrees of adoption and perceived relevance of good practices to their organisations, in terms of the mean and percentages;

- The 50 participating NGOs' views on the level of satisfaction and perceived impact on the organisational performance on 11 governance areas; and

- Cross-tabulations by the annual total expenditure of NGOs, where appropriate.

3.3.2   A caveat is warranted that, due to rounding of numbers, some figures in the statistical analysis may not add up to a total of 100%. By the same token, the summation of percentages may exceed 100% since, for some questions, more than one answer was allowed to be selected.

3.3.3   For the analyses, appropriate statistical tests were conducted, depending on the nature of the variables. In these analyses, p-values were calculated to evaluate the statistical significance of the results, a p-value of less than .05 ($p < .05$) being considered statistically significant. All the statistical analyses were conducted by using IBM SPSS Statistics software version 26.0 (IBM SPSS Inc., Chicago, IL, USA).

3.3.4   Amounts reported are all in Hong Kong dollars, unless specified otherwise.

3.3.5   Non-response adjustments were made. The weight was 1 for each NGO. For each NGO, the weight for each agency head / board member who participated in the 2021 Study was the reciprocal of the total number of participating agency head and board members.

3.4 Limitations

3.4.1   The statistical results of the 2021 Study are believed to be as accurate as practically possible, as our research team has implemented thorough data validation and processing procedures. The readers, however, are reminded of possible limitations of the 2021 Study, and our efforts to alleviate the impact of those limitations.

  o   The statistical analysis is cross-sectional, which is unable to address the before-and-after dynamics or longitudinal impact.

  o   Sampling errors and non-sampling errors might exist.

  o   The data is mainly concerned with the assessment of self-perceived health status of NGO governance, which is by its very nature subjective.

3.4.2   Despite these limitations, the 2021 Study can provide useful insights in understanding the profiles of board characteristics, the adoption of good practices, and the self-assessment of governance health among NGOs in Hong Kong.

3.4.3   Future governance research may consider examining other board characteristics, or further refining the measures of NGO governance performance. Furthermore, a longitudinal research design would be better able to examine how governance structures and practices evolve and affect each other over time.

Profile of the Participating NGOs

Chapter Four

The profile and demographics of the participating NGOs based on the information provided by agency heads - including basic organisational information and board composition and structure - are presented in this chapter.

4.1 Organisational Information

Annual Total Expenditure (HK$)

4.1.1   According to the information provided by the 50 participating NGOs, the distribution of their annual total expenditure (HK$) in the last financial year is as follows:

- 22 NGOs (44.0% of the 50 participating NGOs; hereafter "Small NGOs") reported an annual total expenditure of HK$5 million or less;

- 11 NGOs (22.0% of the 50 participating NGOs; hereafter "Medium-Small NGOs") reported an annual total expenditure in the range from more than HK$5 million to HK$20 million;

- 11 NGOs (22.0% of the 50 participating NGOs; hereafter "Medium-Large NGOs") reported an annual total expenditure in the range from more than HK$20 million to HK$200 million; and

- 6 NGOs (12.0% of the 50 participating NGOs; hereafter "Large NGOs") reported an annual total expenditure of more than HK$200 million.

4.1.2   In our statistical analysis, the participating NGOs are divided into two major groups in accordance with the size of their annual total expenditure (HK$) - those participating NGOs with an annual total expenditure of less than or equal to HK$20 million, and those with an annual total expenditure of more than HK$20 million.

4.1.3   Of the 50 participating NGOs, 33 Small to Medium NGOs (66.0%) reported an annual total expenditure of HK$20 million or less and 17 Medium to Large NGOs (34.0%) reported an annual total expenditure of more than HK$20 million.

Chart 4.1.1 Annual total expenditure (HK$)

Chart 4.1.1 Annual total expenditure (HK$)
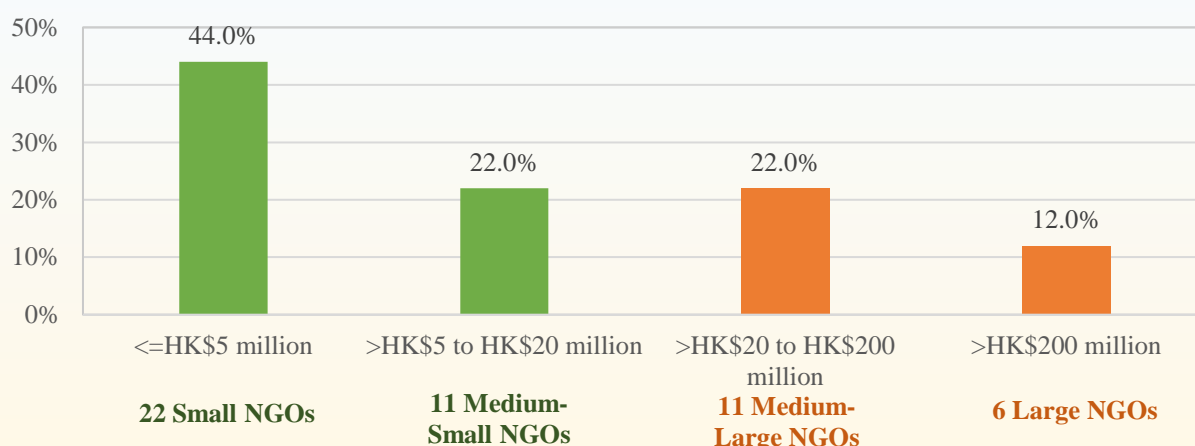
Legal Establishment

4.1.4   74.0% of the 50 participating NGOs were registered as company limited by guarantee under the Companies Ordinance (Cap. 622). 12.0% were established under the Societies Ordinance (Cap. 151); 12.0% were established by other ordinances of Hong Kong; and 2.0% were charitable trusts.

4.1.5   The reported numbers of years of legal establishment varied across the participating NGOs; the median was 17 years. For the 33 participating NGOs with an annual total expenditure of less than or equal to HK$20 million, the median year of legal establishment was 11; and for those 17 participating NGOs with an annual total expenditure of more than HK$20 million, the median was 43 years.

Table 4.1.2 Legal registration and years of legal establishment

	Annual expenditure		All NGOs
	<=HK$20m	>HK$20m	
Legal registration			
Company Limited by Guarantee, incorporated under the Companies Ordinance (Cap. 622)	69.7%	82.3%	74.0%
Established under the Societies Ordinance (Cap. 151)	12.1%	11.8%	12.0%
Charitable Trusts	3.0%	0.0%	2.0%
Established by other Ordinances of Hong Kong	15.2%	5.9%	12.0%
Years of legal establishment			
Median (years)	11 years	43 years	17 years
1 - 9 years	45.5%	5.9%	32.0%
10 - 20 years	39.4%	11.8%	30.0%
Over 20 years	15.2%	82.4%	38.0%
Total	100.0%	100.0%	100.0%
No. of participating NGOs	**33**	**17**	**50**

Organisational Function

4.1.6   Service delivery, which includes the domains of social welfare, health, the environment, arts and recreation, and social enterprises, was considered by 78.0% of the 50 participating NGOs to be their primary organisational function.

4.1.7   Of those participating NGOs with an annual total expenditure of less than or equal to HK$20 million, 78.8% considered service delivery to be their primary organisational function; and for the remaining NGOs, 12.1% were working on advocacy and/or public education and 9.1% were promoting the development of self-help or mutual support.

4.1.8   Of those participating NGOs with an annual total expenditure of more than HK$20 million, 76.5% stated that their primary organisational function was service delivery; 11.8% was advocacy and / or public education; and 11.8% was mobilisation and allocation of charitable resources such as grant-marking, fundraising, volunteer development, etc.

Table 4.1.3 Organisational function

	Annual expenditure		All NGOs
	<=HK$20m	>HK$20m	
Service Delivery (incl. areas of social welfare, health, environment, arts and recreation, social enterprise, etc.)	78.8%	76.5%	78.0%
Promote the Development of Self-help / Mutual support	9.1%	0.0%	6.0%
Mobilisation and Allocation of Charitable Resources (incl. grant-making, fundraising, volunteer development, etc.)	0.0%	11.8%	4.0%
Advocacy / Public Education	12.1%	11.8%	12.0%
Total	100.0%	100.0%	100.0%
No. of participating NGOs	**33**	**17**	**50**

Mission Scopes

4.1.9   The 50 participating NGOs were asked to rank up to three mission areas. 34.0% of NGOs considered social welfare services as the most important areas of their mission scopes, followed by education / research (16.0%) and social development / poverty alleviation / housing / relief (14.0%). 30.0% of NGOs considered education / research as the second most important areas of their mission scopes, followed by health / mental health (14.0%) and social development / poverty alleviation / housing / relief (12.0%). 18.0% of NGOs considered advocacy / civic rights as the third most important areas of their mission scopes and followed by education / research (12.0%).

Table 4.1.4 Mission scopes

	Primary	Secondary	Third
Social welfare services	34.0%	6.0%	10.0%
Education / Research	16.0%	30.0%	12.0%
Health / Mental health	10.0%	14.0%	8.0%
Environmental protection / Conservation / Food recycling	4.0%	8.0%	0.0%
Social development / Poverty alleviation / Housing / Relief	14.0%	12.0%	8.0%
Advocacy / Civic rights	6.0%	10.0%	18.0%
Philanthropic intermediaries (e.g., community foundations)	0.0%	0.0%	0.0%
Volunteerism promotion	2.0%	4.0%	10.0%
Employment / Vocational training	6.0%	2.0%	6.0%
International / China work	0.0%	4.0%	6.0%
Religion	0.0%	6.0%	6.0%
Professional associations	0.0%	0.0%	0.0%
Arts / Culture / Sports / Recreation	8.0%	4.0%	2.0%
Other	0.0%	0.0%	2.0%
No other mission scope	-	-	12.0%
Total	100.0%	100.0%	100.0%
No. of participating NGOs	50	50	50

Funding Sources

4.1.10   Among the 33 participating NGOs with an annual total expenditure of less than or equal to HK$20 million, the major funding source was non-recurrent funding (including non-recurrent project funding from government departments, Hong Kong Jockey Club (HKJC) / Community Chest (ComChest), and all kinds of non-recurrent subsidies or donations). 31 of the 33 NGOs received non-recurrent funding and the median percentage of non-recurrent funding out of the total funding was 90%. 26 of the 33 NGOs had earned income (including membership fees, service fees, sales income and income from endowment / investment) and the median percentage of earned income out of the total funding was 20.0%. 3 of the 33 NGOs had recurrent funding (including lump sum grant or recurrent funding from Social Welfare Department, other government departments or the ComChest; not including non-recurrent project funding from government departments or the ComChest) and the median percentage of recurrent funding out of the total funding was 16.0%.

4.1.11   Among the 17 participating NGOs with an annual total expenditure of more than HK$20 million, 16 NGOs received non-recurrent funding and the median percentage of non-recurrent funding out of the total funding was 44.5%. 15 of the 17 NGOs had earned income and the median percentage of earned income out of the total funding was 15.0%. 13 of the 17 NGOs had recurrent funding and the median percentage of recurrent funding out of the total funding was 47.0%.

Table 4.1.5 Funding sources in median percentage

	Annual expenditure		All NGOs
	<=HK$20m	>HK$20m	
Recurrent Funding			
Median %	16.0%	47.0%	45.5%
No. of participating NGOs	3	13	16
Non-recurrent Funding			
Median %	90.0%	44.5%	80.0%
No. of participating NGOs	31	16	47
Earned Income			
Median %	20.0%	15.0%	20.0%
No. of participating NGOs	26	15	41

Perceived Life Cycle Stages

4.1.12   Organisations move through predictable life cycle stages and developmental milestones. The life cycle of NGOs comprises five stages[3]. NGOs in different stages tend to have different characteristics in terms of service programme maturity, organisational size, leadership style, the rate of growth, and the external environment. Apart from the early stage of idea inception (inspiration and incubation), Stage 1 is the start-up stage where NGOs have started with simple programmes or a mix of diverse and non-integrated activities. Stage 2 is the growth stage where NGOs manage programmes that are more or less established in the market. Stage 3 is the maturity stage where NGOs are operating core programmes that are well-planned and duly recognised by the community. Stage 4 is the renewal, rejuvenation stage where NGOs retool or reposition their orientations to adapt to the new environment.

Stage 1 Start-up (Founding and Framing)	Stage 2 Adolescent (Growing)	Stage 3 Mature (Sustaining and Producing)	Stage 4 Renewal / Rejuvenation / Refocusing
○ Simple programmes or a mix of diverse and non-integrated activities ○ Strong commitment to service delivery	○ Programmes being established in the market ○ Demand is greater than capacity ○ More consistent and focused on programmes delivery	○ Core programmes are established and recognised in the community ○ Programme's evaluation is conducted regularly ○ Long-term planning to add or delete programmes in response to market	○ Programmes are mainly to meet funding requirements ○ Difficulty in achieving goals and maintaining consistent service quality ○ Losing sight of changing market needs ○ Refocusing of diversified services

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[3] References: (1) Stevens, S. K. (2001). Nonprofit lifecycles: Stage-based wisdom for nonprofit capacity. Long Lake, MN: Stagewise and (2) Simon, Judith Sharken, and J. Terence Donovan. The Five Life Stages of Nonprofit Organizations: Where You Are, Where You're Going, and what to Expect When You Get There. Saint Paul, MN: Amherst H. Wilder Foundation, 2001.

4.1.13   The participating NGOs described the stage they were in. Among those with an annual total expenditure of less than or equal to HK$20 million, 45.5% perceived that they were in Stage 2 – Adolescent (Growing), 33.3% in Stage 3 – Mature (Sustaining and Producing), 12.1% in Stage 4 – Renewal / Rejuvenation / Refocusing and 9.1% in Stage 1 – Start-up (Founding and Framing).

4.1.14   Among the participating NGOs which have an annual total expenditure of more than HK$20 million, 52.9% perceived that they were in Stage 3 – Mature (Sustaining and Producing), 29.4% in Stage 2 – Adolescent (Growing) and 17.6% in Stage 4 – Renewal / Rejuvenation / Refocusing.

4.1.15   The median year of establishment in start-up stage was 5 years for 3 NGOs, in adolescent stage was 10.5 years for 20 NGOs, in mature stage was 18.5 years for 20 NGOs and in renewal / rejuvenation / refocusing stage was 38 years for 7 NGOs.

Table 4.1.6 Perceived life cycle stage

	Annual expenditure		All NGOs
	<=HK$20m	>HK$20m	
Perceived life cycle stage			
Stage 1: Start-up (Founding and Framing)	9.1%	0.0%	6.0%
Stage 2: Adolescent (Growing)	45.5%	29.4%	40.0%
Stage 3: Mature (Sustaining and Producing)	33.3%	52.9%	40.0%
Stage 4: Renewal / Rejuvenation / Refocusing	12.1%	17.6%	14.0%
Total	100.0%	100.0%	100.0%
Median years of establishment			
Stage 1: Start-up (Founding and Framing)	5	-	5
Stage 2: Adolescent (Growing)	9	42	10.5
Stage 3: Mature (Sustaining and Producing)	15	40	18.5
Stage 4: Renewal / Rejuvenation / Refocusing	18	51	38
No. of participating NGOs	**33**	**17**	**50**

Significant Issues Experienced in the Last 3 Years

4.1.16 42 out of the 50 participating NGOs indicated that they had experienced one or more of the listed significant issues in the last 3 years. The top five issues reported by these 42 NGOs were "staff turnover by more than 20%" (45.2%), "change of staff size by more than 20%" (42.9%), "change of CEO" (42.9%), "change of Board Chair" (35.7%) and "change of budget by more than 20%" (31.0%).

4.1.17 Among the 27 participating NGOs with an annual total expenditure of less than or equal to HK$20 million that had experienced the listed significant issues in the last 3 years, apart from the top five issues just mentioned, 33.3% of them had gone through significant change in organisational structure; 25.9% had recurrent deficit for more than two years; and 22.2% had turnover of board members by more than 20% in the last 3 years.

Table 4.1.7 Significant issues experienced in the last 3 years

	Annual expenditure		All NGOs
	<=HK$20m	>HK$20m	
Significant issues in the last 3 years			
No significant issues experienced in the last 3 years	18.2%	11.8%	16.0%
Significant issue experienced in the last 3 years	81.8%	88.2%	84.0%
Total	100.0%	100.0%	100.0%
The Issues (Multiple responses)			
Staff turnover by more than 20%	44.4%	46.7%	45.2%
Change of staff size by more than 20%	48.1%	33.3%	42.9%
Change of CEO	44.4%	40.0%	42.9%
Change of Board Chair	44.4%	20.0%	35.7%
Change of budget by more than 20%	37.0%	20.0%	31.0%
Significant change in organisational structure	33.3%	20.0%	28.6%
Recurrent deficit for more than two years	25.9%	13.3%	21.4%
Turnover of board members by more than 20%	22.2%	13.3%	19.0%
Major negative reputation incidents	0.0%	13.3%	4.8%
Litigation	0.0%	6.7%	2.4%
No. of participating NGOs	**33**	**17**	**50**

Number of Full-time Staff

4.1.18   The numbers of full-time staff varied across the 50 participating NGOs, with a median of 14.

4.1.19   Among the 33 participating NGOs with an annual total expenditure of less than or equal to HK$20 million, a majority (90.9%) had 1-49 full-time staff, 3.0% had 50-99 full-time staff and the remaining 6.1% did not have any full-time staff. The median number of full-time staff was seven.

4.1.20   Among the 17 participating NGOs with an annual total expenditure of more than HK$20 million, 47.1% had more than 100 full-time staff, 35.3% of them had 50-99 full-time staff and 17.6% had 1-49 full-time staff. The median number of full-time staff was 99.

Table 4.1.8 Number of full-time staff

	Annual expenditure		All NGOs
	<=HK$20m	>HK$20m	
No full-time staff	6.1%	0.0%	4.0%
1-49 full-time staff	90.9%	17.6%	66.0%
50-99 full-time staff	3.0%	35.3%	14.0%
100-199 full-time staff	0.0%	5.9%	2.0%
200-499 full-time staff	0.0%	11.8%	4.0%
500-999 full-time staff	0.0%	5.9%	2.0%
Over 1000 full-time staff	0.0%	23.5%	8.0%
Total	100.0%	100.0%	100.0%
Mean	12	415	149
Median	7	99	14
No. of participating NGOs	**33**	**17**	**50**

4.2 Board Composition and Structure

Profile of Board Members

4.2.1   Of the 50 participating NGOs, there were in total 493 board members.

4.2.2   The average number of board members was 10 (7 for the participating NGOs with an annual total expenditure of less than or equal to HK$20 million, and 15 for those with an annual total expenditure of more than HK$20 million).

4.2.3   Compared with their counterparts in the participating NGOs with an annual total expenditure of more than HK$20 million, the board members of those with an annual total expenditure of less than or equal to HK$20 million were more likely to be male (62.8%), aged below 40 (20.1%), and have received education up to secondary school (9.2%).

Table 4.2.1 Profile of board members

	Annual expenditure		All NGOs
	<=HK$20m	>HK$20m	
Gender			
Male	62.8%	57.9%	60.2%
Female	37.2%	42.1%	39.8%
Age group			
Below 40	20.1%	6.7%	13.2%
40 to 64	64.0%	59.8%	61.9%
65 or above	15.9%	33.5%	24.9%
Education Level			
Master's degree or above	43.9%	52.0%	48.1%
Tertiary institution	46.9%	43.7%	45.2%
Secondary school or below	9.2%	4.3%	6.7%
Total	100.0%	100.0%	100.0%
Average no. of board members	**7**	**15**	**10**
No. of board members	**239**	**254**	**493**
No. of participating NGOs	**33**	**17**	**50**

4.2.4   Efforts were made to describe and gauge the backgrounds, skills and experience of 493 board members of the 50 participating NGOs. 14.4% of board members were donors, 10.8% were volunteer or member representatives, 7.1% were service users or their carers and 6.5% were community leaders. Compared with their counterparts in the NGOs with an annual total expenditure of less than or equal to HK$20 million, board members of those NGOs with an annual total expenditure of more than HK$20 million were more likely to be community leaders (11.4%) and representatives from mother organisations (5.5%); and they were less likely service users or their carers (3.1%) and volunteer or member representatives (9.4%). Besides, 42.4% of agency heads reported that it was difficult to clearly categorise the backgrounds of their board members.

