

Hong Kong NGO Governance Health Survey 2018

Landscape Report

June 2019

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Important Notice

The research team does not assume any responsibilities arising from the use and interpretation of the report data by any parties.

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SURVEY BACKGROUND

Background

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 non-governmental organizations (NGOs), and to apply the tool to collect data for a landscape survey and analysis.

NGO governance is increasingly in the spotlight in Hong Kong's social service sector. Regarding the oversight of NGOs, stakeholders and the general public are demanding more transparency, accountability and effectiveness. At the organizational level, the board is responsible for ensuring that good governance is in place.

The current landscape survey is conducted to study the governance health of NGOs in Hong Kong's social service sector. Participating NGOs are offered an agency individual report in which they can find their self-assessment responses, and also relevant information which they could use to compare the governance health of their organizations with that of other participating NGOs of similar size, and to review various areas of governance practices. Further, group debriefing sessions tailor-made for NGOs of different sizes are organized to disseminate the landscape survey findings.

Survey Objectives



Target Respondents

The target respondents of the landscape survey are:

- (i) Any charitable institutions or trusts of a public character, which are exempt from tax under section 88 of the Inland Revenue Ordinance; which
- (ii) Have governing bodies such as a Council, a Board or an Executive Committee (hereafter “Board”).

CONCEPTUAL FRAMEWORK - NGO GOVERNANCE HEALTH CHECK TOOL

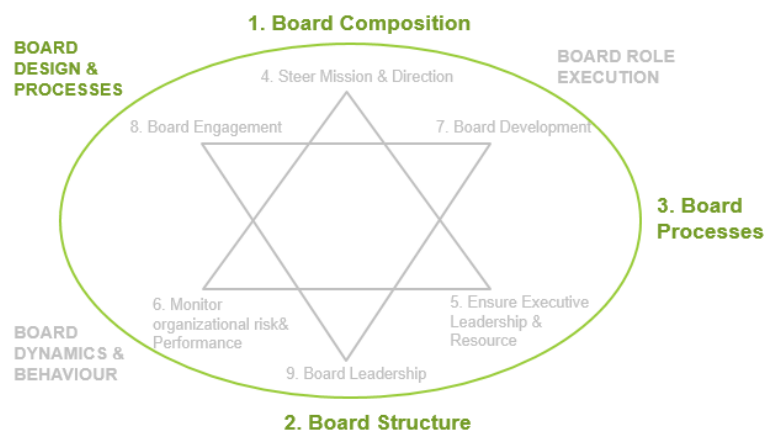
Based upon a thorough review of international references¹ on NGO governance, the conceptual framework of an NGO Governance Health Check Tool is constructed to suit the local context. An NGO's *health* comprises attributes, qualities and actions that help sustain the organization's performance over time. NGO governance health is measured by assessing how the board of an organization is "built", how it performs its vital functions, and also the quality of the interaction and Behaviour embedded in the governance structure; they constitute the three elements of NGO governance health.

Adoption of Good Practices and Agreement on Perceived Relevance

Three main dimensions are constructed:

Board Design & Processes

The set up or "built" that defines the attributes and functioning mechanisms of a board as reflected in its composition, structure and processes.



Board Role Execution

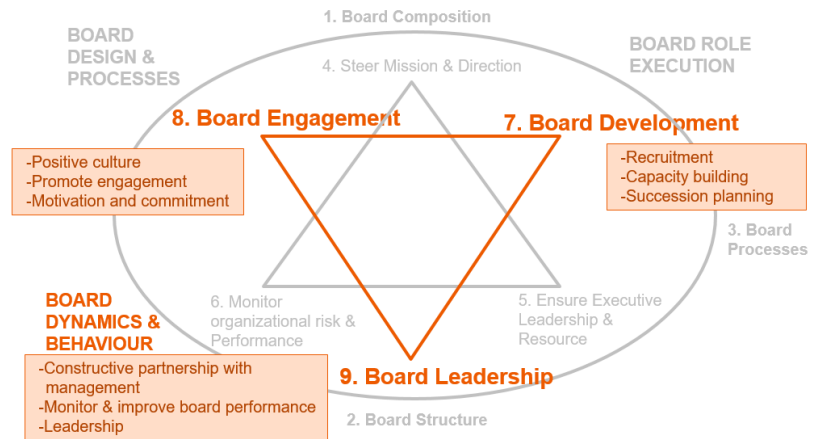
The capacity of the board to deliver its vital functions or core governance responsibilities.