4.2.5   About one-third (30.0%) of the 493 board members were service-related professionals; 16.2% in the field of business and management; and 14.6% in the field of finance, investment, account and audit. 7.7% of them were representatives from the Government or public organisations and 6.1% were in the field of legal, compliance and company secretaries. The remaining board members were in other fields or experience backgrounds.

Table 4.2.2 Presence of stakeholders on board and skill sets of board members

	Annual expenditure		All NGOs
	<=HK$20m	>HK$20m	
Presence of stakeholders on board			
Donors	15.1%	13.8%	14.4%
Volunteer or member representatives	12.1%	9.4%	10.8%
Service users or their carers	11.3%	3.1%	7.1%
Community leaders	1.3%	11.4%	6.5%
Representatives from mother organisations	0.8%	5.5%	3.2%
Representatives from partnering/peer organisations	3.8%	2.8%	3.2%
Staff representatives (excluding CEO)	4.6%	0.4%	2.4%
Representatives from affiliating religious body	3.3%	0.0%	1.6%
Government officials	0.0%	2.4%	1.2%
Others	0.8%	13.0%	7.1%
Don't know	46.9%	38.2%	42.4%
Skill sets and experience background			
Service-related professionals	35.2%	25.2%	30.0%
Business / Management	13.8%	18.5%	16.2%
Finance / Investment / Accounting / Audit	14.2%	15.0%	14.6%
Government / Public organisations	5.9%	9.4%	7.7%
Legal / Compliance / Company secretaries	5.5%	6.7%	6.1%
Community relations / Public relations	1.7%	9.4%	5.7%
Other experience background	3.3%	4.4%	3.9%
Human resource management	3.3%	3.9%	3.7%
Fundraising / Funder's background	4.2%	1.6%	2.8%
IT or Knowledge management	3.3%	2.0%	2.6%
No information provided	9.6%	3.9%	6.7%
Total	100.0%	100.0%	100.0%
No. of board members	**239**	**254**	**493**
No. of participating NGOs	**33**	**17**	**50**

Board Meetings

4.2.6   The 50 participating NGOs had held an average of 5.3 board meetings in the previous year, which on average lasted for about 2.4 hours. The average attendance rate was 83.9%.

Table 4.2.3 Board meetings

	Annual expenditure		All NGOs
	<=HK$20m	>HK$20m	
Number of board meetings held last year			
Average (meetings)	5.3	5.5	5.3
Median (meetings)	4.0	5.0	4.0
Number of board meetings held in a normal year (i.e. Non COVID-19 period)			
Average (meetings)	5.3	4.9	5.2
Median (meetings)	4.0	5.0	4.0
Length of board meetings held last year			
Average (hours)	2.3	2.4	2.4
Attendance rate last year			
Average (%)	83.3%	85.0%	83.9%
No. of participating NGOs	**33**	**17**	**50**

Terms of Board

4.2.7   Regarding the number of years per term, 26.0% of the participating NGOs reported that the length of term of their <u>board chair</u> was 1 year, 32.0% 2 years, 20.0% 3 years or above, and 22.0% indicated that there was no limit to the length of term. 22.0% of the participating NGOs indicated that the length of term of their <u>office bearers</u> was 1 year, 28.0% 2 years, 18.0% 3 years or above, and 32.0% indicated that there was no limit to the length of term. 18.0% of the participating NGOs reported that the length of term of their <u>board members</u> was 1 year, 22.0% 2 years, 28.0% 3 years or above, and 32.0% indicated that there was no limit to the length of term.

4.2.8   Regarding the maximum number of consecutive terms served, over two-thirds of NGOs reported that there was no limit for board chair (66.0%), office bearers (70.0%) and other board members (78.0%).

Table 4.2.4 Number of years per term and maximum number of consecutive terms served

	Annual expenditure		All NGOs
	<=HK$20m	>HK$20m	
Number of years per term			
Board chair			
1 year	18.2%	41.2%	26.0%
2 years	36.4%	23.5%	32.0%
3 years or above	18.2%	23.5%	20.0%
No Limit	27.2%	11.8%	22.0%
Office bearers			
1 year	12.1%	41.2%	22.0%
2 years	30.3%	23.5%	28.0%
3 years or above	15.2%	23.5%	18.0%
No Limit	42.4%	11.8%	32.0%
Other board members			
1 year	12.1%	29.4%	18.0%
2 years	24.2%	17.6%	22.0%
3 years or above	18.2%	47.1%	28.0%
No Limit	45.5%	5.9%	32.0%
Total	100.0%	100.0%	100.0%
Maximum number of consecutive terms served			
Board chair			
1 term	6.1%	0.0%	4.0%
2 terms	12.1%	11.8%	12.0%
3 terms or above	12.1%	29.4%	18.0%
No Limit	69.7%	58.8%	66.0%
Office bearers			
1 term	6.1%	0.0%	4.0%
2 terms	12.1%	11.8%	12.0%
3 terms or above	6.1%	29.4%	14.0%
No Limit	75.7%	58.8%	70.0%
Other board members			
1 term	3.0%	0.0%	2.0%
2 terms	9.1%	11.8%	10.0%
3 terms or above	3.0%	23.5%	10.0%
No Limit	84.8%	64.7%	78.0%
Total	100.0%	100.0%	100.0%
No. of participating NGOs	**33**	**17**	**50**

Number of Committees

4.2.9   For the participating NGOs with an annual total expenditure of more than HK$20 million, the median number of committees (including programme/service) was eight, and the median number of committees (excluding programme/service) was seven. The numbers suggested that these NGOs tend to have more committees than those with an annual total expenditure less than or equal to HK$20 million.

4.2.10   The most common types of committees in the participating NGOs included fundraising / resources development committees, executive / management committees, programme / service committees and finance / investment committees.

Table 4.2.5 Number of committees

	Annual expenditure		All NGOs
	<=HK$20m	>HK$20m	
Number of committees (including programme/service)			
0 committee	24.2%	0.0%	16.0%
1-5 committees	66.7%	23.5%	52.0%
6-10 committees	9.1%	41.2%	20.0%
11 committees or above	0.0%	35.3%	12.0%
Number of committees (excluding programme/service)			
0 committee	27.3%	0.0%	18.0%
1-5 committees	69.7%	35.3%	58.0%
6-10 committees	3.0%	58.8%	22.0%
11 committees or above	0.0%	5.9%	2.0%
Total	100.0%	100.0%	100.0%
Median number of committees (including programme/service)	2	8	4
Median number of committees (excluding programme/service)	1	7	4
No. of participating NGOs	**33**	**17**	**50**

5.1 NGO Governance Good Practices

5.1.1   The participating board members were asked to rate

(a) the degrees to which the 57 good practices were adopted in their organisations in a 5-point Likert scale, with "1" representing "never/strong disagree" and "5" representing "always/strongly agree; and

(b) the levels of agreement on the perceived relevance of particular good practices to their organisations in a 5-point Likert scale, with "1" representing "strong disagree" and "5" representing "strongly agree.

5.1.2   The charts below summarise the results, as follows:

○   the percentages of the participating NGOs who always and often adopted the good practices;

○   the percentages of the participating NGOs who strongly agreed and agreed that the good practices were relevant to their NGOs; and

○   the execution gaps analysis presenting the differences between the agreement on perceived relevance and the extent of adoption of good practices (often and always) (i.e. % of perceived relevance - % of adoption of practice).

Board Design & Processes

Board Composition

5.1.3   The participating NGOs perceived that the four good practices in this element were relevant to their organisations; the agreement percentages ranged from 82% to 91%.

5.1.4   Over three-quarters (81%) of the participating NGOs always or often adopted the practice of "board members bring a range of perspectives to ensure that key stakeholders' interests could be reflected in the governance". The best practices which less than two-thirds of the participating NGOs always or often adopted included "board members' term limits effectively balance the need for new members / skills and the retention of experienced directors" (61%) and "board reviews and agrees on the board size" (60%). Slightly more than half (52%) of the participating NGOs always or often adopted the practice of "board has a systematic process for identifying the governance skills to lead your organisation".

5.1.5   A relatively large difference (31%) between the perceived relevance and the extent of adoption could be observed in the good practice of "board has a systematic process for identifying the governance skills to lead your organisation". The results suggested that while the participating NGOs realised the relevance of the good practices, they did not always or often adopt them.

Chart 5.1.1 Perceived relevance and adoption of good practices of the board composition

The Set-up   **Gaps**

Board members' term limits effectively balance the "need for new members / skills" and the "retention of experienced directors"	82% 61%	**21%**
Board reviews and agrees on the board size.	89% 60%	**29%**

The Team Mix

Board members bring a range of perspectives to ensure that key stakeholders' interests can be reflected in the governance.	91% 81%	**10%**
Board has a systematic process for identifying the governance skills to lead your organisation.	83% 52%	**31%**

■ Agreement on Perceived Relevance   ◎ Adoption of practice
(Strongly agree and Agree)   (Always and Often / Strongly agree and Agree)

Board Structure

5.1.6   The participating NGOs perceived that the four good practices in this element were relevant to their organisations; the agreement percentages ranged from 75% to 91%.

5.1.7   Over three-quarters (77%) of the participating NGOs always or often adopted the practice of "current committee is structured to reflect the needs or priorities of your organisation". Just over half of the participating NGOs always or often adopted the practices of "the terms of reference of committees clearly define their authority, roles and responsibilities, reporting and accountability requirements" (60%), "board uses a mix of ad-hoc, advisory and standing committees to exercise different governance functions" (57%) and "board reviews timely the committee structure to enhance governance control and functions" (56%).

5.1.8   A relatively large difference (27%) between the perceived relevance and the extent of adoption could be found in the good practice of "board reviews timely the committee structure to enhance governance control and functions".

Chart 5.1.2 Perceived relevance and adoption of good practices of the board structure

The Design   **Gaps**

Current committee is structured to reflect the needs or priorities of your organisation.   91%   77%   **14%**

Board reviews timely the committee structure to enhance governance control and functions.   83%   56%   **27%**

Delegation & Delineation of Authority

The terms of reference of committees clearly define their authority, roles and responsibilities, reporting and accountability requirements.   81%   60%   **21%**

Board uses a mix of ad-hoc, advisory and standing committees to exercise different governance functions   75%   57%   **18%**

■ Agreement on Perceived Relevance
(Strongly agree and Agree)

◎ Adoption of practice
(Always and Often / Strongly agree and Agree)

Board Processes

5.1.9   The participating NGOs perceived that the four good practices in this element were relevant to their organisations; the agreement percentages ranged from 87% to 94%.

5.1.10 Over three-quarters of participating NGOs always or often adopted the practices of "calendar of board / committee meetings / non-meeting activities is set and distributed for the year to allow board members to schedule and commit their participation" (82%), "board / committee(s) receive(s) agenda and quality information well in advance of meetings to encourage members to prepare for deliberations" (79%), "board meeting has meaningful discussions on strategic issues" (78%) and "board follows up on the implementation of its decisions" (76%).

5.1.11 No large differences between the agreement on perceived relevance and the extent of adoption were identified in any of the best practices.

Chart 5.1.3 Perceived relevance and adoption of good practices of the board processes

Meeting Efficiency & Effectiveness   **Gaps**

Calendar of board / committee meetings / non-meeting activities is set and distributed for the year to allow board members to schedule and commit their participation.	87% 82%	**5%**
Board / committee(s) receive(s) agenda and quality information well in advance of meetings to encourage members to prepare for deliberations.	94% 79%	**15%**
Board meeting has meaningful discussions on strategic issues.	94% 78%	**16%**
Board follows up on the implementation of its decisions.	94% 76%	**18%**

■ Agreement on Perceived Relevance
(Strongly agree and Agree)

◉ Adoption of practice
(Always and Often / Strongly agree and Agree)

36

5.1.12   Analysis by groups of annual total expenditure showed that significantly higher proportions of the participating NGOs with an annual total expenditure of more than HK$20 million always or often adopted good practices in the aspect of the board composition - "board members' term limits effectively balance the need for new members / skills and the retention of experienced directors" (75% vs 54%) and in the aspect of the board structure - "the terms of reference of committees clearly define their authority, roles and responsibilities, reporting and accountability requirements" (78% vs 51%), "board uses a mix of ad-hoc, advisory and standing committees to exercise different governance functions" (73% vs 48%) and "board reviews timely the committee structure to enhance governance control and functions" (69% vs 50%), as compared to those with an annual total expenditure of less than or equal to HK$20 million (*ps* < .05).

Table 5.1.4 Adoption of good practices (% of always and often) of the board design & processes analysed by annual total expenditure

	Annual expenditure		All NGOs
	<=HK$20m	>HK$20m	
Board Composition			
Board reviews and agrees on the board size.	56%	68%	60%
Board members' term limits effectively balance the "need for new members / skills" and the "retention of experienced directors".[1]	54%	**75%**	61%
Board has a systematic process for identifying the governance skills to lead your organisation.	47%	60%	52%
Board members bring a range of perspectives to ensure that key stakeholders' interests can be reflected in the governance.	78%	85%	81%
Board Structure			
Current committee is structured to reflect the needs or priorities of your organisation.	75%	81%	77%
Board reviews timely the committee structure to enhance governance control and functions. [1]	50%	**69%**	56%
The terms of reference of committees clearly define their authority, roles and responsibilities, reporting and accountability requirements. [1]	51%	**78%**	60%
Board uses a mix of ad-hoc, advisory and standing committees to exercise different governance functions. [1]	48%	**73%**	57%
Board Processes			
Calendar of board / committee meetings / non-meeting activities is set and distributed for the year to allow board members to schedule and commit their participation.	78%	90%	82%
Board / committee(s) receive(s) agenda and quality information well in advance of meetings to encourage members to prepare for deliberations.	77%	84%	79%
Board meeting has meaningful discussions on strategic issues.	76%	83%	78%
Board follows up on the implementation of its decisions.	73%	83%	76%
No. of participating NGOs	**33**	**17**	**50**

Note 1: Statistically significant differences were found among two groups of annual total expenditure (p < .05)

Board Role Execution

Steer Mission & Direction
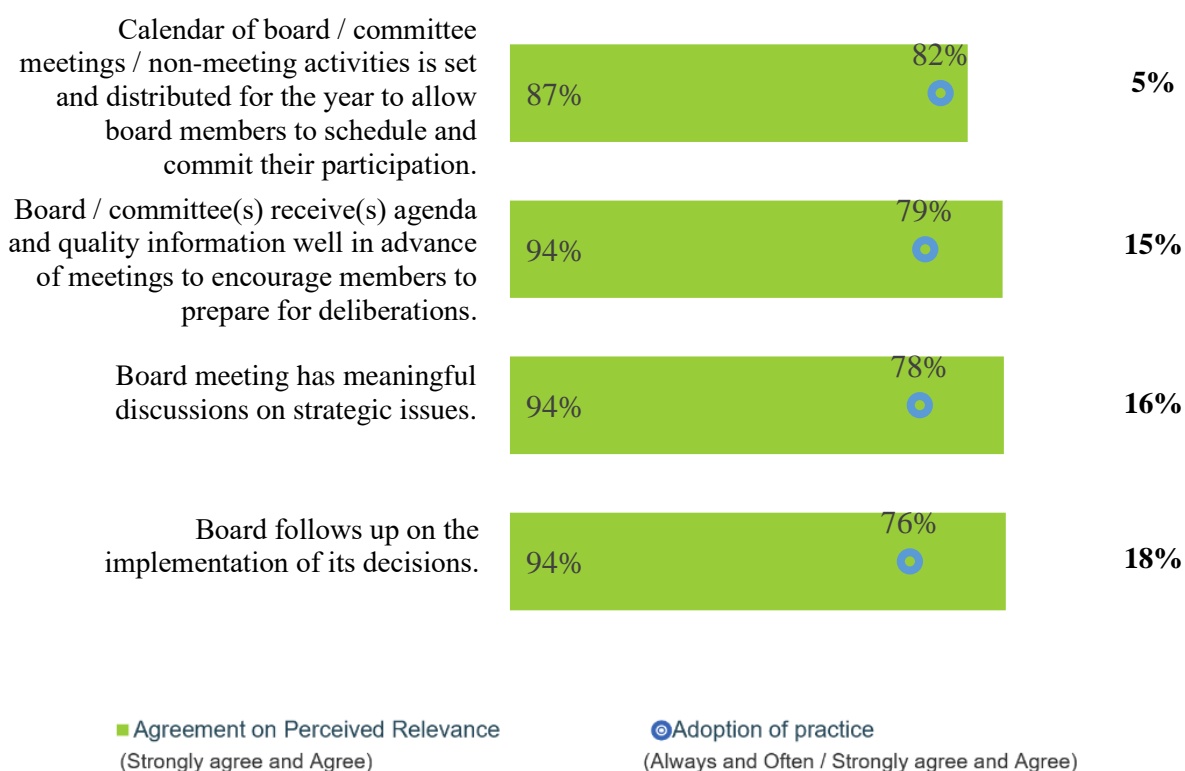
5.1.13   The participating NGOs perceived that all of the six good practices in this element were relevant to their organisations; the agreement percentages ranged from 77% to 96%.

5.1.14   Over three-quarters of the participating NGOs always or often adopted the practices of "all major policy and strategy discussions are in line with the organisation's mission and vision" (92%), "all board members share a common understanding of the organisation's mission" (89%), "board works with management to design and participate in the strategic planning process" (81%) and "board works with management to review strategic plan to ensure that programme / service goals are tightly linked to the organisation's mission and vision" (77%).

5.1.15   Less than half of the participating NGOs always or often adopted the practices of "board translates strategic plan into oversight responsibilities for the board / committee(s) to follow through" (49%) and "board undertakes to update the organisation's mission and vision as necessary" (42%).

5.1.16   Relatively large differences between the percentages of perceived relevance and the extent of adoption could be found in the good practices of "board undertakes to update the organisation's mission and vision as necessary" (42%) and "board translates strategic plan into oversight responsibilities for the board / committee(s) to follow through" (28%). The results indicated that while the NGOs in general perceived that the good practices were relevant to their organisations, they did not always and often adopt them.

Chart 5.1.5 Perceived relevance and adoption of good practices of steering mission & direction

Shape Mission & Vision   **Gaps**

All major policy and strategy
discussions are in line with your
organisation's mission and vision.

95%   92%   **3%**

All board members share a common
understanding of your organisation's
mission.

96%   89%   **7%**

Board undertakes to update your
organisation's mission and vision as
necessary.

84%   42%   **42%**

Involve in Strategic Planning

Board works with management to
design and participate in the
strategic planning process.

93%   81%   **12%**

Board works with management to review
strategic plan to ensure that programme /
service goals are tightly linked to your
organisation's mission and vision.

91%   77%   **14%**

Board translates strategic plan into
oversight responsibilities for the board /
committee(s) to follow through.

77%   49%   **28%**

■ Agreement on Perceived Relevance   ◎ Adoption of practice
(Strongly agree and Agree)   (Always and Often / Strongly agree and Agree)

Ensure Executive Leadership & Resource

5.1.17   The participating NGOs perceived that all of the eight good practices in this element were relevant to their organisations; the agreement percentages ranged from 68% to 95%.

5.1.18   Over two-thirds of the participating NGOs always or often adopted the practices of "board works with the management to review financial statements regularly" (85%), "board proactively provides expertise, external access or influence needed to accomplish organisational goals" (75%) and "board supports management in preparing / reviewing multi-year financial plan through robust discussion of resource allocation, funding plans and investment objectives in context of strategic goals" (72%).

5.1.19   Half to two-thirds of the participating NGOs always or often adopted the practices of "board members act as effective representatives or ambassadors for your organisation" (66%), "documented evaluation on top-tier management performance is done at least annually against pre-defined criteria and process (e.g., a self-assessment, written feedback or development plan)" (58%) and "board has preparedness and planning of succession for top-tier management" (57%).

5.1.20   Less than half of the participating NGOs always or often adopted the practices of "board members financially support or fundraised for the organisation" (45%) and "board provides development opportunities for top-tier management according to their identified strengths and weaknesses" (43%).

5.1.21   A relatively large difference between the percentages of perceived relevance and the extent of adoption could be found in the good practice of "board provides development opportunities for top-tier management according to their identified strengths and weaknesses" (37%). The results indicated that while the NGOs in general perceived that the good practice was relevant to their organisations, they did not always and often adopt them.