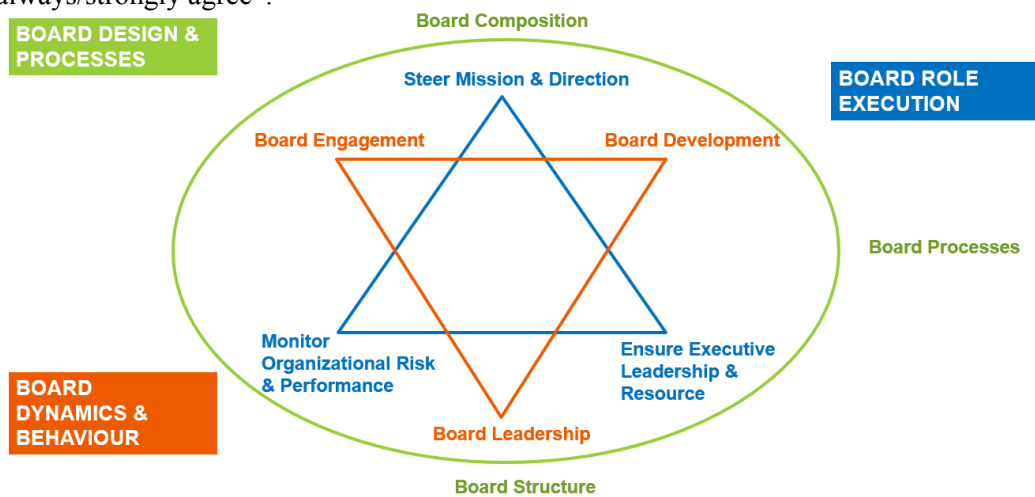
¹ Adapted from *Nonprofit Governance Index*, BoardSource, 2012; *Survey on Board of Directors of Nonprofit Organizations*, Stanford Graduate of Business, BoardSource and Guidestar, 2015; *The Governance Wheel - A tool to measure and support change in your governance and leadership*, National Council 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.

Board Dynamics & Behaviour

The interaction, behavioural dynamics & culture conducive to healthy board growth and facilitating the engagement and performance of individuals & the group.



The three dimensions are further divided into nine elements and 17 aspects, with a total of 62 good practices conducive to NGO governance health. A self-assessment method is adopted in this landscape study. Board members are asked to rate the degrees to which good practices are adopted in their organizations, and also the perceived relevance of these practices to their organizations by a 5-point Likert scale, with “1” representing “never/strongly disagree” and “5” representing “always/strongly agree”.



3 Dimensions	Contextual Dimension (I) Board Design & Processes	Functional Dimension (II) Board Role Execution	Interactive Dimension (III) Board Dynamics & Behaviour
<p>9 Elements & 17 Aspects</p> <p>() = number of good practices in the element / aspect concerned.</p> <p>There are 62 good practices in total.</p>	<p>1 Board Composition (4)</p> <p>2 Board Structure (4)</p> <p>3 Board Processes (4)</p>	<p>4 Steer Mission & Direction</p> <p>4.1 Shape Mission & Vision (4)</p> <p>4.2 Strategic Planning (3)</p> <p>5 Ensure Executive Leadership & Resource</p> <p>5.1 Support Top Tier Executive (3)</p> <p>5.2 Ensure Adequate Financial Resource (4)</p> <p>5.3 Provide Expertise & Access (2)</p> <p>6 Monitor Organizational Risk & Performance</p> <p>6.1 Oversee Risk & Compliance (3)</p> <p>6.2 Ensure Accountability to Stakeholders (3)</p> <p>6.3 Monitor Performance (2)</p>	<p>7 Board Development</p> <p>7.1 Recruitment (3)</p> <p>7.2 Capacity Building (3)</p> <p>7.3 Succession Planning (2)</p> <p>8 Board Engagement</p> <p>8.1 Positive Culture (3)</p> <p>8.2 Promote Engagement (2)</p> <p>8.3 Motivation & Commitment (3)</p> <p>9 Board Leadership</p> <p>9.1 Constructive Partnership with Management (3)</p> <p>9.2 Monitor & Improve Board Performance (2)</p> <p>9.3 Leadership (5)</p>

A CONCEPTUAL FRAMEWORK - LEVEL OF SATISFACTION AND AREAS FOR IMPROVEMENT

A total of 11 broad areas in relation to governance health and performance are listed for the surveyed NGOs to indicate their general level of satisfaction, and their perception of the need for improvement.

The board members are asked to indicate their level of satisfaction in a 5-point Likert Scale, with “1” representing “very unsatisfied” and “5” representing “very satisfied”.

The board members are asked to indicate their view on whether their board should make improvement in the 11 areas in the coming 3 years in a 5-point Likert Scale, with “1” representing “strongly disagree” and “5” representing “strongly agree”.

Commitment to Mission and Vision
Direction and Leadership
Adequate Financial Resources and Oversight
Legal Oversight and Compliance
Monitor Programmes and Organizational Performance
Top-tier management Support to Board
Stakeholder Representation and Accountability
Disclosure and Transparency to the Public
Community Relations and Outreach Efforts
Board Composition and Structure
Board Recruitment and Development Practices

SURVEY METHODOLOGY

Questionnaire Design

Two questionnaires - namely Form A and Form B - are designed. *Form A* consists of 25 questions concerning organizational information (year of establishment, functions, missions, number of staff, annual total expenditure, funding sources, etc.), and board composition and structure (number and profiles of board members, number and types of board meetings, etc.). The information in Form A is provided by agency heads. *Form B* consists of 73 questions gauging the degrees to which good practices are adopted, the perceived relevance of these practices to the organizations, and the levels of satisfaction with different governance health aspects and future views. Form B is completed by agency heads and board members.

Enumeration Results

The landscape survey was conducted in the period from 5 June to 18 November, 2018. After recruitment of and confirmation by NGOs, questionnaire invitations were sent to agency heads and board members separately via an online platform. A total of 77 NGOs participated in the landscape survey, from which a total of 389 valid questionnaires were received. The completion rate was 60.5%.

Stages	No. of NGOs	No. of Qs (Completion rate)
(I) Recruitment		
Received reply slip	95	-
(II) Confirmation		
Received	91	-
Did not receive	4	-
(III) Questionnaire Invitation	91	641
Agency Head		91
Board Chairperson*		90
Board Member		460
(IV) Questionnaire Submission	77 (84.6%)	389 (60.5%)
Agency Head		77 (84.6%)
Board Chairperson		67 (74.4%)
Board Member		245 (53.2%)

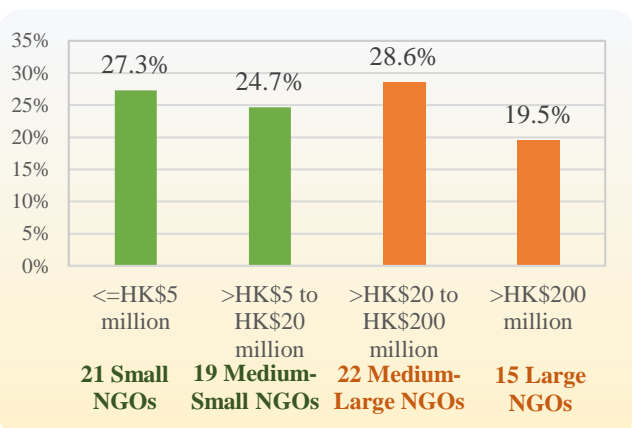
* 1 Board Chairperson refused to participate in the survey

PROFILE OF SURVEYED NGOS

Annual Total Expenditure (HK\$)

The distribution of the survey NGOs in accordance with the amounts of their annual total expenditure (HK\$) is as follows:

- 21 NGOs (27.3% of the surveyed NGOs; hereafter “Small NGOs”) have an annual expenditure of HK\$5 million or less;
- 19 NGOs (24.7% of the surveyed NGOs; hereafter “Medium-Small NGOs”) have an annual expenditure in the range from more than HK\$5 million to HK\$20 million;
- 22 NGOs (28.6% of the surveyed NGOs; hereafter “Medium-Large NGOs”) have an annual expenditure of more than HK\$20 million to HK\$200 million; and
- 15 NGOs (19.5% of the surveyed NGOs; hereafter “Large NGOs”) have an annual expenditure of more than HK\$200 million.