Chart 5.1.6 Perceived relevance and adoption of good practices of ensuring executive leadership & resource

Support Top Tier Executive | Gaps

		Gaps
Documented evaluation on top-tier management performance is done at least annually against pre-defined criteria and process (e.g., a self-assessment, written feedback or development plan).	76% — 58%	**18%**
Board has preparedness and planning of succession for top-tier management.	82% — 57%	**25%**
Board provides development opportunities for top-tier management according to their identified strengths and weaknesses.	80% — 43%	**37%**

Ensure Adequate Financial Resource

Board works with the management to review financial statements regularly.	95% — 85%	**10%**
Board supports management in preparing / reviewing multi-year financial plan through robust discussion of resource allocation, funding plans and investment objectives in context of strategic goals.	88% — 72%	**16%**
Board members financially support or fundraise for your organisation.	68% — 45%	**23%**

Provide Expertise & Access

Board proactively provides expertise, external access or influence needed to accomplish organisational goals.	93% — 75%	**21%**
Board members act as effective representatives or ambassadors for your organisation.	90% — 66%	**18%**

■ Agreement on Perceived Relevance
(Strongly agree and Agree)

◎ Adoption of practice
(Always and Often / Strongly agree and Agree)

Monitor Organisational Risk & Performance

5.1.22   The participating NGOs perceived that the nine good practices in this element were relevant to their organisations; the agreement percentages ranged from 64% to 94%.

5.1.23   Over three-quarters of the participating NGOs always or often adopted the practices of "board works with management to ensure timely and independent financial audit" (88%), "policies on managing conflict of interest of Board / committee members are enforced" (88%), "board understands regulatory and funding requirements to safeguard operation compliance" (85%) and "board knows the strengths and weaknesses of major programmes and core services" (83%).

5.1.24   Less than two-thirds of the participating NGOs always or often adopted the practices of "board ensures that stakeholder perspectives and feedbacks were used to inform strategy and resource allocation" (63%), "board identifies key stakeholders and ensures that performance results are communicated effectively to the stakeholders" (59%) and "board monitors and uses the performance results to inform decisions on strategic planning, resources allocation, and evaluation of the top-tier management" (58%).

5.1.25   Less than half of the participating NGOs always or often adopted the practices of "board reviews risk assessments compiled by management that acknowledges potential risks and approves mitigation plans" (44%) and "board works with management to set performance targets with reference to peer organisations" (37%).

5.1.26   Relatively large differences between the percentages of perceived importance and adoption could be observed in the good practices of "board reviews risk assessments compiled by management that acknowledges potential risks and approves mitigation plans" (31%) and "board works with management to set performance targets with reference to peer organisations" (27%). The results in general suggested that while the participating NGOs perceived that the good practices were of relevance to their organisations, they did not always or often adopt the practices.
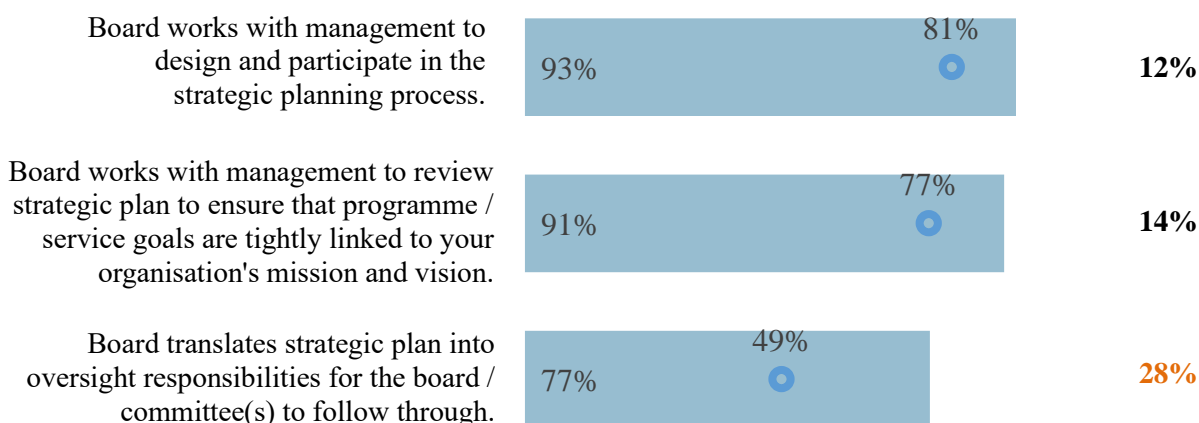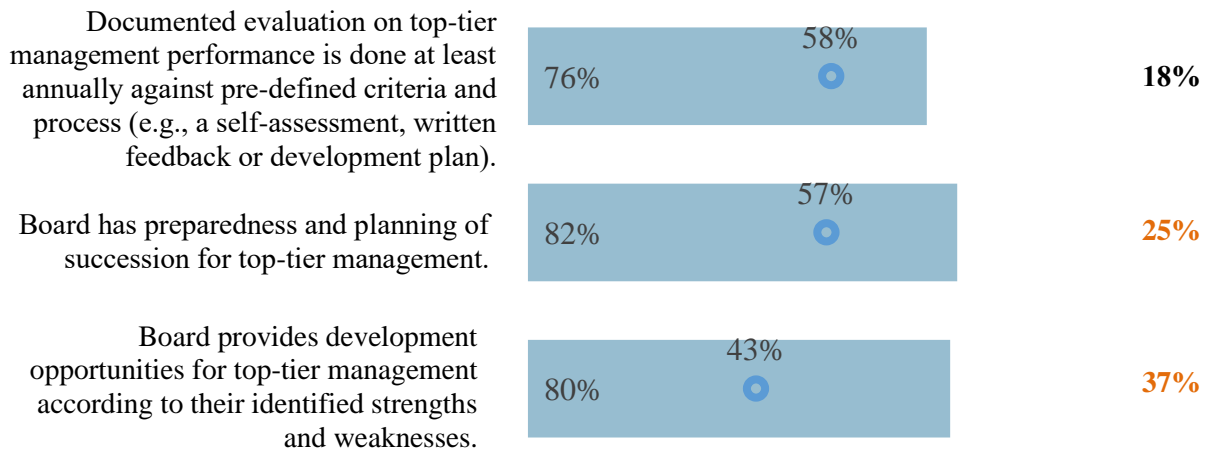
Chart 5.1.7 Perceived relevance and adoption of good practices of monitoring organisational risk & performance

Oversee Risk & Compliance   **Gaps**

Board works with management to ensure timely and independent financial audit.
93%   88%   **5%**

Policies on managing conflict of interest of Board / committee members are enforced.
93%   88%   **5%**

Board understands regulatory and funding requirements to safeguard operation compliance.
94%   85%   **9%**

Board reviews risk assessments compiled by management that acknowledges potential risks and approves mitigation plans.
75%   44%   **31%**

Ensure Accountability to Stakeholders

Board ensures that stakeholder perspectives and feedbacks are used to inform strategy and resource allocation.
83%   63%   **20%**

Board identifies key stakeholders and ensures that performance results are communicated effectively to the stakeholders.
79%   59%   **20%**

Monitor Performance

Board knows the strengths and weaknesses of major programmes and core services.
92%   83%   **9%**

Board monitors and uses the performance results to inform decisions on strategic planning, resources allocation, and evaluation of the top-tier management.
80%   58%   **22%**

Board works with management to set performance targets with reference to peer organisations.
64%   37%   **27%**

■ Agreement on Perceived Relevance
(Strongly agree and Agree)

◎ Adoption of practice
(Always and Often / Strongly agree and Agree)

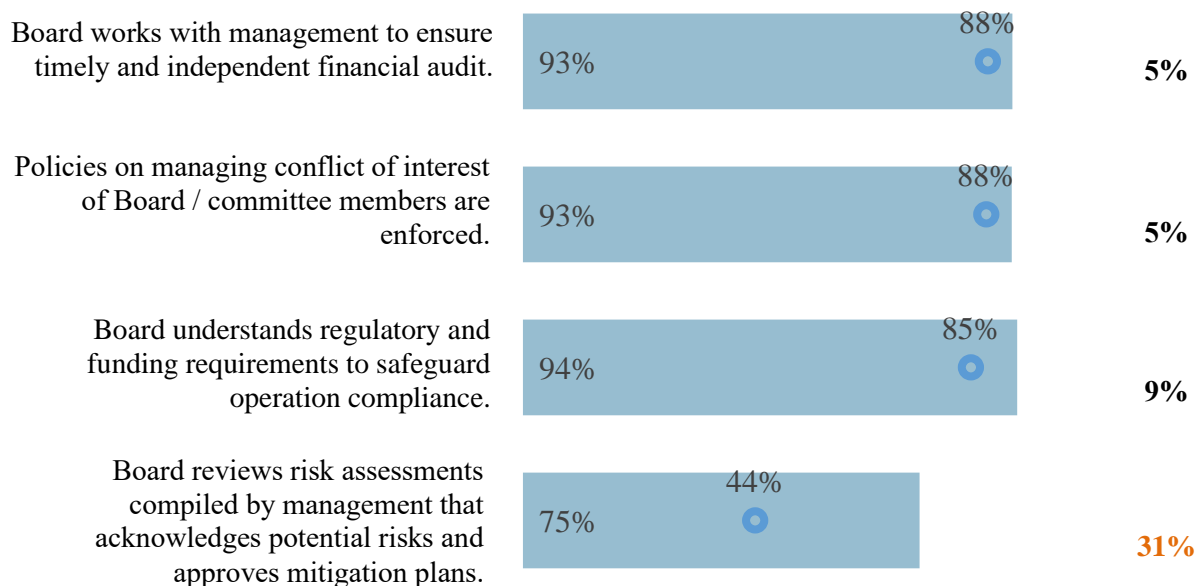5.1.27   Analysis by groups of annual total expenditure showed that significantly higher proportions of the participating NGOs with an annual total expenditure of more than HK$20 million always or often adopted good practices in the aspect of steering mission and direction - "board translates strategic plan into oversight responsibilities for the board / committee(s) to follow through" (58% vs 44%), in the aspect of ensuring executive leadership and resource - "board works with the management to review financial statements regularly." (95% vs 80%), "board proactively provides expertise, external access or influence needed to accomplish organisational goals" (89% vs 68%) and "board supports management in preparing / reviewing multi-year financial plan through robust discussion of resource allocation, funding plans and investment objectives in context of strategic goals" (84% vs 66%) and in the aspect of monitoring organisational risk and performance – "board identifies key stakeholders and ensures that performance results are communicated effectively to the stakeholders" (69% vs 53%), as compared to those with an annual total expenditure of less than or equal to HK$20 million ($ps < .05$).

Table 5.1.8 Adoption of good practices (% of always and often) of the board role execution analysed by annual total expenditure

	Annual expenditure		All NGOs
	<=HK$20m	>HK$20m	
Steer Mission & Direction			
All board members share a common understanding of your organisation's mission.	90%	86%	89%
All major policy and strategy discussions are in line with your organisation's mission and vision.	92%	93%	92%
Board undertakes to update your organisation's mission and vision as necessary.	38%	50%	42%
Board works with management to design and participate in the strategic planning process.	80%	83%	81%
Board works with management to review strategic plan to ensure that programme / service goals are tightly linked to your organisation's mission and vision.	75%	80%	77%
Board translates strategic plan into oversight responsibilities for the board / committee(s) to follow through. [1]	44%	**58%**	49%
Ensure Executive Leadership & Resource			
Board provides development opportunities for top-tier management according to their identified strengths and weaknesses.	43%	43%	43%
Documented evaluation on top-tier management performance is done at least annually against pre-defined criteria and process.	53%	67%	58%
Board has preparedness and planning of succession for top-tier management.	53%	64%	57%
Board supports management in preparing / reviewing multi-year financial plan through robust discussion of resource allocation, funding plans and investment objectives in context of strategic goals. [1]	66%	**84%**	72%

	Annual expenditure		All NGOs
	<=HK$20m	>HK$20m	
Board works with the management to review financial statements regularly. [1]	80%	**95%**	85%
Board members financially support or fundraise for your organisation.	41%	54%	45%
Board proactively provides expertise, external access or influence needed to accomplish organisational goals. [1]	68%	**89%**	75%
Board members act as effective representatives or ambassadors for your organisation.	64%	68%	66%
Monitor Organisational Risk & Performance			
Board works with management to ensure timely and independent financial audit.	88%	89%	88%
Policies on managing conflict of interest of Board / committee members are enforced.	88%	89%	88%
Board understands regulatory and funding requirements to safeguard operation compliance.	86%	85%	85%
Board reviews risk assessments compiled by management that acknowledges potential risks and approves mitigation plans.	39%	55%	44%
Board identifies key stakeholders and ensures that performance results are communicated effectively to the stakeholders. [1]	53%	**69%**	59%
Board ensures that stakeholder perspectives and feedbacks are used to inform strategy and resource allocation.	63%	62%	63%
Board works with management to set performance targets with reference to peer organisations.	35%	41%	37%
Board knows the strengths and weaknesses of major programmes and core services.	83%	83%	83%
Board monitors and uses the performance results to inform decisions on strategic planning, resources allocation, and evaluation of the top-tier management.	54%	65%	58%
No. of participating NGOs	**33**	**17**	**50**

Note 1: Statistically significant differences were found among two groups of annual total expenditure ($p < .05$)

Board Dynamics & Behaviour

Board Development

5.1.28   The participating NGOs perceived that the nine good practices in this element were relevant to their organisations; the agreement percentages ranged from 70% to 84%.

5.1.29   About half of the participating NGOs always or often adopted the practices of "board proactively seeks for and provides opportunities to potential recruits to familiarise with your organisation" (53%), "there is orientation for all new board members to understand the organisation's programmes, finances, governance responsibilities and introduction to their board colleagues" (52%), "potential board leaders are given committee assignments to gain experience and opportunity to lead" (48%) and "board has formal processes to recruit and nominate members with clear evaluative criteria" (47%).

5.1.30   About one-third of the participating NGOs always or often adopted the practice of "succession planning is discussed and processes are in place to recruit and develop potential board leaders" (34%) whereas less than one-quarter always or often adopted the practice of "continuous and collective learning opportunities are provided to board members" (23%).

5.1.31   Relatively large differences between the perceived relevance and adoption were observed in those best practices that had a low percentage of adoption. The results indicated that the participating NGOs did not always or often adopt the good practices in relation to the recruitment, capacity building and succession planning even though these practices are perceived as relevant.

Chart 5.1.9 Perceived relevance and adoption of good practices of the board development

Recruitment   **Gaps**

Board proactively seeks for and provides opportunities to potential recruits to familiarise with your organisation.

81%   53%   **28%**

Board has formal processes to recruit and nominate members with clear evaluative criteria.

73%   47%   **26%**

Capacity Building

There is orientation for all new board members to understand the organisation's programmes, finances, governance responsibilities and introduction to their board colleagues.
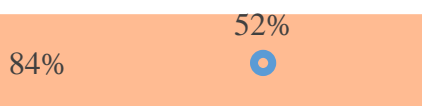
84%   52%   **32%**

Continuous and collective learning opportunities are provided to board members.
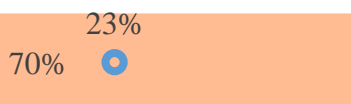
70%   23%   **47%**

Succession Planning

Potential board leaders are given committee assignments to gain experience and opportunity to lead.

77%   48%   **29%**

Succession planning is discussed and processes are in place to recruit and develop potential board leaders.
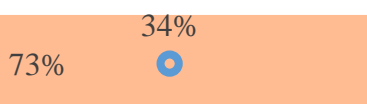
73%   34%   **39%**

■ Agreement on Perceived Relevance
(Strongly agree and Agree)

◎ Adoption of practice
(Always and Often / Strongly agree and Agree)

Board Engagement

5.1.32   The participating NGOs perceived that the eight good practices in this element were relevant to their organisations; the agreement percentages ranged from 74% to 96%.

5.1.33   Over three-quarters of the participating NGOs always or often adopted the practices of "board is able to resolve differences, build consensus and reach compromise in a positive way" (88%), "board members see the connection between what they do and the positive impact on the beneficiaries" (87%), "a culture of trust, commitment, openness and transparency exists among board members" (83%) and "board is not dominated by a few individuals. Members work as a team, taking collective responsibility for failures and successes" (78%).

5.1.34   About two-thirds of the participating NGOs always or often adopted the practices of "board members devote sufficient time to carry out their duties effectively, including meeting preparation and sitting on board committees" (71%) and "board members' contributions to the organisation are openly acknowledged" (65%).

5.1.35   Slightly over one-third of the participating NGOs always or often adopted the practices of "there are conscious engagement efforts to enhance individual board members' understanding and participation (e.g., assigning buddies / mentors to new members, formal training, Board Chair's proactive communication on expectations to members)" (40%) and "board members spend time together outside board meetings (e.g., a "retreat day" or an "away-day") to know each other and enhance bonding" (36%).

5.1.36   Relatively large differences between the percentages of perceived relevance and adoption could be identified in the good practices of "board members spend time together outside board meetings to know each other and enhance bonding" (40%) and "there are conscious engagement efforts to enhance individual board members' understanding and participation" (32%). The results indicated that while the participating NGOs perceived the good practices to be relevant, they did not always and often adopt the practices.

Positive Culture

Gaps

Board is able to resolve differences, build consensus and reach compromise in a positive way.

95%   88%   **7%**

A culture of trust, commitment, openness and transparency exists among board members.

96%   83%   **13%**

Board is not dominated by a few individuals. Members work as a team, taking collective responsibility for failures and successes.

92%   78%   **14%**

Board members spend time together outside board meetings (e.g., a "retreat day" or an "away-day") to know each other and enhance bonding.
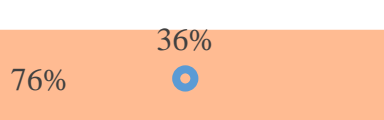
76%   36%   **40%**

Foster Involvement and Commitment

Board members see the connection between what they do and the positive impact on the beneficiaries.

92%   87%   **5%**

Board members devote sufficient time to carry out their duties effectively, including meeting preparation and sitting on board committees.

87%   71%   **16%**

Board members' contributions to your organisation are openly acknowledged.

82%   65%   **17%**

There are conscious engagement efforts to enhance individual board members' understanding and participation (e.g., assigning buddies / mentors to new members, formal training, Board Chair's proactive communication on expectations to members).
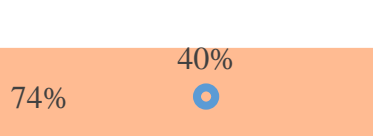
74%   40%   **32%**

■ Agreement on Perceived Relevance   ◉ Adoption of practice
(Strongly agree and Agree)   (Always and Often / Strongly agree and Agree)

Board Leadership

5.1.37   The participating NGOs perceived that the eight good practices in this element were relevant to their organisations; the agreement percentages ranged from 81% to 94%.

5.1.38   Over 80% of the participating NGOs always or often adopted the practices of"board-management maintains a trustful relationship and constructive partnership" (92%), "board gives the top-tier management enough authority and responsibility to lead the staff and manage your organisation, and is conscious to avoid micro-management" (86%), "board leadership strengthens the performance of your organisation" (85%), "board and management have a shared understanding of their different roles and responsibilities in governing and managing your organisation respectively" (83%) and "current board leaders have the necessary skills, enthusiasm, energy and time to provide leadership to the Board" (83%).

5.1.39   About 61% of the participating NGOs always and often adopted the practice of "board leaders often reach out and approachable to key stakeholders (including staff, service users and funders).

5.1.40   Slightly over one-third of the participating NGOs always or often adopted the practices of "board conducts periodical assessment to evaluate and identify ways to improve its governance performance" (40%) and "board regularly assesses and gives feedback to all members to enhance their participation and contribution" (33%).

5.1.41   Relatively large differences between the percentages of perceived relevance and adoption could be observed in the good practices of "board regularly assesses and gives feedback to all members to enhance their participation and contribution" (40%), "board conducts periodical assessment to evaluate and identify ways to improve its governance performance" (32%) and "board leaders often reach out and approachable to key stakeholders" (25%). The results suggested that while the participating NGOs perceived that the good practices to be relevant to them, they did not always or often adopt the practices.

Chart 5.1.11 Perceived relevance and adoption of good practices of the board leadership

Constructive Partnership with Management   **Gaps**

Board-management maintains a trustful
relationship and constructive partnership.
98%   92%   **6%**

Board gives the top-tier management
enough authority and responsibility to
lead the staff and manage your   86%   **8%**
organisation, and is conscious to avoid   94%
micro-management.

Board and management have a shared
understanding of their different roles and   83%
responsibilities in governing and   94%   **11%**
managing your organisation respectively.

Monitor Board Performance

Board conducts periodical assessment
to evaluate and identify ways to   77%   40%   **32%**
improve its governance performance.

Board regularly assesses and gives
feedback to all members to enhance   73%   33%   **40%**
their participation and contribution.

Impact of Board Leadership

Board leadership strengthens the   85%
performance of your organisation.   90%   **5%**

Current Board leaders have the necessary
skills, enthusiasm, energy and time to   83%
provide leadership to the Board.   94%   **11%**

Board leaders often reach out and   61%
approachable to key stakeholders   86%   **25%**
(including staff, service users and funders).

■ Agreement on Perceived Relevance   ◎ Adoption of practice
(Strongly agree and Agree)   (Always and Often / Strongly agree and Agree)

5.1.42 Analysis by groups of annual total expenditure showed that significantly higher proportions of the participating NGOs with an annual total expenditure of more than HK$20 million always or often adopted good practices in the aspect of the board development - "there is orientation for all new board members to understand the organisation's programmes, finances, governance responsibilities and introduction to their board colleagues" (64% vs 45%), "potential board leaders are given committee assignments to gain experience and opportunity to lead" (59% vs 42%), "board has formal processes to recruit and nominate members with clear evaluative criteria" (58% vs 41%) and "continuous and collective learning opportunities are provided to board members" (32% vs 19%); and in the aspect of the board leadership – "board conducts periodical assessment to evaluate and identify ways to improve its governance performance" (49% vs 35%), as compared to those with an annual total expenditure of less than or equal to HK$20 million (*ps* < .05).

Table 5.1.12 Adoption of good practices (% of always and often) of the board dynamics and behaviour analysed by annual total expenditure

	Annual expenditure		All NGOs
	<=HK$20m	>HK$20m	
Board Development			
Board has formal processes to recruit and nominate members with clear evaluative criteria. [1]	41%	**58%**	47%
Board proactively seeks for and provides opportunities to potential recruits to familiarise with your organisation.	49%	62%	53%
There is orientation for all new board members to understand the organisation's programmes, finances, governance responsibilities and introduction to their board colleagues. [1]	45%	**64%**	52%
Continuous and collective learning opportunities are provided to board members. [1]	19%	**32%**	23%
Succession planning is discussed and processes are in place to recruit and develop potential board leaders.	30%	42%	34%
Potential board leaders are given committee assignments to gain experience and opportunity to lead. [1]	42%	**59%**	48%
Board Engagement			
A culture of trust, commitment, openness and transparency exists among board members.	87%	76%	83%
Board is not dominated by a few individuals. Members work as a team, taking collective responsibility for failures and successes.	81%	71%	78%
Board members spend time together outside board meetings to know each other and enhance bonding.	34%	40%	36%
Board is able to resolve differences, build consensus and reach compromise in a positive way.	91%	83%	88%
There are conscious engagement efforts to enhance individual board members' understanding and participation.	37%	46%	40%
Board members devote sufficient time to carry out their duties effectively, including meeting preparation and sitting on board committees.	66%	79%	77%

	Annual expenditure		All NGOs
	<=HK$20m	>HK$20m	
Board members see the connection between what they do and the positive impact on the beneficiaries.	88%	85%	87%
Board members' contributions to your organisation are openly acknowledged.	64%	67%	65%
Board Leadership			
Board and management have a shared understanding of their different roles and responsibilities in governing and managing your organisation respectively.	83%	83%	83%
Board-management maintains a trustful relationship and constructive partnership.	92%	92%	92%
Board gives the top-tier management enough authority and responsibility to lead the staff and manage your organisation and is conscious to avoid micro-management.	85%	86%	86%
Board conducts periodical assessment to evaluate and identify ways to improve its governance performance. [1]	35%	**49%**	40%
Board regularly assesses and gives feedback to all members to enhance their participation and contribution.	35%	30%	33%
Current Board leaders have the necessary skills, enthusiasm, energy and time to provide leadership to the Board.	82%	85%	83%
Board leaders often reach out and approachable to key stakeholders (including staff, service users and funders).	63%	56%	61%
Board leadership strengthens the performance of your organisation.	83%	88%	85%
No. of participating NGOs	**33**	**17**	**50**

Note 1: Statistically significant differences were found among two groups of annual total expenditure (p < .05)

5.2 Overview of Adoption of Good Practices and Perceived Relevance

Good Practices Adopted

The 10 Most Frequently Adopted Good Practices

5.2.1   Of the 57 good practices, a great majority of the participating NGOs always or often adopted the practices of "having all major policy and strategy discussions in line with organisation's missions and vision" (92%) and "board-management maintaining a trustful relationship and constructive partnership" (92%).

5.2.2   Ranging from 85% to 89% of the participating NGOs always or often adopted the practices such as "sharing a common understanding of organisation's mission among all board members" (89%), "the board working with management to ensure timely and independent financial audit" (88%), "being able to resolve differences, build consensus and reach compromise in a positive way" (88%), "enforcing policies on managing conflicts of interest of Board / committee members" (88%), "having the board members see the connection between what they do and the positive impact on the beneficiaries" (87%), "giving the top-tier management enough authority and responsibility to lead the staff and manage the organisation, and is conscious to avoid micro-management" (86%), "understanding regulatory and funding requirements to safeguard operation compliance" (85%) and "working with the management to review financial statements regularly" (85%).

5.2.3   Among the three dimensions of governance health, good practices in the functional dimension of Board Role Execution are more readily adopted with 7 out of the top 10 most frequently adopted practices in this dimension.

5.2.4   The top 10 most frequently adopted good practices vary between big and small NGOs. One of the strengths of those participating NGOs with an annual total expenditure of less than or equal to HK$20 million, was that 87% expressed that a culture of trust, commitment, openness and transparency always or often existed among board members.

5.2.5   Of those participating NGOs with an annual total expenditure of more than HK$20 million, the Boards adopted more practices on functional procedures and leadership, with around 90% stated that calendar of board / committee meetings / non-meeting activities was always often set and distributed for the year to allow board members to schedule and commit their participation (90%), board always or often proactively provided expertise, external access or influence needed to accomplish organisational goals (89%) and board leadership always or often strengthened the performance of their organisations (88%).

5.2.6   The 14 good practices that were adopted most frequently (*% of NGOs reporting "always" and "often"*) are listed in the table below:

Table 5.2.1 The 10 most frequently adopted good practices (% of always and often)

E	A		Annual expenditure		All NGOs
			<=HK$20m	>HK$20m	
4	4.1	All major policy and strategy discussions are in line with your organisation's mission and vision.	92%	93%	92%
9	9.1	Board-management maintains a trustful relationship and constructive partnership.	92%	92%	92%
4	4.1	All board members share a common understanding of your organisation's mission.	90%	86%	89%
6	6.1	Board works with management to ensure timely and independent financial audit.	88%	89%	88%
8	8.1	Board is able to resolve differences, build consensus and reach compromise in a positive way.	91%		88%
6	6.1	Policies on managing conflict of interest of Board / committee members are enforced.	88%	89%	88%
8	8.2	Board members see the connection between what they do and the positive impact on the beneficiaries.	88%		87%
9	9.1	Board gives the top-tier management enough authority and responsibility to lead the staff and manage your organisation and is conscious to avoid micro-management.	85%	86%	86%
6	6.1	Board understands regulatory and funding requirements to safeguard operation compliance.	86%		85%
5	5.2	Board works with the management to review financial statements regularly.		95%	85%
9	9.3	Board leadership strengthens the performance of your organisation.		88%	
8	8.1	A culture of trust, commitment, openness and transparency exists among board members.	87%		
3	3.1	Calendar of board / committee meetings / non-meeting activities is set and distributed for the year to allow board members to schedule and commit their participation.		90%	
5	5.3	Board proactively provides expertise, external access or influence needed to accomplish organisational goals.		89%	
		No. of participating NGOs	**33**	**17**	**50**

Note: E-Elements, A-Aspects. 1 Board Composition (1.1-The Set-up, 1.2-The Team Mix), 2 Board Structure (2.1-the Design, 2.2-Delegation & Delineation of Authority), 3 Board Processes (3.1-Meeting Efficiency & Effectiveness), 4 Steer Mission & Direction (4.1-Shape Mission & Vision, 4.2-Involve in Strategic Planning), 5 Ensure Executive Leadership & Resource (5.1-Support Top Tier Executive, 5.2-Ensure Adequate Financial Resource, 5.3-Provide Expertise & Access), 6 Monitor Organisational Risk & Performance (6.1-Oversee Risk & Compliance, 6.2-Ensure Accountability to Stakeholders, 6.3-Monitor Performance), 7 Board Development (7.1-Recruitment, 7.2-Capacity Building, 7.3-Succession Planning), 8 Board Engagement (8.1-Positive Culture, 8.2-Foster Involvement and Commitment), 9 Board Leadership (9.1-Constructive Partnership with Management, 9.2-Monitor Board Performance, 9.3 Impact of Board Leadership)

The 10 Least Frequently Adopted Good Practices

5.2.7　　Apart from listing the good practices frequently adopted by the participating NGOs, it is worth exploring the good practices that were not frequently adopted. Of the 57 good practices, about one-third of the participating NGOs seldom or never adopted the practices of "having discussions and processes on succession planning to recruit and develop potential board leaders" (36%), assessing and giving feedback to all members by the board regularly to enhance their participation and contribution(33%), providing continuous and collective learning opportunities to board members (32%) and reviewing risk assessments compiled by management that acknowledges potential risks and approves mitigation plans by the board (30%).

5.2.8　　Ranging from 25% to 29% of the participating NGOs seldom or never adopted the practices such as "having board members spend time together outside board meetings to know each other and enhance bonding" (29%), working with management to set performance targets with reference to peer organisations by the board (29%), "having formal processes to recruit and nominate members with clear evaluative criteria" (28%), conducting documented evaluation on top-tier management performance at least annually against pre-defined criteria and process (25%), "having conscious engagement efforts to enhance individual board members' understanding and participation" (25%) and conducting periodical assessment to evaluate and identify ways to improve its governance performance (25%).

5.2.9　　Among the three dimensions of governance health, good practices in the interactive dimension of Board Dynamics and Behaviour are relatively less adopted, with 7 out of the top 10 least frequently adopted practices in this dimension.

5.2.10　　Big and small NGOs vary more in their list of least adopted good practices. Of those participating NGOs with an annual total expenditure of less than or equal to HK$20 million, over 30% expressed that the board seldom or never had annual documented evaluation on top-tier management performance Documented (31%) nor a systematic process for identifying the governance skills to lead your organisation (30%) and used a mix of ad-hoc, advisory and standing committees to exercise different governance functions (29%).

5.2.11　　Of those participating NGOs with an annual total expenditure of more than HK$20 million, around 19% stated that the board seldom or never translated strategic plan into oversight responsibilities for the board / committee(s) to follow through.

5.2.12　　Of the 57 good practices, 13 good practices that were adopted least frequently (*% of NGOs reporting "seldom" and "never"*) are listed in the table below:

Table 5.2.2 The 10 least frequently adopted good practices (% of seldom and never)

E	A	Good practices	Annual expenditure		All NGOs
			<=HK$20m	>HK$20m	
7	7.3	Succession planning is discussed and processes are in place to recruit and develop potential board leaders.	40%	27%	36%
9	9.2	Board regularly assesses and gives feedback to all members to enhance their participation and contribution.	32%	35%	33%
7	7.2	Continuous and collective learning opportunities are provided to board members.	36%	23%	32%
6	6.1	Board reviews risk assessments compiled by management that acknowledges potential risks and approves mitigation plans.	36%	20%	30%
8	8.1	Board members spend time together outside board meetings to know each other and enhance bonding.	34%	20%	29%
6	6.3	Board works with management to set performance targets with reference to peer organisations.	32%	23%	29%
7	7.1	Board has formal processes to recruit and nominate members with clear evaluative criteria.	32%	18%	28%
5	5.1	Documented evaluation on top-tier management performance is done at least annually against pre-defined criteria and process.	31%		25%
8	8.2	There are conscious engagement efforts to enhance individual board members' understanding and participation.		24%	25%
9	9.2	Board conducts periodical assessment to evaluate and identify ways to improve its governance performance.		22%	25%
1	1.2	Board has a systematic process for identifying the governance skills to lead your organisation.	30%		
2	2.2	Board uses a mix of ad-hoc, advisory and standing committees to exercise different governance functions.	29%		
4	4.2	Board translates strategic plan into oversight responsibilities for the board / committee(s) to follow through.		19%	
		No. of participating NGOs	**33**	**17**	**50**

Note: E-Elements, A-Aspects. 1 Board Composition (1.1-The Set-up, 1.2-The Team Mix), 2 Board Structure (2.1-the Design, 2.2-Delegation & Delineation of Authority), 3 Board Processes (3.1-Meeting Efficiency & Effectiveness), 4 Steer Mission & Direction (4.1-Shape Mission & Vision, 4.2-Involve in Strategic Planning), 5 Ensure Executive Leadership & Resource (5.1-Support Top Tier Executive, 5.2-Ensure Adequate Financial Resource, 5.3-Provide Expertise & Access), 6 Monitor Organisational Risk & Performance (6.1-Oversee Risk & Compliance, 6.2-Ensure Accountability to Stakeholders, 6.3-Monitor Performance), 7 Board Development (7.1-Recruitment, 7.2-Capacity Building, 7.3-Succession Planning), 8 Board Engagement (8.1-Positive Culture, 8.2-Foster Involvement and Commitment), 9 Board Leadership (9.1-Constructive Partnership with Management, 9.2-Monitor Board Performance, 9.3 Impact of Board Leadership)

Agreement on Perceived Relevance

The 10 Highest Level of Agreement on Perceived Relevance

5.2.13   In general, the participating NGOs perceived that the listed good practices were relevant to their organisations. A great majority of the participating NGOs agreed that the board's practices of "maintaining a trustful board-management relationship and constructive partnership" (98%), "having a culture of trust, commitment, openness and transparency among board members" (96%), sharing a common understanding of the organisation's mission among board members (96%), major policy and strategy discussions in line with the organisation's mission and vision (95%), "being able to resolve differences, build consensus and reach compromise in a positive way" (95%), working with the management to review financial statements regularly (95%), following up on the implementations of its decision (94%), giving the top-tier management enough authority and responsibility to lead the staff and manage the organisation and is conscious to avoid micro-management (94%), understanding regulatory and funding requirements to safeguard operation compliance (94%) and "having meaningful discussions on strategic issues in the board meeting (94%) were highly relevant to their organisations".

5.2.14   Of those participating NGOs with an annual total expenditure of less than or equal to HK$20 million, over 90% agreed that the board's practices of having the necessary skills, enthusiasm, energy and time to provide leadership to the Board by current board leaders (94%), having a shared understanding of their different roles and responsibilities in governing and managing the organisation by the board and management respectively (93%), and "having board members working as a team, taking collective responsibility for failures and successes whereas the board is not dominated by a few individuals" (93%) were highly relevant to their organisations.

5.2.15   Of those participating NGOs with an annual total expenditure of more than HK$20 million, nearly all agreed that the board's practices of receiving agenda and quality information well in advance of meetings to encourage members to prepare for deliberations (98%), reviewing and agreeing on the board size (98%), working with management to ensure timely and independent financial audit (97%) and providing expertise, external access or influence needed to accomplish organisational goals proactively (97%) were highly relevant to their organisations.

5.2.16   Of the 57 good practices, 17 good practices that were perceived by the participating NGOs to be the highest level of relevance to their organisations (***% of NGOs reporting "strongly agree" and "agree"***) are listed in the table below:

Table 5.2.3 The 10 highest level of agreement on perceived relevance (% of strongly agree and agree)

E	A		Annual expenditure		All NGOs
			<=HK$20m	>HK$20m	
9	9.1	Board-management maintains a trustful relationship and constructive partnership.	98%	97%	98%
8	8.1	A culture of trust, commitment, openness and transparency exists among board members.	97%		96%

E	A		Annual expenditure		All NGOs
			<=HK\$20m	>HK\$20m	
4	4.1	All board members share a common understanding of your organisation's mission.	96%		96%
4	4.1	All major policy and strategy discussions are in line with your organisation's mission and vision.	94%	97%	95%
8	8.1	Board is able to resolve differences, build consensus and reach compromise in a positive way.	95%		95%
5	5.2	Board works with the management to review financial statements regularly.	93%	98%	95%
3	3.1	Board follows up on the implementation of its decisions.		98%	94%
9	9.1	Board gives the top-tier management enough authority and responsibility to lead the staff and manage your organisation and is conscious to avoid micro-management.	94%		94%
6	6.1	Board understands regulatory and funding requirements to safeguard operation compliance.		96%	94%
3	3.1	Board meeting has meaningful discussions on strategic issues.		97%	94%
9	9.1	Board and management have a shared understanding of their different roles and responsibilities in governing and managing your organisation respectively.	93%		
3	3.1	Board / committee(s) receive(s) agenda and quality information well in advance of meetings to encourage members to prepare for deliberations.		98%	
9	9.3	Current Board leaders have the necessary skills, enthusiasm, energy and time to provide leadership to the Board.	94%		
6	6.1	Board works with management to ensure timely and independent financial audit.		97%	
5	5.3	Board proactively provides expertise, external access or influence needed to accomplish organisational goals.		97%	
8	8.1	Board is not dominated by a few individuals. Members work as a team, taking collective responsibility for failures and successes.	93%		
1	1.1	Board reviews and agrees on the board size.		98%	
		No. of participating NGOs	**33**	**17**	**50**

Note: E-Elements, A-Aspects. 1 Board Composition (1.1-The Set-up, 1.2-The Team Mix), 2 Board Structure (2.1-the Design, 2.2-Delegation & Delineation of Authority), 3 Board Processes (3.1-Meeting Efficiency & Effectiveness), 4 Steer Mission & Direction (4.1-Shape Mission & Vision, 4.2-Involve in Strategic Planning), 5 Ensure Executive Leadership & Resource (5.1-Support Top Tier Executive, 5.2-Ensure Adequate Financial Resource, 5.3-Provide Expertise & Access), 6 Monitor Organisational Risk & Performance (6.1-Oversee Risk & Compliance, 6.2-Ensure Accountability to Stakeholders, 6.3-Monitor Performance), 7 Board Development (7.1-Recruitment, 7.2-Capacity Building, 7.3-Succession Planning), 8 Board Engagement (8.1-Positive Culture, 8.2-Foster Involvement and Commitment), 9 Board Leadership (9.1-Constructive Partnership with Management, 9.2-Monitor Board Performance, 9.3 Impact of Board Leadership)

The 10 Lowest Level of Agreement on Perceived Relevance

5.2.17   Comparatively, the participating NGOs indicated a relatively lower relevance to NGO governance (% of agreement on perceived relevance less than 75%) on practices including working with management to set performance targets with reference to peer organisations by the board (64%), financial supporting or fundraising by board members to the organisations (68%), providing continuous and collective learning opportunities to board members (70%), assessing and giving feedback to all members to enhance their participation and contribution by the board regularly (73%), "having discussion and processes of succession planning to recruit and develop potential board leaders" (73%) and having formal processes to recruit and nominate members with clear evaluative criteria by the board (73%).

5.2.18   Of those participating NGOs with an annual total expenditure of less than or equal to HK$20 million, 72% reported that the board's practice of giving committee assignments to potential board leaders to gain experience and opportunity to lead was relevant to their organisations.

5.2.19   Of the 57 good practices, 15 good practices that were perceived by the participating NGOs to be the lowest level of relevance to their organisations (*% of NGOs reporting "strongly agree" and "agree"*) are listed in the table below:

Table 5.2.4 The 10 lowest level of agreement on perceived relevance (% of strongly agree and agree)

E	A		Annual expenditure		All NGOs
			<=HK$20m	>HK$20m	
6	6.3	Board works with management to set performance targets with reference to peer organisations.	63%	65%	64%
5	5.2	Board members financially support or fundraise for your organisation.	64%	74%	68%
7	7.2	Continuous and collective learning opportunities are provided to board members.	67%	77%	70%
9	9.2	Board regularly assesses and gives feedback to all members to enhance their participation and contribution.	72%	74%	73%
7	7.3	Succession planning is discussed and processes are in place to recruit and develop potential board leaders.	72%	75%	73%
7	7.1	Board has formal processes to recruit and nominate members with clear evaluative criteria.	70%		73%
8	8.2	There are conscious engagement efforts to enhance individual board members' understanding and participation.		76%	74%
2	2.2	Board uses a mix of ad-hoc, advisory and standing committees to exercise different governance functions.	67%		75%
6	6.1	Board reviews risk assessments compiled by management that acknowledges potential risks and approves mitigation plans.	70%		75%
5	5.1	Documented evaluation on top-tier management performance is done at least annually against pre-defined criteria and process (e.g., a self-assessment, written feedback or development plan).	71%		76%

E	A		Annual expenditure		All NGOs
			<=HK$20m	>HK$20m	
8	8.1	Board members spend time together outside board meetings (e.g., a "retreat day" or an "away-day") to know each other and enhance bonding.		78%	
4	4.2	Board translates strategic plan into oversight responsibilities for the board / committee(s) to follow through.		79%	
7	7.3	Potential board leaders are given committee assignments to gain experience and opportunity to lead.	72%		
9	9.2	Board conducts periodical assessment to evaluate and identify ways to improve its governance performance.		80%	
5	5.1	Board provides development opportunities for top-tier management according to their identified strengths and weaknesses.		80%	
		No. of participating NGOs	**33**	**17**	**50**

Note: E-Elements, A-Aspects. 1 Board Composition (1.1-The Set-up, 1.2-The Team Mix), 2 Board Structure (2.1-the Design, 2.2-Delegation & Delineation of Authority), 3 Board Processes (3.1-Meeting Efficiency & Effectiveness), 4 Steer Mission & Direction (4.1-Shape Mission & Vision, 4.2-Involve in Strategic Planning), 5 Ensure Executive Leadership & Resource (5.1-Support Top Tier Executive, 5.2-Ensure Adequate Financial Resource, 5.3-Provide Expertise & Access), 6 Monitor Organisational Risk & Performance (6.1-Oversee Risk & Compliance, 6.2-Ensure Accountability to Stakeholders, 6.3-Monitor Performance), 7 Board Development (7.1-Recruitment, 7.2-Capacity Building, 7.3-Succession Planning), 8 Board Engagement (8.1-Positive Culture, 8.2-Foster Involvement and Commitment), 9 Board Leadership (9.1-Constructive Partnership with Management, 9.2-Monitor Board Performance, 9.3 Impact of Board Leadership)

Differences between Perceived Relevance and Adoption of Good Practices

The Top 5 Execution Gaps

5.2.20   The execution gaps between the perceived relevance and the extent of adoption of the good practices were examined *(i.e. Gaps = % of Perceived Relevance - % of Adoption of Practices)*.

5.2.21   The five good practices which had the biggest differences were identified. The results suggested that, even though some best practices were perceived to be of high relevance to the participating NGOs, they were not always or often adopted by the organisations.

5.2.22   These five practices included "capacity building" (i.e. provision of continuous and collective learning opportunities to board members), "shaping mission and vision" (i.e. updating the organisation's mission and vision as necessary by the board), positive culture (i.e. spending time together outside board meeting to know each other and enhance bonding by the board members), monitoring board performance (i.e. assessing and giving feedback to all members to enhance their participation and contribution) and succession planning (i.e. discussion and processes on successful planning to recruit and develop potential board leaders).

Table 5.2.5 Differences between perceived relevance and adoption of good practices

E	A		Perceived Relevance	Adoption	Execution Gaps
7	7.2	Continuous and collective learning opportunities are provided to board members.	70%	23%	47%
4	4.1	Board undertakes to update your organisation's mission and vision as necessary.	84%	42%	42%
8	8.1	Board members spend time together outside board meetings to know each other and enhance bonding.	76%	36%	40%
9	9.2	Board regularly assesses and gives feedback to all members to enhance their participation and contribution.	73%	33%	40%
7	7.3	Succession planning is discussed and processes are in place to recruit and develop potential board leaders.	73%	34%	39%
		No. of participating NGOs	**33**	**17**	**50**

Note: E-Elements, A-Aspects. 1 Board Composition (1.1-The Set-up, 1.2-The Team Mix), 2 Board Structure (2.1-the Design, 2.2-Delegation & Delineation of Authority), 3 Board Processes (3.1-Meeting Efficiency & Effectiveness), 4 Steer Mission & Direction (4.1-Shape Mission & Vision, 4.2-Involve in Strategic Planning), 5 Ensure Executive Leadership & Resource (5.1-Support Top Tier Executive, 5.2-Ensure Adequate Financial Resource, 5.3-Provide Expertise & Access), 6 Monitor Organisational Risk & Performance (6.1-Oversee Risk & Compliance, 6.2-Ensure Accountability to Stakeholders, 6.3-Monitor Performance), 7 Board Development (7.1-Recruitment, 7.2-Capacity Building, 7.3-Succession Planning), 8 Board Engagement (8.1-Positive Culture, 8.2-Foster Involvement and Commitment), 9 Board Leadership (9.1-Constructive Partnership with Management, 9.2-Monitor Board Performance, 9.3 Impact of Board Leadership)

5.2.23   The good practices with over 80% of agreement on perceived relevance and over 20% of execution gaps (i.e. the differences between the perceived relevance and the adoption of the good practices (always and often) were identified.

5.2.24   The results suggested that, even though some best practices were perceived to be of high relevance to the participating NGOs, they were not always or often adopted by the organisations. These practices included shaping mission and vision (i.e. updating the organisation's mission and vision as necessary by the board), supporting top tier executive (i.e. providing development opportunities for top-tier management according to their identified strengths and weaknesses), monitoring board performance (i.e. conducting periodical assessment to evaluate and identify ways to improve its governance performance), capacity building (i.e. orientation for all new board members to understand the organisation's programmes, finances, governance responsibilities and introduction to their board colleagues), overseeing risk and compliance (i.e. reviewing risk assessments compiled by management that acknowledges potential risks and approves mitigation plans) and the team mix (i.e. a systematic process for identifying the governance skills to lead your organisation).

Table 5.2.6 Perceived relevance and adoption of good practices of the board dynamics and behaviour analysed by annual total expenditure

E	A		Annual expenditure		All NGOs
			<=HK$20m	>HK$20m	
4	4.1	Board undertakes to update your organisation's mission and vision as necessary.	43%	39%	42%
5	5.1	Board provides development opportunities for top-tier management according to their identified strengths and weaknesses.	38%	37%	37%
9	9.2	Board conducts periodical assessment to evaluate and identify ways to improve its governance performance.	41%	31%	37%
7	7.2	There is orientation for all new board members to understand the organisation's programmes, finances, governance responsibilities and introduction to their board colleagues.	36%	25%	32%
6	6.1	Board reviews risk assessments compiled by management that acknowledges potential risks and approves mitigation plans.	31%	31%	31%
1	1.2	Board has a systematic process for identifying the governance skills to lead your organisation.	36%	23%	31%
1	1.1	Board reviews and agrees on the board size.	29%	30%	29%
7	7.3	Potential board leaders are given committee assignments to gain experience and opportunity to lead.	30%	29%	29%

E	A		Annual expenditure		All NGOs
			<=HK$20m	>HK$20m	
7	7.1	Board proactively seeks for and provides opportunities to potential recruits to familiarise with your organisation.	30%	22%	28%
2	2.1	Board reviews timely the committee structure to enhance governance control and functions.	30%	20%	27%
7	7.1	Board has formal processes to recruit and nominate members with clear evaluative criteria.	29%	23%	26%
5	5.1	Board has preparedness and planning of succession for top-tier management.	22%	31%	25%
9	9.3	Board leaders often reach out and approachable to key stakeholders (including staff, service users and funders).	21%	35%	25%
5	5.3	Board members act as effective representatives or ambassadors for your organisation.	25%	24%	24%
6	6.3	Board monitors and uses the performance results to inform decisions on strategic planning, resources allocation, and evaluation of the top-tier management.	24%	20%	22%
2	2.2	The terms of reference of committees clearly define their authority, roles and responsibilities, reporting and accountability requirements.	23%	16%	21%
1	1.1	Board members' term limits effectively balance the "need for new members / skills" and the "retention of experienced directors".	26%	11%	21%
6	6.2	Board ensures that stakeholder perspectives and feedbacks are used to inform strategy and resource allocation.	18%	25%	20%
5	5.3	Board proactively provides expertise, external access or influence needed to accomplish organisational goals.	22%	8%	18%
5	5.2	Board supports management in preparing / reviewing multi-year financial plan through robust discussion of resource allocation, funding plans and investment objectives in context of strategic goals.	21%	7%	16%
		No. of participating NGOs	**33**	**17**	**50**

Note: E-Elements, A-Aspects. 1 Board Composition (1.1-The Set-up, 1.2-The Team Mix), 2 Board Structure (2.1-the Design, 2.2-Delegation & Delineation of Authority), 3 Board Processes (3.1-Meeting Efficiency & Effectiveness), 4 Steer Mission & Direction (4.1-Shape Mission & Vision, 4.2-Involve in Strategic Planning), 5 Ensure Executive Leadership & Resource (5.1-Support Top Tier Executive, 5.2-Ensure Adequate Financial Resource, 5.3-Provide Expertise & Access), 6 Monitor Organisational Risk & Performance (6.1-Oversee Risk & Compliance, 6.2-Ensure Accountability to Stakeholders, 6.3-Monitor Performance), 7 Board Development (7.1-Recruitment, 7.2-Capacity Building, 7.3-Succession Planning), 8 Board Engagement (8.1-Positive Culture, 8.2-Foster Involvement and Commitment), 9 Board Leadership (9.1-Constructive Partnership with Management, 9.2-Monitor Board Performance, 9.3 Impact of Board Leadership)

5.3 Analysis of Adoption of Good Practices

Analysis by Aspects

5.3.1   The two elements that had the highest degrees of adoption of good practices were "Board Processes" (78.8%) and "Steer Mission & Direction" (71.7%).

5.3.2   Across the 21 aspects, the two that had the highest degrees of adoption of good practices were "Board Leadership – Constructive Partnership with Management" (86.8%) and "Board Processes – Meeting Efficiency & Effectiveness" (78.8%). The two aspects that had the lowest degrees of adoption were "Board Leadership – Monitor Board Performance" (36.4%) and "Board Development - Capacity building" (37.4%).

Chart 5.3.1 Adoption of good practices analysed by aspects
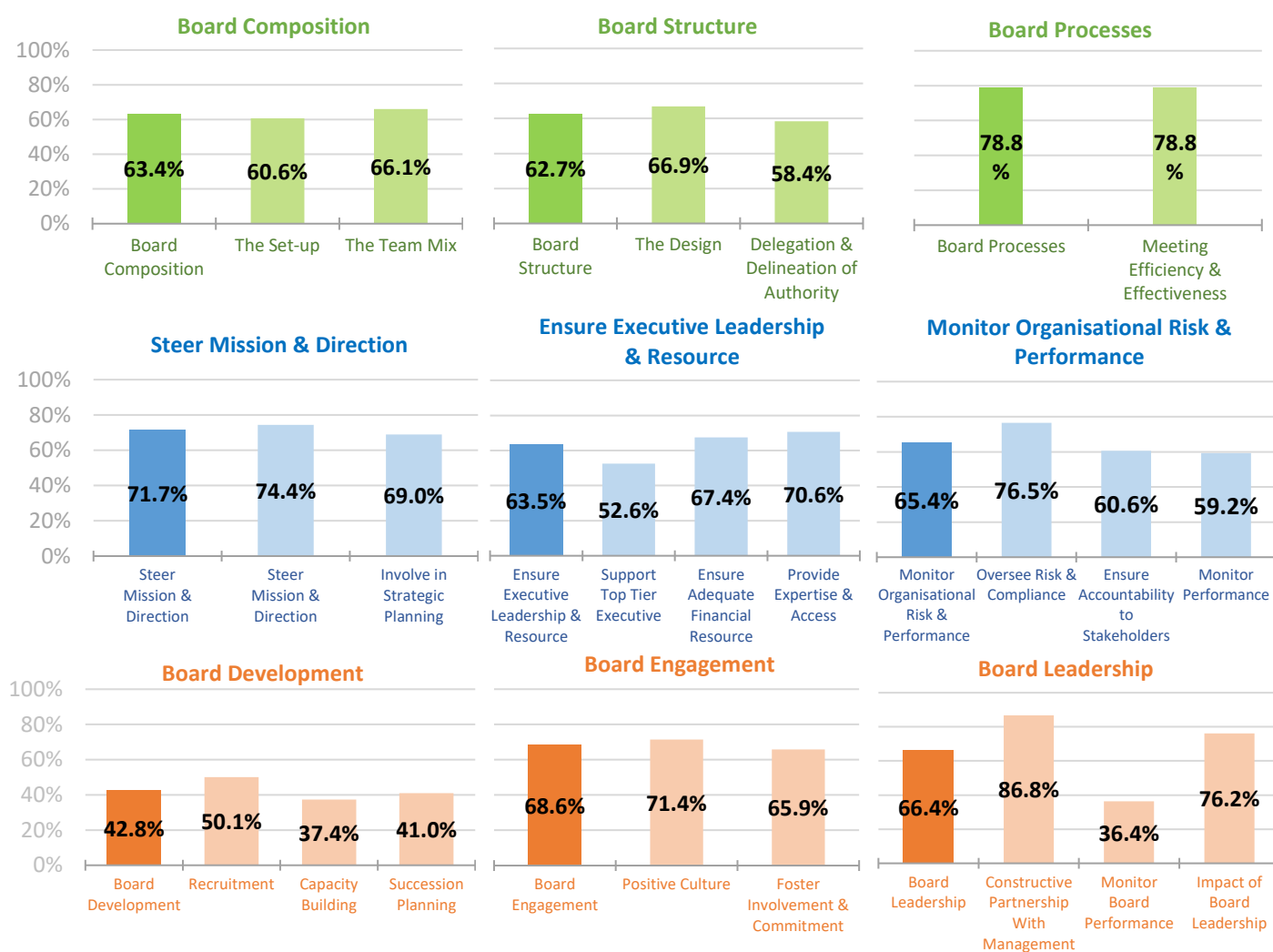
Analysis by Annual Total Expenditure

5.3.3   Regarding the board design and processes, significantly higher proportions of the participating NGOs with an annual total expenditure of more than HK$20 million always or often adopted good practices in the aspect of the delegation and delineation of authority under the element of the board structure (75.2% vs 49.8%) and the set-up under the element of the board composition (71.2% vs 55.1%), as compared to those with an annual total expenditure of less than or equal to HK$20 million (*ps* < .05).

5.3.4   Regarding the board role execution, significantly higher proportions of the participating NGOs with an annual total expenditure of more than HK$20 million always or often adopted good practices in the aspect of providing expertise and access (78.9% vs 66.3%) and ensuring adequate financial resource (77.6% vs 62.1%) under the element of ensuring executive leadership and resource, as compared to those with an annual expenditure total of less than or equal to HK$20 million (*ps* < .05).

5.3.5   Regarding the board dynamics and behaviour, significantly higher proportions of the participating NGOs with an annual total expenditure of more than HK$20 million always or often adopted good practices in the aspect of the recruitment (60.2% vs 45.0%) and capacity building (48.2% vs 31.8%) under the element of the board development, as compared to those with an annual total expenditure of less than or equal to HK$20 million (*ps* < .05). In other words, those NGOs with an annual expenditure of less than or equal to HK$20 million had lower proportions to adopt good practices in the aspect of capacity building (31.8%) and recruitment (45.0%) under the element of the board development.

Table 5.3.2 Adoption of good practices analysed by annual total expenditure

	Annual expenditure		All NGOs
	<=HK$20m	>HK$20m	
Board Design & Processes [1]	**63.6%**	**77.3%**	**68.3%**
Board Composition [1]	58.9%	**72.0%**	63.4%
1.1 The Set-up [1]	55.1%	**71.2%**	60.6%
1.2 The Team Mix	62.7%	72.7%	66.1%
Board Structure [1]	56.2%	**75.2%**	62.7%
2.1 The Design	62.7%	75.1%	66.9%
2.2 Delegation & Delineation of Authority [1]	49.8%	**75.2%**	58.4%
Board Processes	75.7%	84.8%	78.8%
3.1 Meeting Efficiency & Effectiveness	75.7%	84.8%	78.8%
Board Role Execution	**64.2%**	**72.0%**	**66.9%**
Steer Mission & Direction	69.9%	75.2%	71.7%
4.1 Shape Mission & Vision	73.3%	76.5%	74.4%
4.2 Involve in Strategic Planning	66.4%	73.9%	69.0%
Ensure Executive Leadership & Resource [1]	59.4%	**71.6%**	63.5%
5.1 Support Top Tier Executive	49.7%	58.3%	52.6%
5.2 Ensure Adequate Financial Resource [1]	62.1%	**77.6%**	67.4%
5.3 Provide Expertise & Access [1]	66.3%	**78.9%**	70.6%
Monitor Organisational Risk & Performance	63.5%	69.2%	65.4%
6.1 Oversee Risk & Compliance	75.0%	79.4%	76.5%
6.2 Ensure Accountability to Stakeholders	58.1%	65.5%	60.6%
6.3 Monitor Performance	57.3%	62.8%	59.2%
Board Dynamics & Behaviour	**57.4%**	**63.1%**	**59.3%**
Board Development [1]	37.6%	**53.0%**	42.8%
7.1 Recruitment [1]	45.0%	**60.2%**	50.1%
7.2 Capacity Building [1]	31.8%	**48.2%**	37.4%
7.3 Succession Planning	36.0%	50.7%	41.0%
Board Engagement	68.6%	68.7%	68.6%
8.1 Positive Culture	73.3%	67.7%	71.4%
8.2 Foster Involvement & Commitment	63.9%	69.6%	65.9%
Board Leadership	65.9%	67.5%	66.4%
9.1 Constructive Partnership with Management	86.7%	86.9%	86.8%
9.2 Monitor Board Performance	34.9%	39.2%	36.4%
9.3 Impact of Board Leadership	76.1%	76.3%	76.2%
No. of participating NGOs	**33**	**17**	**50**

Note 1: Statistically significant differences were found among two groups of annual total expenditure ($p < .05$)

Board Governance Areas

6.1 Board Governance Areas

6.1.1   Board members of the participating NGOs were asked to indicate their levels of satisfaction on 11 board governance areas in a 5-point Likert Scale, with "1" representing "very unsatisfied" and "5" representing "very satisfied" and the perceived impact on the overall organisation performance in a 5-point Likert Scale with "1" representing "very low" and "5" representing "very high".

Table 6.1.1 Descriptions of 11 board governance areas

Commitment to Mission and Vision	Board has a shared understanding of and commitment to ensure the Vision, Mission, and Values (VMV) are relevant and being delivered effectively and sustainably.
Direction and Leadership	Board provides strategic leadership to ensure there are appropriate strategies to achieve its aims.
Providing Adequate Financial Resources and Oversight	Board oversees financial management and resources development to ensure financial sustainability and accountability.
Ensuring Integrity, Ethics and Legal Compliance	Board acts with integrity, adopts values of diversity, equality, inclusion, and justice, and complies with all regulatory and legal requirements to ensure service quality and protection of users and staff.
Monitoring Risks and Organisational Performance	Board ensures effective management, control and risk-assessment systems, and monitors its risks to ensure that the organisation achieves its performance.
Supportive and Constructive Relationship between Board and Management	Board trusts, supports and builds strong partnership with top tier management, ensuring effective executive leadership and accountability to governance.
Stakeholder Representation and Accountability	Board ensures that stakeholders interests are addressed and balanced, that the organisation has the legitimacy in representing its beneficiaries and stakeholders; and that its work and impact are appreciated by all its stakeholders.
Disclosure and Transparency to the Public	Board leads in cultivating a culture of openness within the organisation, and ensures that it takes seriously its responsibility for building public trust and confidence in its work, such as publishing performance information.
Community Relations and Outreach Efforts	Board embraces its role as the ambassador for the organisation to reach out to and build networks with stakeholders and the public for the organisation.
Board Effectiveness	Board works as an effective team, using appropriate balance of skills, experience, background and knowledge to provide the insight, wisdom and judgement required.
Learning and Continuous Improvement	Board regularly reflects on its performances and is conscious of enhancing members' governance role to lead and bring about positive impacts on the overall effectiveness of the organisation's performances.

6.2 Level of Satisfaction on the Board Governance Areas

6.2.1   More than three-quarters of the participating NGOs indicated satisfaction with their governance in the areas of "Ensuring Integrity, Ethics and Legal Compliance" (93.4%), "Commitment to Mission and Vision" (91.1%), "Supportive and Constructive Relationship between Board and Management" (89.6%), "Board Effectiveness" (82.2%), "Providing Adequate Financial Resources and Oversight" (81.0%), "Direction and Leadership" (77.8%), "Disclosure and Transparency to the Public" (76.9%) and "Monitoring Risks and Organisational Performance" (75.1%).

6.2.2   Only around two-thirds of the participating NGOs were satisfied with "Community Relations and Outreach Efforts (68.7%) and "Stakeholder Representation and Accountability (65.4%). It is worth noting that "Learning and Continuous Improvement" (51.7%) was the one area with which the smallest numbers of the participating NGOs indicated satisfaction.

6.2.3   It is worth noting that, in comparison with NGOS with an annual total expenditure of less than or equal to HK$20 million, those participating NGOs with an annual total expenditure of more than HK$20 million were more satisfied with the areas of "Providing Adequate Financial Resources and Oversight" (92.4% vs 75.2%) and "Monitoring Risks and Organisational Performance" (84.1% vs 70.4%) ($ps < .05$).

Table 6.2.1 Level of satisfaction (% of very satisfied and satisfied) on the board governance areas analysed by annual total expenditure

	Annual expenditure		All NGOs
	<=HK$20m	>HK$20m	
Commitment to Mission and Vision	89.3%	94.6%	91.1%
Direction and Leadership	76.2%	81.0%	77.8%
Providing Adequate Financial Resources and Oversight [1]	75.2%	**92.4%**	81.0%
Ensuring Integrity, Ethics and Legal Compliance	93.4%	93.6%	93.4%
Monitoring Risks and Organisational Performance [1]	70.4%	**84.1%**	75.1%
Supportive and Constructive Relationship between Board and Management	90.5%	87.9%	89.6%
Stakeholder Representation and Accountability	62.5%	70.8%	65.4%
Disclosure and Transparency to the Public	73.5%	83.5%	76.9%
Community Relations and Outreach Efforts	67.3%	71.2%	68.7%
Board Effectiveness	82.9%	80.7%	82.2%
Learning and Continuous Improvement	49.6%	55.8%	51.7%
No. of participating NGOs	**33**	**17**	**50**

Note 1: Statistically significant differences were found among two groups of annual total expenditure (p < .05)

6.3 Perceived Impact on the Overall Organisational Performance

6.3.1   More than three-quarters of the participating NGOs indicated very high or high level of perceived impact on their overall organisational performance in the areas of "Supportive and Constructive Relationship between Board and Management" (94.8%), "Ensuring Integrity, Ethics and Legal Compliance" (94.5%), "Board Effectiveness" (89.9%), "Providing Adequate Financial Resources and Oversight" (89.2%), "Direction and Leadership" (87.5%), "Commitment to Mission and Vision" (86.9%), "Monitoring Risks and Organisational Performance" (85.1%), "Disclosure and Transparency to the Public" (78.0%) and "Community Relations and Outreach Efforts" (77.8%).

6.3.2   Over two-thirds of the participating NGOs indicated very high or high level of perceived impact on their overall organisational performance in terms of "Learning and Continuous Improvement" (72.4%) and "Stakeholder Representation and Accountability" (70.6%).

6.3.3   It is worth noting that, in comparison with NGOs with an annual total expenditure of less than or equal to HK$20 million, higher proportions of those participating NGOs with an annual total expenditure of more than HK$20 million indicated very high or high level of impact on their overall organisational performance in the areas of "Ensuring Integrity, Ethics and Legal Compliance" (98.8% vs 92.2%), "Monitoring Risks and Organisational Performance" (93.6% vs 80.7%) and "Stakeholder Representation and Accountability" (84.3% vs 63.5%) (*ps* < .05).

Table 6.3.1 Perceived impact on the overall organisational performance (% of very high and high) on the board governance areas analysed by annual total expenditure

	Annual expenditure		All NGOs
	<=HK$20m	>HK$20m	
Commitment to Mission and Vision	84.2%	92.2%	86.9%
Direction and Leadership	85.8%	90.8%	87.5%
Providing Adequate Financial Resources and Oversight	86.1%	95.3%	89.2%
Ensuring Integrity, Ethics and Legal Compliance [1]	92.2%	**98.8%**	94.5%
Monitoring Risks and Organisational Performance [1]	80.7%	**93.6%**	85.1%
Supportive and Constructive Relationship between Board and Management	93.8%	96.7%	94.8%
Stakeholder Representation and Accountability [1]	63.5%	**84.3%**	70.6%
Disclosure and Transparency to the Public	74.9%	83.9%	78.0%
Community Relations and Outreach Efforts	77.2%	79.0%	77.8%
Board Effectiveness	88.8%	92.0%	89.9%
Learning and Continuous Improvement	69.1%	78.7%	72.4%
No. of participating NGOs	**33**	**17**	**50**

Note 1: Statistically significant differences were found among two groups of annual total expenditure (p < .05)

6.4 Difference between Satisfaction Level and Perceived Impact on the Overall Organisational Performance

6.4.1 91.1% of the participating NGOs were satisfied with their commitment to mission and vision which 86.9% perceived this governance area had very high or high level of impact on their overall organisational performance. The results indicated that the NGOs performed better as compared to their perceived impacts on this governance area.

6.4.2 Apart from the commitment to mission and vision, the participating NGOs stated that their satisfaction level were lower than the perceived governance impact in the other 10 governance areas. The notable differences were recorded in the governance areas of "Learning and Continuous Improvement" (20.7%) and "Monitoring Risks and Organisational Performance" (10.0%).

Chart 6.4.1 Level of satisfaction (% of very satisfied and satisfied) and perceived impact (% of very high and high) on the overall organisational performance

% of Satisfied ... **% of Impact on the overall Organisational performance**

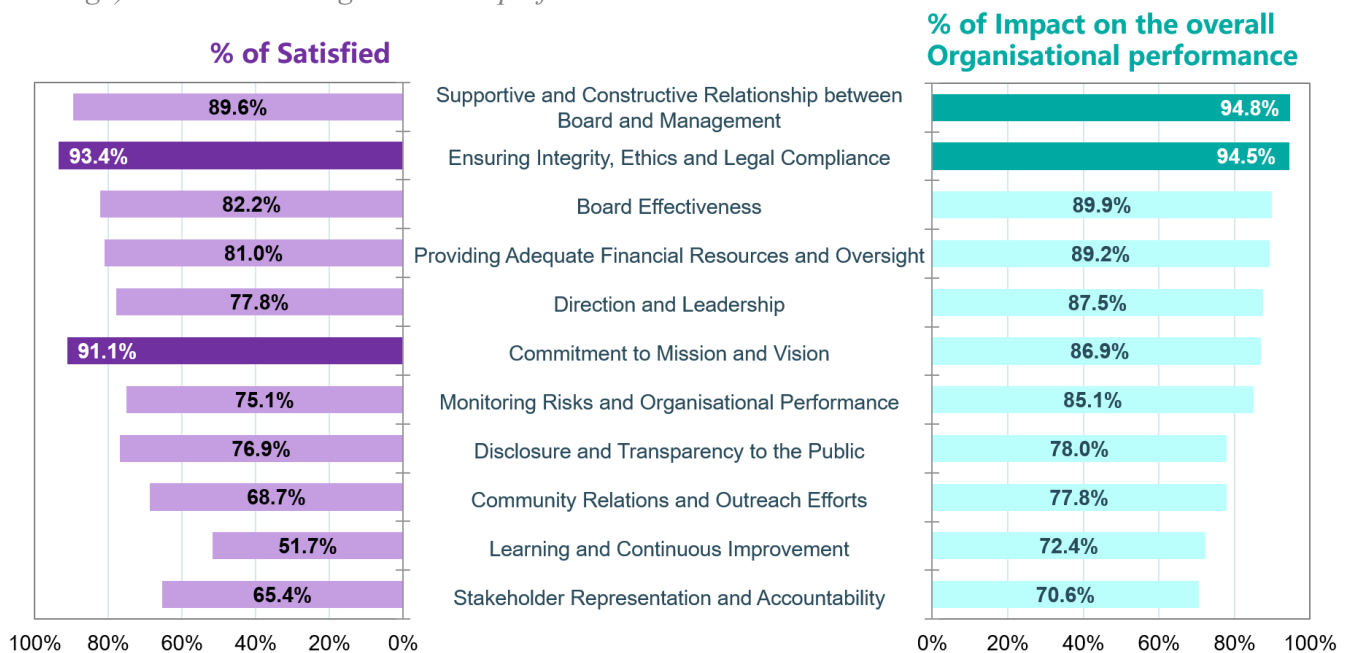| Governance Area	% of Satisfied	% of Impact
Supportive and Constructive Relationship between Board and Management	89.6%	94.8%
Ensuring Integrity, Ethics and Legal Compliance	93.4%	94.5%
Board Effectiveness	82.2%	89.9%
Providing Adequate Financial Resources and Oversight	81.0%	89.2%
Direction and Leadership	77.8%	87.5%
Commitment to Mission and Vision	91.1%	86.9%
Monitoring Risks and Organisational Performance	75.1%	85.1%
Disclosure and Transparency to the Public	76.9%	78.0%
Community Relations and Outreach Efforts	68.7%	77.8%
Learning and Continuous Improvement	51.7%	72.4%
Stakeholder Representation and Accountability	65.4%	70.6%

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Table 6.4.2 Differences between satisfaction level and perceived impact on the overall organisational performance

	Overall organisational performance		Differences	
	Satisfaction	Impact	(Satisfaction > Impact)	(Impact > Satisfaction)
Commitment to Mission and Vision	91.1%	86.9%	4.2%	
Direction and Leadership	77.8%	87.5%		9.7%
Providing Adequate Financial Resources and Oversight	81.0%	89.2%		8.2%
Ensuring Integrity, Ethics and Legal Compliance	93.4%	94.5%		1.0%
Monitoring Risks and Organisational Performance	75.1%	85.1%		**10.0%**
Supportive and Constructive Relationship between Board and Management	89.6%	94.8%		5.2%
Stakeholder Representation and Accountability	65.4%	70.6%		5.2%
Disclosure and Transparency to the Public	76.9%	78.0%		1.1%
Community Relations and Outreach Efforts	68.7%	77.8%		9.1%
Board Effectiveness	82.2%	89.9%		7.7%
Learning and Continuous Improvement	51.7%	72.4%		**20.7%**
No. of participating NGOs	50	50		

Chapter Seven

7.1 Construction of NGO Governance Health Index

7.1.1   For the purpose of data analysis and comparison, indexes are often developed to combine multiple question items in describing a single conceptual construct (Babbie, 2008). An index is constructed by adding the scores assigned to multiple items, with each item being treated equally. Before constructing an index of NGO Governance Health, the assessment tool was examined by a selected group of board chairs, agency heads, board members, experienced social workers and researchers in the field, who were familiar with the concept of NGO governance and research instruments in 2018. Further refinements were conducted to fit the local contexts based on the results of the 2018 Assessment and feedbacks from participating NGOs. The assessment tool adopted in this 2021 Study was considered acceptable by the sector.

7.1.2   Based on the data collected from the 215 participating agency heads and board members, the degrees of reliability of the good practices were assessed with reference to internal consistency. Cronbach's alpha coefficients for the nine elements were calculated, which ranged between 0.7 and 0.8. As a Cronbach's alpha coefficient of 0.7 or above is considered an acceptable measure of the internal consistency of index statements (Santos, 1999), the data collected from this 2021 Study demonstrate high degrees of reliability among the 57 good practices.

7.1.3   The degree of adoption of good practices is rated in a 5-point Likert Scale, with "1" representing "never adopting the good practices" and "5" representing "always adopting the good practices". The index scoring is compiled by assigning equal weights for each aspect, element and dimension:

- equal weights were assigned for all good practices; the average scores of the 21 aspects were compiled;

- equal weights were assigned for all aspects; the average scores of the nine elements were compiled; and

- equal weights were assigned for all elements; the average scores of three dimensions were compiled.

7.1.4   The average scores of the three dimensions, nine elements and 21 aspects were compiled. The index is the first step in the effort to construct a comprehensive tool for gauging NGO governance health.

7.2 Average Scores of NGO Governance Health Index

7.2.1   The average score of NGO Governance Health Index was 3.81 in a 5-point scale.

7.2.2   The average scores of the nine elements ranged from 3.35 to 4.08, as shown in the diagram below:

Chart 7.2.1 NGO Governance Health Index

Analysis by Aspects

7.2.3   Of the nine elements, the two most frequently adopted good practices were "Board Processes" (4.08) and "Steer Mission & Direction" (3.96); and the three least frequently adopted good practices were "Board Development" (3.35), "Monitor Organisational Risk & Performance" (3.80) and "Board Leadership" (3.80).

7.2.4   Of the 21 aspects, the two most frequently adopted good practices were "Board Leadership - Constructive Partnership with Management" (4.16) and "Board Processes – Meeting Efficiency & Effectiveness" (4.08); and the two least frequently adopted good practices were "Board Development - Capacity Building" (3.26) and "Board Leadership – Monitor Board Performance" (3.26).

Chart 7.2.2 NGO Governance Health Index analysed by aspects
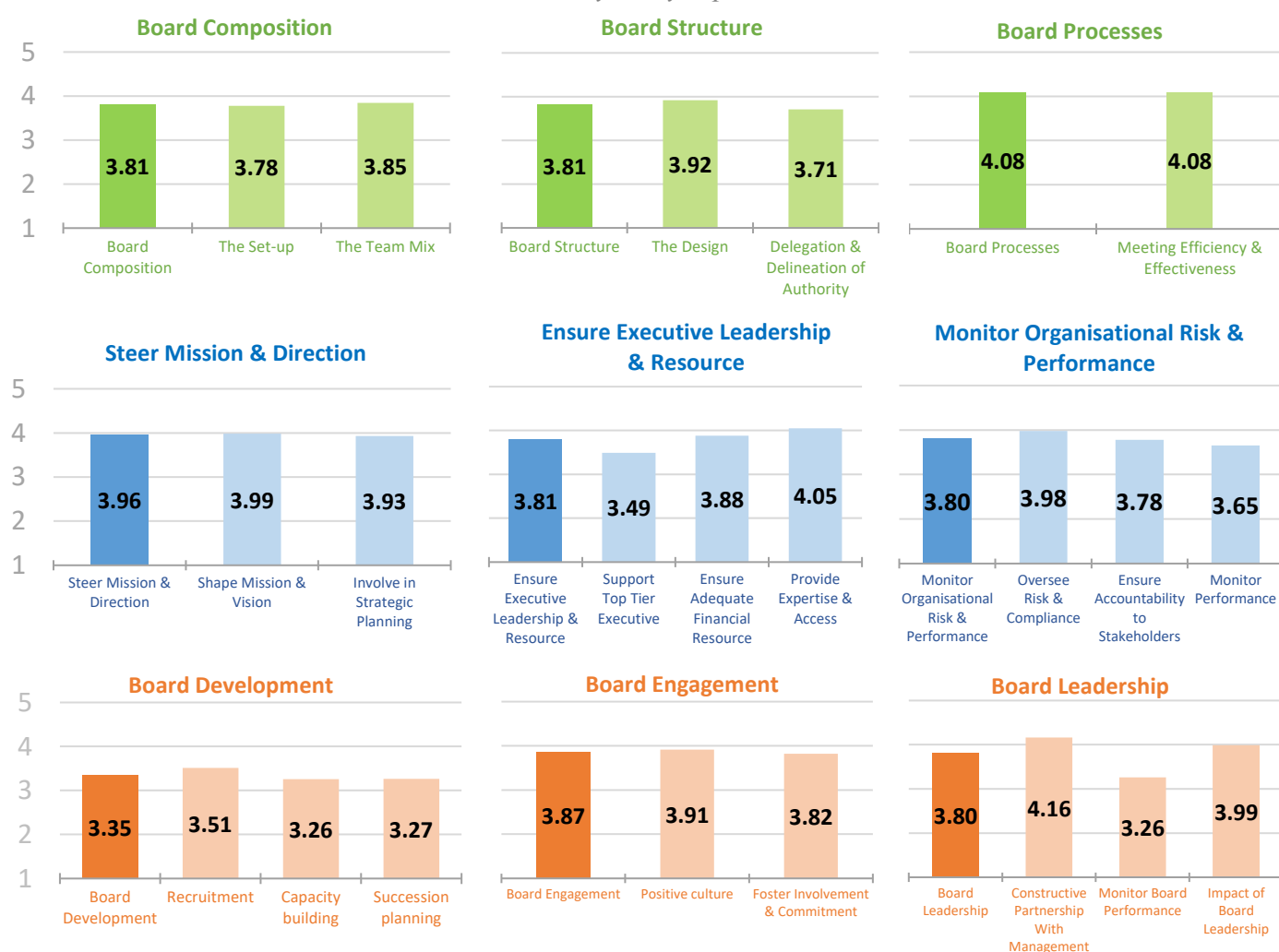
Analysis by Annual Total Expenditure of NGOs

7.2.5   Among the 33 participating NGOs with an annual expenditure of less than or equal to HK$20 million, the two most frequently adopted aspects were "Board Leadership - Constructive Partnership with Management" (4.12) and "Board Processes – Meeting Efficiency & Effectiveness" (4.02); and the two least adopted aspects of the good practices were "Board Development - Capacity Building" (3.11) and "Board Development – Succession Planning" (3.14).

7.2.6   Among the 17 participating NGOs with an annual expenditure of more than HK$20 million, the most frequently adopted three aspects of good practices were "Board Leadership - Constructive Partnership with Management" (4.24), "Board Processes – Meeting Efficiency & Effectiveness" (4.20) and "Ensure Executive Leadership & Resource – Provide Expertise & Access" (4.20); and the two least frequently adopted areas of good practices were "Board Leadership – Monitor Board Performance" (3.33) and "Board Development – Succession Planning" (3.51).

7.2.7   Except in the aspect of positive culture under the element of the Board Engagement, the participating NGOs with an annual expenditure of more than HK$20 million exhibited higher scores in the 16 aspects.

7.2.8   In the contextual dimension of Board Design and Processes, significantly higher score of the participating NGOs with an annual expenditure of more than HK$20 million was recorded in the aspect of the delegation and delineation of authority under the element of the board structure (4.08 vs 3.52), as compared to those with an annual expenditure of less than or equal to HK$20 million (3.52) ($p < .05$).

7.2.9   In the functional dimension of Board Role Execution, significantly higher scores of the participating NGOs with an annual expenditure of more than HK$20 million were recorded in the aspect of providing expertise and access (4.20 vs 3.97), ensuring adequate financial resource (4.03 vs 3.80) and supporting top tier executive (3.69 vs 3.39) under the element of ensuring executive leadership and resource, as compared to those with an annual expenditure of less than or equal to HK$20 million ($ps < .05$).

7.2.10   In the interactive dimension of Board Dynamics and behaviour, significantly higher scores of the participating NGOs with an annual expenditure of more than HK$20 million were recorded in the aspect of the recruitment (3.77 vs 3.38), capacity building (3.55 vs 3.11) and succession planning (3.51 vs 3.14) under the element of the board development, as compared to those with an annual expenditure of less than or equal to HK$20 million ($ps < .05$).

Table 7.2.3 NGO Governance Health Index analysed by annual total expenditure

	Annual expenditure		All NGOs
	<=HK$20m	>HK$20m	
Board Design & Processes [1]	3.81	**4.09**	3.90
Board Composition	3.72	3.99	3.81
1.1 The Set-up	3.69	3.95	3.78
1.2 The Team Mix	3.75	4.03	3.85
Board Structure [1]	3.69	**4.06**	3.81
2.1 The Design	3.85	4.04	3.92
2.2 Delegation & Delineation of Authority [1]	3.52	**4.08**	3.71
Board Processes	4.02	4.20	4.08
3.1 Meeting Efficiency & Effectiveness	4.02	4.20	4.08
Board Role Execution	3.80	3.97	3.86
Steer Mission & Direction	3.91	4.05	3.96
4.1 Shape Mission & Vision	3.95	4.07	3.99
4.2 Involve in Strategic Planning	3.88	4.03	3.93
Ensure Executive Leadership & Resource [1]	3.72	**3.97**	3.81
5.1 Support Top Tier Executive [1]	3.39	**3.69**	3.49
5.2 Ensure Adequate Financial Resource [1]	3.80	**4.03**	3.88
5.3 Provide Expertise & Access [1]	3.97	**4.20**	4.05
Monitor Organisational Risk & Performance	3.75	3.90	3.80
6.1 Oversee Risk & Compliance	3.93	4.07	3.98
6.2 Ensure Accountability to Stakeholders	3.74	3.86	3.78
6.3 Monitor Performance	3.60	3.76	3.65
Board Dynamics & Behaviour	3.61	3.8	3.67
Board Development [1]	3.21	**3.61**	3.35
7.1 Recruitment [1]	3.38	**3.77**	3.51
7.2 Capacity Building [1]	3.11	**3.55**	3.26
7.3 Succession Planning [1]	3.14	**3.51**	3.27
Board Engagement	3.85	3.90	3.87
8.1 Positive Culture	3.92	3.90	3.91
8.2 Foster Involvement & Commitment	3.78	3.91	3.82
Board Leadership	3.77	3.88	3.80
9.1 Constructive Partnership with Management	4.12	4.24	4.16
9.2 Monitor Board Performance	3.22	3.33	3.26
9.3 Impact of Board Leadership	3.95	4.06	3.99
No. of participating NGOs	**33**	**17**	**50**

Note 1: Statistically significant differences were found among two groups of annual total expenditure (p < .05)

7.3 Average Scores of the Level of Satisfaction on the Board Governance Areas

Analysis by Annual Total Expenditure of NGOs

7.3.1   The average scores of the level of satisfaction on the board governance areas were compiled in a 5-point Likert Scale, with "1" representing "very unsatisfied" and "5" representing "very satisfied". Higher scores indicate higher level of satisfaction. An overall satisfaction level was compiled by the average of the scores on 11 governance areas.

7.3.2   The participating NGOs self-rated the highest level of satisfaction on the governance area of "Ensuring Integrity, Ethnics and Legal Compliance" (4.36) whereas the governance area of "Learning and Continuous Improvement" (3.54) recorded the lowest level of satisfaction.

7.3.3   In general, the participating NGOs with an annual expenditure of more than HK$20 million exhibited higher level of satisfaction on 11 governance areas. It is worth noting that, in comparison with NGOs with an annual expenditure of less than or equal to HK$20 million, those participating NGOs with an annual expenditure of more than HK$20 million were more satisfied with the areas of "Providing Adequate Financial Resources and Oversight" (4.33 vs 3.92) and "Monitoring Risks and Organisational Performance" (4.13 vs 3.81) (*ps* < .05).

Table 7.3.1 Average scores of the level of satisfaction on the board governance areas analysed by annual total expenditure

	Annual expenditure		All NGOs
	<=HK$20m	>HK$20m	
Commitment to Mission and Vision	4.22	4.31	4.25
Direction and Leadership	3.92	4.07	3.97
Providing Adequate Financial Resources and Oversight [1]	3.92	**4.33**	4.06
Ensuring Integrity, Ethics and Legal Compliance	4.31	4.46	4.36
Monitoring Risks and Organisational Performance [1]	3.81	**4.13**	3.92
Supportive and Constructive Relationship between Board and Management	4.23	4.32	4.26
Stakeholder Representation and Accountability	3.64	3.90	3.73
Disclosure and Transparency to the Public	3.93	4.10	3.99
Community Relations and Outreach Efforts	3.80	3.93	3.85
Board Effectiveness	3.94	4.10	3.99
Learning and Continuous Improvement	3.47	3.66	3.54
Overall Satisfaction	3.93	4.12	3.99
No. of participating NGOs	**33**	**17**	**50**

Note 1: Statistically significant differences were found among two groups of annual total expenditure (p < .05)

7.4 Analysis of NGO Governance Health Index and Level of Satisfaction on the Board Governance Areas

7.4.1   Of the 50 participating NGOs, 27 NGOs had an average score of 4 or above whereas 23 NGOs had an average score below 4 for the overall level of satisfaction on the 11 board governance areas.

7.4.2   Analysis of the two groups showed that except the aspect of "Ensuring Adequate Financial Resource" and "Providing Expertise and Access", those NGOs had scores of 4 or above reported more frequently adopting board practices, as compared to those NGOs had scores of below 4 ($ps < .05$).

Table 7.4.1 NGO Governance Health Index analysed by level of satisfaction on board governance areas

	Level of satisfaction		All NGOs
	Below 4	**4 or above**	
Board Design & Processes [1]	3.68	**4.09**	3.9
Board Composition [1]	3.57	**4.02**	3.81
1.1 The Set-up [1]	3.56	**3.96**	3.78
1.2 The Team Mix [1]	3.58	**4.07**	3.85
Board Structure [1]	3.58	**4.01**	3.81
2.1 The Design [1]	3.75	**4.06**	3.92
2.2 Delegation & Delineation of Authority [1]	3.42	**3.96**	3.71
Board Processes [1]	3.88	**4.25**	4.08
3.1 Meeting Efficiency & Effectiveness [1]	3.88	**4.25**	4.08
Board Role Execution [1]	3.65	**4.04**	3.86
Steer Mission & Direction [1]	3.76	**4.13**	3.96
4.1 Shape Mission & Vision [1]	3.72	**4.21**	3.99
4.2 Involve in Strategic Planning [1]	3.79	**4.05**	3.93
Ensure Executive Leadership & Resource [1]	3.61	**3.97**	3.81
5.1 Support Top Tier Executive [1]	3.14	**3.79**	3.49
5.2 Ensure Adequate Financial Resource	3.74	3.99	3.88
5.3 Provide Expertise & Access	3.95	4.13	4.05
Monitor Organisational Risk & Performance [1]	3.74	**4.18**	3.98
6.1 Oversee Risk & Compliance [1]	3.57	**4.01**	3.80
6.2 Ensure Accountability to Stakeholders [1]	3.54	**3.98**	3.78
6.3 Monitor Performance [1]	3.42	**3.86**	3.65
Board Dynamics & Behaviour [1]	3.40	**3.90**	3.67
Board Development [1]	2.97	**3.67**	3.35
7.1 Recruitment [1]	3.12	**3.84**	3.51
7.2 Capacity Building [1]	2.93	**3.53**	3.26
7.3 Succession Planning [1]	2.84	**3.63**	3.27

	Level of satisfaction		All NGOs
	Below 4	4 or above	
Board Engagement [1]	3.68	**4.03**	3.87
8.1 Positive Culture [1]	3.75	**4.06**	3.92
8.2 Foster Involvement & Commitment [1]	3.61	**4.00**	3.82
Board Leadership [1]	3.57	**4.00**	3.80
9.1 Constructive Partnership with Management [1]	3.94	**4.35**	4.16
9.2 Monitor Board Performance [1]	2.99	**3.49**	3.26
9.3 Impact of Board Leadership [1]	3.77	**4.17**	3.99
No. of participating NGOs	**23**	**27**	**50**

Note 1: Statistically significant differences were found among two groups of annual total expenditure ($p < .05$)

Observations and Recommendations

Chapter Eight

8.1 Dimensional Observations

Board Design & Processes

Board Composition

8.1.1   Board Composition, with an average score of 3.81, ranked middle among the nine elements. Only about half of the participating NGOs always or often adopted the good practice of having a systematic process for identifying the governance skills to lead the organisation, despite that over three-quarters of the NGOs perceived the practice to be of relevance.

8.1.2   Furthermore, significantly higher proportion of the participating NGOs with an annual expenditure of more than HK$20 million always or often adopted the good practice of having limitation of board members' term of office that can balance the need for new members / skills and the retention of experienced directors effectively, as compared to those with an annual expenditure of less than or equal to HK$20 million.

Board Structure

8.1.3   Board Structure, with an average score of 3.81, ranked middle among the nine elements. Slightly over half of the participating NGOs always or often adopted the good practices of reviewing the committee structure to enhance governance control and functions timely and using a mix of ad-hoc, advisory and standing committees to exercise different governance functions by the board, despite that over three-quarters of the NGOs perceived these practices to be of relevance.

8.1.4   Furthermore, significantly higher proportions of the participating NGOs with an annual expenditure of more than HK$20 million always or often adopted the good practices of defining the terms of reference of committees clearly, using a mix of ad-hoc, advisory and standing committees to exercise different governance functions by the board and reviewing the committee structure to enhance governance control and functions timely, as compared to those with an annual expenditure of less than or equal to HK$20 million.

Board Processes

8.1.5   "Board Processes", with an average score of 4.08, was the governance health element with the highest average score among the other nine elements. Over three-quarters of the participating NGOs reported that they always or often adopted such good practices of well-planned meeting preparations, providing quality information, meaningful discussions on strategic issues and following-up on the implementation of the board's decision.

Board Role Execution

Steer Mission & Direction

8.1.6   "Steer Mission and Direction", with an average score of 3.96, had the second highest average score among the nine governance health elements. Over three-quarters of the participating NGOs always or often adopted good international practices such as sharing a common understanding of the organisation's mission among board members, having major policy and strategy discussions in line with the organisation's mission; working with management to design and participate in the strategic planning process and to review strategic plan. It should be noted the rather significant misalignment between the perceived relevance and actual adoption of the practice of updating the organisation's missions and visions, and of translating strategic plan into oversight responsibilities for the board and committee to follow through. Less than half of the participating NGOs always or often adopted these two practices.

8.1.7   Furthermore, significantly lower proportion of the participating NGOs with an annual expenditure of less than or equal to HK$20 million always or often adopted the good practice of having translated strategic plan into oversight responsibilities for the board and committee to follow through (44%), as compared to those with an annual expenditure of more than HK$20 million (58%).

Ensure Executive Leadership & Resource

8.1.8   "Ensure Executive Leadership and Resource", with an average score of 3.81, ranked middle among the nine elements. Though over two-thirds of the participating NGOs always or often adopted the good practices of working with the management to review financial statements regularly, providing expertise and external access proactively and supporting management in preparing and reviewing multi-year financial plan. Less than half of the NGOs expressed that their board always or often provided development opportunities for the top-tier management and the board members financially supported or fundraised for the organisations.

8.1.9   Furthermore, significantly higher proportions of the participating NGOs with an annual expenditure of more than HK$20 million always or often adopted the good practices of working with the management to review financial statements regularly, providing expertise, external access or influence needed to accomplish organisational goals proactively and supporting management in preparing and reviewing multi-year financial plan through robust discussion of resource allocation, funding plans and investment objectives in context of strategic goals, as compared to those with an annual expenditure of more than HK$20 million (58%).

Monitor Organisational Risk & Performance

8.1.10   "Monitor Organisation Risk and Performance", with an average score of 3.80, was the weakest link in the board role execution dimension. Over 80% of the participating NGOs always or often adopted the practices of working with management to ensure timely and independent financial audit, having policies on managing conflict of interest, understanding regulatory and funding requirements of safeguard operation compliance and knowing the strengths and weaknesses of major programmes and core services. It should be noted that the rather significant misalignment between the perceived relevance and actual adoption of the practices of reviewing risk assessments compiled by management that acknowledged potential risks and provided mitigation plans and working with management to set performance targets with reference to peer organisations. Less than half of the participating NGOs always or often adopted these two practices.

8.1.11   Furthermore, significantly higher proportion of the participating NGOs with an annual expenditure of more than HK$20 million always or often adopted the good practice of identifying key stakeholders and ensuring that performance results could be communicated effectively to the stakeholders, as compared to those with an annual expenditure of more than HK$20 million.

Board Dynamics & Behaviour

Board Development

8.1.12   "Board Development", with an average score of 3.35, had the lowest average score among the nine governance health elements. About one-third of the participating NGOs seldom or never adopted the good practices of having discussion and processes of succession planning to recruit and develop potential board leaders, providing continuous and collective learning opportunities to board members and having formal processes to recruit and nominate members with clear evaluative criteria.

8.1.13   Furthermore, significantly lower proportions of the participating NGOs with an annual expenditure of less than or equal to HK$20 million always or often adopted the good practices of having formal processes to recruit and nominate members with clear evaluative criteria, having orientation for all new board members to understand the organisation's programmes, finances, governance responsibilities and introduction to their board colleagues, having provided continuous and collective learning opportunities to board members and giving committee assignments to potential board leaders to gain experience and opportunity to lead, as compared to those with an annual expenditure of more than HK$20 million.

Board Engagement

8.1.14   Board Engagement, with an average score of 3.87, had the highest average score in this dimension. Over 80% of the participating NGOs always or often resolved differences, built consensus and reached compromise in a positive way, board members noticed the connection between what they did and the positive impact on the beneficiaries among board members, and had a culture of trust, commitment, openness and transparency among board members.

8.1.15   It is worth noting that rather significant misalignment between the perceived relevance and actual adoption of the practices of spending time together outside board meetings to know each other and enhance bonding among board members, and having conscious engagement efforts to enhance individual board members' understanding and participation. Less than half of the participating NGOs always or often adopted these two practices.

Board Leadership

8.1.16   Board Leadership, with an average score of 3.80, ranked middle among the nine elements. Over 80% of the participating NGOs always or often maintained a trustful board-management relationship and constructive partnership, gave the top-tier management enough authority and responsibility, had the organisation's performance strengthened by board leaderships, had a shared understanding of the different roles and responsibilities of the board and management in governing and managing the organisation respectively and ensured that the current board leaders had necessary skills, enthusiasm, energy and time to provide leadership to the board.

8.1.17   About one-third of the participating NGOs adopted the practice of "board regularly assesses and gives feedback to all members to enhance their participation and contribution" (33%) and Monitor Board Performance scored lowest (3.26) among all aspects of governance health.

8.1.18   It should be noted that the rather significant misalignment between the perceived relevance and actual adoption of the practices of conducting periodical assessment to evaluate and identify ways to improve its governance performance and providing assessment and feedback to all members to enhance their participation and contribution. Less than half of the participating NGOs always or often adopted these two practices.

8.1.19   Furthermore, significant lower proportion of the participating NGOs with an annual expenditure of less than or equal to HK$20 million always or often conducted periodical assessment to evaluate and identify ways to improve its governance performance (35%), as compared to those with an annual expenditure of more than HK$20 million (49%).

8.2 Overall Observations

Perceived Good Governance and Satisfaction with Performance

8.2.1   The average score of NGO Governance Health Index was 3.81 in a 5-point scale. The 50 participating NGOs reported that they generally agreed that these good practices were relevant to their organisations.

8.2.2   For the three dimensions of NGO Governance Health Index, their scores were:

Board Design & Processes

- Governance Health score: 3.90
- Adoption of good practices: 68.3%

Board Role Execution

- Governance Health score: 3.86
- Adoption of good practices: 66.8%

Board Dynamics & Behaviour

- Governance Health score: 3.67
- Adoption of good practices: 62.5%

8.2.3   More than three-quarters of the participating NGOs indicated satisfaction with their governance:

- Ensuring Integrity, Ethics and Legal Compliance (93.4%)
- Commitment to Mission and Vision (91.1%)
- Supportive and Constructive Relationship between Board and Management (89.6%)
- Board Effectiveness (82.2%)
- Providing Adequate Financial Resources and Oversight (81.0%)
- Direction and Leadership (77.8%)
- Disclosure and Transparency to the Public (76.9%)
- Monitoring Risks and Organisational Performance" (75.1%)

The governance of the participating NGOs was generally in good health and the NGOs were also satisfied with their organisational performance.

Larger NGOs Exhibited Better Health Governance Structure and Functions & Smaller NGOs Excelled in Engagement

8.2.4 As compared to those with an annual total expenditure of less than or equal to HK$20 million (*ps* < .05), significantly higher proportions of the participating NGOs with an annual total expenditure of more than HK$20 million always or often adopted the good practices in the following aspects:

- ○ Board Structure: Delegation and Delineation of Authority (75.2%)

- ○ Board Composition: The Set-up (71.2%)

- ○ Ensure Executive Leadership & Resource: Provide Expertise and Access (78.9%) and Ensure Adequate Financial Resource (77.6%)

- ○ Board Development: Recruitment (60.2%) and Capacity Building (48.2%)

8.2.5 On the other hand, significantly higher proportion of the participating NGOs with an annual total expenditure of less than or equal to HK$20 million always or often adopted the good practice in positive board culture (73.3%), as compared to those with an annual total expenditure of more than HK$20 million (*p* < .05).

The Perceived Strengths in Board Governance

8.2.6   The three aspects of NGO Governance Health Index which attained the ***highest*** scores, and were reported to have the good practices always or often adopted by the participating NGOs were:

   No. 1 Board Leadership: Constructive Partnership with the Management

- Governance Health score: 4.16
- Adoption of good practices: 86.8%

   No. 2 Board Processes: Meeting Efficiency & Effectiveness

- Governance Health score: 4.08
- Adoption of good practices: 78.8%

   No. 3 Monitor Organisational Risk & Performance: Oversee Risk & Compliance

- Governance Health score: 3.98
- Adoption of good practices: 76.5%

8.2.7   Though 86.8% of the participating NGOs (with a score of 4.16) reported that they always or often adopted the good practices of "Constructive Partnership with the Management", it was worth noting that only half (52.6%) of the participating NGOs (with a score of only 3.49) always of often adopted good practices of Support Top Tier Executive.

8.2.8   Further, for Oversee Risk & Compliance, over three-quarters of the participating NGOs always or often adopted the practices of "board works with management to ensure timely and independent financial audit" (88%), "policies on managing conflict of interest of Board / committee members are enforced" (88%) and "board understands regulatory and funding requirements to safeguard operation compliance" (85%), however, less than half of the participating NGOs always or often adopted the practice of "board reviews risk assessments compiled by management that acknowledges potential risks and approves mitigation plans" (44%).

8.2.9   The governance areas with the *highest* level of self-rated satisfaction on the overall organisational performance by the participating NGOs were:

No. 1 Ensuring Integrity, Ethics and Legal Compliance

- ○ Average score: 4.36
- ○ Level of satisfaction: 93.4%

No. 2 Supportive and Constructive Relationship between Board and Management

- ○ Average score: 4.26
- ○ Level of satisfaction: 89.6%

No. 3 Commitment to Mission and Vision

- ○ Average score: 4.25
- ○ Level of satisfaction: 91.1%

The perceived strengths and satisfaction in governance were having "constructive partnership with management" and "meeting efficiency and effectiveness".

The Perceived Weaknesses in Board Governance

8.2.10   The three aspects of NGO Governance Health Index which attained the lowest scores and were reported to have their good practices always or often adopted by less than half of the participating NGOs were:

No. 1 Board Leadership: Monitor Board Performance

- ○   Governance Health score: 3.26
- ○   Adoption of good practices: 36.4%

No. 2 Board Development: Capacity Building

- ○   Governance Health score: 3.26
- ○   Adoption of good practices: 37.4%

No. 3 Board Development: Succession Planning

- ○   Governance Health score: 3.27
- ○   Adoption of good practices: 41.0%

8.2.11   The governance areas with the lowest level of self-rated satisfaction on their overall organisational performance by the participating NGOs were:

No. 1 Learning and Continuous Improvement

- ○   Average score: 3.54
- ○   Level of satisfaction: 51.7%

No. 2 Stakeholder Representation and Accountability

- ○   Average score: 3.73
- ○   Level of satisfaction: 65.4%

No. 3 Community Relations and Outreach Efforts

- ○   Average score: 3.85
- ○   Level of satisfaction: 68.7%

The perceived weaknesses in governance health were lack of "monitoring in board performance", "capacity building" and "succession planning".

Execution Gaps in Governance Health

8.2.12   Governance health execution gaps are reflected in the disparity between the perceived relevance of good practices (% of NGOs reporting "strongly agree or agree") and the frequency of adoption of the good practices (% of NGOs reporting "always or often") among the participating NGOs.

8.2.13   The top 5 governance health execution gaps are identified. These practices concerned board Capacity Building - provision of continuous and collective learning opportunities to board members; Shaping Mission And Vision - updating the organisation's mission and vision as necessary by the board; Positive Culture - spending time together outside board meeting to know each other and enhance bonding by the board members; Monitoring Board Performance - assessing and giving feedback to all members to enhance their participation and contribution and Succession Planning - discussion and processes on successful planning to recruit and develop potential board leaders.

Table 8.2.1 Differences between perceived relevance and adoption of good practices

Dimensions	Good Practices	Perceived Relevance	Adoption	Execution Gap
Board Development	Continuous and collective learning opportunities are provided to board members.	70%	23%	47%
Steer Mission & Direction	Board undertakes to update your organisation's mission and vision as necessary.	84%	42%	42%
Board Engagement	Board members spend time together outside board meetings to know each other and enhance bonding.	76%	36%	40%
Board Leadership	Board regularly assesses and gives feedback to all members to enhance their participation and contribution.	73%	33%	40%
Board Development	Succession planning is discussed and processes are in place to recruit and develop potential board leaders.	73%	34%	39%

The top two biggest governance health execution gaps were provision of continuous and collective learning opportunities to board members, and updating of the organisation's mission and vision as necessary by the board.

8.3 Recommendations

8.3.1 Aligning with the views collected from the participating NGOs and the analyses compiled, the research team suggests several strategies for various stakeholders including board members, staff of organisations, donors, beneficiaries, volunteers, policy makers, and the community at large to consider for better NGO governance in Hong Kong:

(1) Review and match board composition and structure with organisational development needs

- To put in place a systematic process for identify the governance skills to lead the organisations

- To review the committee structure to enhance governance control and functions timely

- To spend time to discuss the composition, performance and effectiveness of the committees and the appropriate committee structure to match the organisation needs and governance oversight

- To ensure there is clear delegation of responsibilities and reporting between the committees and the board

(2) Update mission and vision, and ensure follow-up of strategic plan

- To update the organisation's mission and vision as necessary

- To translate strategic plan into oversight responsibilities for the board committees to follow through

- To ensure that the board grows with the organisation

(3) Support talent development and succession planning of top-tier executives

- To provide development opportunities for top-tier management according to the identified strengths and weaknesses

- To conduct evaluations on top-tier management performance annually with pre-defined criteria and process

- To prepare and plan the succession for top-tier management

(4) Monitor organisational risk and performance

- To review risk assessments compiled by management that acknowledges potential risk and approves mitigation plans

- To ensure that performance evaluation of the board should be done and reviewed collectively and regularly

- To work with the management to set performance targets with references to peer organisations

(5) Develop board recruitment and capacity building plans

- To outline capacity development objectives and formulate capacity building plans

- To identify new board talents to understand the organisation programmes, finances and governance responsibilities

- To set formal processes with clear evaluative criteria to recruit and nominate new talents

- To provide continuous and collective learning opportunities to board members

(6) Develop and implement board succession planning

- To define the scope of succession plans and identify sources of recruiting board talents

- To recruit and develop potential board leaders

- To provide committee assignments to potential board leaders to gain experience and opportunity to lead

- To cultivate and nurture board leaders

- To review and revise succession plans periodically

(7) Nurture a positive board culture, and foster involvement and commitment

- To spend time together outside board meetings to know each other, share experiences and enhance bonding among board members

- To devote conscious engagement efforts to enhance individual board members' understanding and participation

- To continue a culture of trust, commitment, openness and transparency among board members

- To conduct periodical assessment of board performance and formulate plans for improvement

- To maintain a constructive partnership between board and management

(8) Monitor board performance regularly

- To conduct periodical assessment to evaluate and identify ways to improve its governance performance

- To assess and give feedback to all members to enhance their participation and contribution regularly

Annex 1   List of Good Practices on Governance Health

Dimension (I): Contextual Dimension - Board Design & Processes
維度(I): 境況維度 – 董事會設計及運作程序

Element 元素	Aspect 範疇	Good Board Practice or Status 董事會良好實務或狀況	
1. Board Composition 董事會組成	1.1 The Set-up 董事會設置	1. Board reviews and agrees on the board size.	1. 董事會檢視並同意董事會人數。
		2. Board members' term limits effectively balance the "need for new members / skills" and the "retention of experienced directors".	2. 董事會成員的任期限制有效地平衡了「新成員／技術的需要」及「保留具資歷的董事會成員」。
	1.2. The Team Mix 團隊組合	3. Board has a systematic process for identifying the governance skills to lead your organisation.	3. 董事會設有機制來辨別帶領機構所需的管治所需的技能。
		4. Board members bring a range of perspectives to ensure that key stakeholders' interests can be reflected in the governance.	4. 董事會成員帶來不同的思考角度，確保主要持份者的利益得以反映在機構管治上。
2. Board Structure 董事會架構	2.1 The Design 董事會設計	5. Current committee is structured to reflect the needs or priorities of your organisation.	5. 現時的委員會架構反映了機構的需要或考慮優次。
		6. Board reviews timely the committee structure to enhance governance control and functions.	6. 董事會按時檢視其委員會架構以加強管治監控及職能。
	2.2 Delegation & Delineation of Authority 授權與權力界定	7. The terms of reference of committees clearly define their authority, roles and responsibilities, reporting and accountability requirements.	7. 各委員會的職權範圍清晰地釐定它們的權力、角色、職責、匯報和問責要求。
		8. Board uses a mix of ad-hoc, advisory and standing committees to exercise different governance functions.	8. 董事會採用各種非常設、諮詢性和常設的委員會組合等，以執行不同的管治職能。
3. Board Processes 董事會運作程序	3.1 Meeting Efficiency & Effectiveness 會議效率與有效性	9. Calendar of board / committee meetings / non-meeting activities is set and distributed for the year to allow board members to schedule and commit their participation.	9. 預定及通報董事會／委員會每年的會議日期，以方便董事會成員安排時間參與。
		10. Board / committee(s) receive(s) agenda and quality information well in advance of meetings to encourage members to prepare for deliberations.	10. 董事會／委員會在會議前預早收到議程和精確的資料，以鼓勵委員為討論作準備。
		11. Board meeting has meaningful discussions on strategic issues.	11. 董事會會議會就策略事宜作有意義的討論。
		12. Board follows up on the implementation of its decisions.	12. 董事會會跟進其決策的執行情況。

Dimension (II): Functional Dimension - Board Role Execution
維度(II): 功能維度 – 董事會履行角色

Element 元素	Aspect 範疇	Good Board Practice or Status 董事會良好實務或狀況	
4. Steer Mission & Direction 為機構使命及方向掌舵	4.1 Shape Mission & Vision 訂定使命及願景	13. All board members share a common understanding of your organisation's mission.	13. 所有董事會成員對機構使命有共同理解。
		14. All major policy and strategy discussions are in line with your organisation's mission and vision.	14. 所有重大政策和策略的討論都符合機構的使命和願景。
		15. Board undertakes to update your organisation's mission and vision as necessary.	15. 董事會在有需要時更新機構的宗旨和願景。
	4.2 Involve in Strategic Planning 參與策略規劃	16. Board works with management to design and participate in the strategic planning process.	16. 董事會與管理層合作策劃及參與機構的策略規劃。
		17. Board works with management to review strategic plan to ensure that programme / service goals are tightly linked to your organisation's mission and vision.	17. 董事會與管理層一同檢視策略計劃，以確保計劃的項目／服務目標與機構的使命和願景一致。
		18. Board translates strategic plan into oversight responsibilities for the board / committee(s) to follow through.	18. 董事會將策略規劃轉化為監督職責讓董事會／委員會跟進。
5. Ensure Executive Leadership & Resource 確保執行領導力及資源	5.1 Support Top Tier Executive 支援最高管理層	19. Board provides development opportunities for top-tier management according to their identified strengths and weaknesses.	19. 董事會按最高管理層人員的強項及弱項，為他們提供發展機會。
		20. Documented evaluation on top-tier management performance is done at least annually against pre-defined criteria and process (e.g. a self-assessment, written feedback or development plan).	20. 按既定準則和程序（如自我評估、書面意見或培訓計劃）對最高管理層作最少每年一次的職效評估並作記錄。
		21. Board has preparedness and planning of succession for top-tier management.	21. 董事會有就最高管理層的接任事宜作出準備和計劃。
	5.2 Ensure Adequate Financial Resource 確保財政資源充足	22. Board supports management in preparing / reviewing multi-year financial plan through robust discussion of resource allocation, funding plans and investment objectives in context of strategic goals.	22. 董事會支持管理層準備／檢視跨年度的財務計劃，以配合策略目標對資源分配、撥款計劃及投資目標作全面討論。
		23. Board works with the management to review financial statements regularly.	23. 董事會與管理層一同定期檢視機構的財務報表。
		24. Board members financially support or fundraise for your organisation.	24. 董事會成員捐款予機構或協助籌款。
	5.3 Provide Expertise & Access 提供專門知識及聯繫網絡	25. Board proactively provides expertise, external access or influence needed to accomplish organisational goals.	25. 董事會積極提供專業知識、人脈關係或對外影響力，協助機構實踐目標。
		26. Board members act as effective representatives or ambassadors for your organisation.	26. 董事會成員能有效地擔當機構代表或大使的角色。

Element 元素	Aspect 範疇	Good Board Practice or Status 董事會良好實務或狀況	
6. Monitor Organisational Risk & Performance 監察機構的風險及表現	6.1 Oversee Risk & Compliance 監管風險及合規	27. Board works with management to ensure timely and independent financial audit.	27. 董事會與管理層一同確保機構適時地進行獨立的財務審計。
		28. Policies on managing conflict of interest of Board / committee members are enforced.	28. 貫徹執行董事會及其他委員會成員利益衝突的政策。
		29. Board understands regulatory and funding requirements to safeguard operation compliance.	29. 董事會了解監管和撥款要求，以確保運作符合規定。
		30. Board reviews risk assessments compiled by management that acknowledge potential risks and approves mitigation plans.	30. 董事會檢視管理層編製的風險評估登記冊，以確認可能存在的風險及審批處理方案。
	6.2 Ensure Accountability to Stakeholders 確保接受持份者問責	31. Board identifies key stakeholders and ensures that performance results are communicated effectively to the stakeholders.	31. 董事會識別出主要持份者，並確保有效地向他們交代機構的表現。
		32. Board ensures that stakeholder perspectives and feedbacks are used to inform strategy and resource allocation.	32. 董事會確保在制訂策略和分配資源時，會考慮持份者的觀點及意見。
	6.3 Monitor Performance 監察表現	33. Board works with management to set performance targets with reference to peer organisations.	33. 董事會與管理層會參照同類機構的情況，一同訂立機構表現指標。
		34. Board knows the strengths and weaknesses of major programmes and core services.	34. 董事會了解主要活動項目及核心服務的優勢及弱項。
		35. Board monitors and uses the performance results to inform decisions on strategic planning, resources allocation, and evaluation of the top-tier management.	35. 董事會監察和根據機構績效表現來決定策略計劃、資源分配和評核最高管理層。

Dimension (III): Interactive Dimension - Board Dynamics & Behaviour
維度（III）：互動維度 - 董事間互動和行為

Element 元素	Aspect 範疇	Good Board Practice or Status 董事會良好實務或狀況	
7. Board Development 董事會發展	7.1 Recruitment 成員招募	36. Board has formal processes to recruit and nominate members with clear evaluative criteria.	36. 董事會設有正式的程序及清晰的評估準則來招募和提名新成員。
		37. Board proactively seeks for and provides opportunities to potential recruits to familiarise with your organisation.	37. 董事會積極尋找有機會成為董事的人, 為他們提供認識機構的機會。
	7.2 Capacity Building 能力建設	38. There is orientation for all new board members to understand the organisation programmes, finances, governance responsibilities and introduction to their board colleagues.	38. 為所有新加入董事會的成員提供迎新培訓,以了解機構服務、財務、管治職責,並介紹他們給現任董事會成員認識。
		39. Continuous and collective learning opportunities are provided to board members.	39. 為董事會成員提供持續和集體的學習機會。
	7.3 Succession Planning 接任規劃	40. Succession planning is discussed and processes are in place to recruit and develop potential board leaders.	40. 制訂接任計劃,以挑選和培訓有潛質的董事會領袖。
		41. Potential board leaders are given committee assignments to gain experience and opportunity to lead.	41. 委派有潛質的董事會領袖參與委員會工作,以累積經驗及領導機會。
8. Board Engagement 董事會參與	8.1 Positive Culture 正向文化	42. A culture of trust, commitment, openness and transparency exists among board members.	42. 董事會建立了互信、承擔、開放及透明的文化。
		43. Board is not dominated by a few individuals. Members work as a team, taking collective responsibility for failures and successes.	43. 董事會並非由一小撮人主導,成員以團隊運 作,對失敗和成功共同承擔責任。
		44. Board members spend time together outside board meetings (e.g. a "retreat day" or an "away-day") to know each other and enhance bonding.	44. 董事會成員之間願意在會議外投放時間,讓彼此互相認識及加強聯繫 (如「退修日」或「集思會」)。
		45. Board is able to resolve differences, build consensus and reach compromise in a positive way.	45. 董事會能夠以正面的方式解決分歧、建立共識及達成妥協。
	8.2 Foster Involvement & Commitment 推動參與及承擔	46. There are conscious engagement efforts to enhance individual board members' understanding and participation (e.g. assigning buddies / mentors to new members, formal training, Board Chair's proactive communication on expectations to members).	46. 董事會著意地協助成員掌握及參與工作(如為新成員安排夥伴／導師、提供正式的培訓、主席主動表達董事會對各成員的期望)。
		47. Board members devote sufficient time to carry out their duties effectively, including meeting preparation and sitting on board committees.	47. 董事會成員投放足夠時間履行職務,包括準備會議並加入董事會屬下之委員會。
		48. Board members see the connection between what they do and the positive impact on the beneficiaries.	48. 董事會成員了解到其工作對服務受眾的正面影響。

Element 元素	Aspect 範疇	Good Board Practice or Status 董事會良好實務或狀況	
		49. Board members' contributions to your organisation are openly acknowledged.	49. 董事會成員對機構的貢獻得到公開的肯定。
9. Board Leadership 董事會領導力	9.1 Constructive Partnership With Management 與管理層建立具建設性的夥伴關係	50. Board and management have a shared understanding of their different roles and responsibilities in governing and managing your organisation respectively.	50. 董事會與管理層均理解在管治和管理機構時分別有不同的角色和職責。
		51. Board-management maintains a trustful relationship and constructive partnership.	51. 董事會和管理層之間維持互信及具建設性的夥伴關係。
		52. Board gives the top-tier management enough authority and responsibility to lead the staff and manage your organisation, and is conscious to avoid micro-management.	52. 董事會賦予最高管理層充分的權力和職責去領導員工並管理機構,並著意避免微觀管理。
	9.2 Monitor Board Performance 監督董事會表現	53. Board conducts periodical assessment to evaluate and identify ways to improve its governance performance.	53. 董事會進行定期評估及找出方法來檢視其管治表現
		54. Board regularly assesses and gives feedback to all members to enhance their participation and contribution.	54. 董事會定期與個別成員討論和檢視表現,以鼓勵其參與及貢獻。
	9.3 Impact of Board Leadership 領導力的成效	55. Current Board leaders have the necessary skills, enthusiasm, energy and time to provide leadership to the Board.	55. 現時的董事會領袖均具備所需的技能、熱誠、動力和時間來領導董事會。
		56. Board leaders often reach out and are approachable to key stakeholders (including staff, service users and funders).	56. 董事會領袖經常主動地接觸主要持份者(包括員工、服務使用者及資助者),並願意和他們交流。
		57. Board leadership strengthens the performance of your organisation.	57. 董事會的領導可以加強機構的效能。

Annex 2　Board Governance Areas

Board Governance Areas	董事會管治範疇
1.　Commitment to Mission and Vision (Board has a shared understanding of and commitment to ensure the Vision, Mission, and Values (VMV) are relevant and being delivered effectively and sustainably.)	1.　對機構使命及願景之承擔 (董事會對機構的信念、使命及願景有共同理解，並有效和持續地致力實踐。)
2.　Direction and Leadership (Board provides strategic leadership to ensure there are appropriate strategies to achieve its aims.)	2.　提供方向及領導 (董事會提供策略性的領導，確保有適切的策略來實踐其目標。)
3.　Providing Adequate Financial Resources and Oversight (Board oversees financial management and resources development to ensure financial sustainability and accountability.)	3.　確保充足的財政資源及監督 (董事會監督財政管理和資源發展，以確保財務穩健及問責。)
4.　Ensuring Integrity, Ethics and Legal Compliance (Board acts with integrity, adopts values of diversity, equality, inclusion, and justice, and complies with all regulatory and legal requirements to ensure service quality and protection of users and staff.)	4.　確保操守、道德及法律合規 (董事會以誠信行事，信納多元、平等、共融和公義等價值觀，並遵守所有監管和法律要求，以確保服務質素及保障服務使用者和員工。)
5.　Monitoring Risks and Organisational Performance (Board ensures effective management, control and risk-assessment systems, and monitors its risks to ensure that the organisation achieves its performance.)	5.　監管風險及機構績效 (董事會確保有效的管理、監控及風險評估的系統並管控風險，以確保機構達至其成效。)
6.　Supportive and Constructive relationship between Board and Management (Board trusts, supports and builds strong partnership with top tier management, ensuring effective executive leadership and accountability to governance.)	6.　董事會與管理層建立相互支持及具建設性的關係 (董事會與最高管理層互相信任及支持，建立了緊密的夥伴關係，以確立管理層有效的執行領導力和管治問責。)
7.　Stakeholder Representation and Accountability (Board ensures that stakeholders interests are addressed and balanced, that the organisation has the legitimacy in representing its beneficiaries and stakeholders; and that its work and impact are appreciated by all its stakeholders.)	7.　持份者代表性及問責 (董事會確保持份者的關注得以平衡和回應，機構有代表其服務受眾和持份者的認受性，其工作和成效得到所有持份者的認同。)
8.　Disclosure and Transparency to the Public (Board leads in cultivating a culture of openness within the organisation, and ensures that it takes seriously its responsibility for building public trust and confidence in its work, such as publishing performance information.)	8.　公眾披露及透明度 (董事會帶領機構培養開放的文化，並致力建立公信力，如透過公佈績效的訊息。)
9.　Community Relations and Outreach Efforts (Board embraces its role as the ambassadors for the organisation to reach out to and build networks with stakeholders and the public for the organisation.)	9.　社區關係及對外聯繫 (董事會承擔作為機構使命的倡導者，成員均願意擔當機構親善大使的角色，主動接觸持份者和公眾以建立網絡。)
10.　Board Effectiveness (Board works as an effective team, using appropriate balance of skills, experience, background and knowledge to provide the insight, wisdom and judgement required.)	10.　董事會的效能 (董事會作為一個高效的團隊，運用合適的技能、經驗、背景和知識，提供所需的洞悉力、智慧和判斷力。)
11.　Learning and Continuous Improvement (Board regularly reflects on its performances and is conscious of enhancing members' governance role to lead and bring about positive impacts on the overall effectiveness of the organisation's performances.)	11.　學習及持續完善 (董事會定期檢視其績效，並著力加強成員的管治角色，以領導機構及提升整體成效帶來的正面影響。)

Annex 3   Glossary

The list below defined the commonly used terms in the 2021 Study. It aims to clarify the definition of similar terms and differentiate commonly misunderstood terms.

Ad-hoc working group	A short-term task group under the Board.
Board	The highest governing body representing its members, which oversees and monitor the development of the organisation; may also be known as "Executive Committee", "Council", "Management Committee", etc.
Board members	The official/legal members on the board; may also be known as "Directors", "Executive Committee members", "Council members", "Management Committee members", etc.
CEO	Chief Executive Officer, the highest ranking staff of the organisation; may also be known as "Agency Head", "Executive Director", "General Secretary", "Centre-in-Charge", etc.
Chair	The leader of the Board; may also be known as "Chairman", "Chairperson", "President", etc.
Committee / Sub-committee / Standing committee	The governing body under the Board.
Earned income	Including membership fees, service fees or sales income and income from endowment / investment.
Management	The managing staff team of the organisation.
Non-recurrent funding	Including non-recurrent project funding from government departments, Hong Kong Jockey Club or Community Chest, and all kinds of non-recurrent subsidies or donations
Office bearer	Board members holding special titles other than ordinary board members; they may include "Chair", "Vice Chair", "Treasurer", "Secretary", etc.
Organisation	The organisation that you are currently serving on as board member or head; may also be known as "Agency", "NGO", "Council", "Association", "Society", etc.
Programmes	The services or projects that the organisation provides or organises.
Recurrent funding	Including Lump Sum Grant or recurrent funding from Social Welfare Department, other government departments or the Community Chest; NOT including non-recurrent project funding from government departments or the Community Chest).
Top-tier management	The highest-ranking staff of the organisation, which could include the CEO (i.e. Executive Director, General Secretary, Centre-in-Charge, etc.) and other senior management staff.

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