Years since Legal Establishment

The reported numbers of years since legal establishment varied across the 77 surveyed NGOs; the median was 36 years. For the 40 surveyed NGOs with an annual expenditure less than or equal to HK\$20 million, the median was 19.5 years. For the 37 surveyed NGOs with an annual expenditure more than HK\$20 million, the median was 49 years.

Change of the Annual Operating Budget in the Last Financial Year

91.0% of the 77 surveyed NGOs stated that there was an increase of annual operating budget as compared to three years ago:

- 24.7% reported an increase of more than 30%;
- 11.7% reported an increase of 21% to 30%;
- 36.4% reported an increase of 11 to 20%; and
- 18.2% reported an increase of 1 to 10%.

Primary Function

74.0% of the 77 surveyed NGOs reported that their primary function was service delivery (in areas ranging from social welfare, health, and environment, to arts and recreation, and social enterprise).

Of the 77 surveyed NGOs with an annual expenditure of less than or equal to HK\$20 million, 62.5% stated that their primary function was service delivery; 25.0% self-help / mutual support; 7.5% advocacy / public education; 2.5% resource mobilization, and the remaining 2.5% other functions.

Of the surveyed NGOs with an annual expenditure of more than HK\$20 million, 86.5% stated that their primary function was service delivery; 8.1% advocacy / public education, and 5.4% resource mobilization.

Funding source (median %)

Of the surveyed NGOs with an annual expenditure of less than or equal to HK\$20 million, the major funding source was non-recurrent funding (including non-recurrent government funding, Hong Kong Jockey Club (HKJC) / Community Chest (ComChest), non-recurrent funding and donations). The median percentage of major non-recurrent funding of the total funding was 66.5%.

Of the surveyed NGOs with an annual expenditure of more than HK\$20 million, the major funding source was recurrent funding (including lump sum grant from Social Welfare Department, other recurrent government funding and HKJC / ComChest recurrent funding). The median percentage of recurrent funding of the total funding was 56.0%. The median percentages of non-recurrent funding and earned income (including membership fees, service fees or sales income and income from endowment / investment) of the total funding were 21.4% and 18.6%, respectively.

Funding Source	Annual expenditure		All NGOs
	<=HK\$20m	>HK\$20m	
Recurrent Funding	0.7%	56.0%	38.0%
Non-recurrent Funding	66.5%	21.4%	34.0%
Earned Income	5.5%	18.6%	15.0%
No. of surveyed NGOs	40	37	77

* Median % was presented, not adding up to 100%.

Perceived Life Cycle Stages²

Among the surveyed NGOs with an annual expenditure of less than or equal to HK\$20 million, 42.5% perceived that their organizations were in Stage 4 - Mature (Sustaining and Producing); and 40.0% in Stage 3 - Adolescent (Growing).

Among the surveyed NGOs with an annual expenditure of more than HK\$20 million, 75.7% perceived that their organizations were in Stage 4 - Mature (Sustaining and Producing).

Life Cycle Stages	Annual expenditure		All NGOs
	<=HK\$ 20m	>HK\$ 20m	
Stage 1: Idea inception (Inspiration and Incubation)	0%	0%	0%
Stage 2: Start-up (Founding and Framing) Simple programmes or a mix of diverse and non-integrated activities / Strong commitment to service delivery	2.5%	2.7%	2.6%
Stage 3: Adolescent (Growing) Programmes being established in the market / Demand is greater than capacity / More consistent and focused in programme delivery	40.0%	10.8%	26.0%
Stage 4: Mature (Sustaining and Producing) Core programme are established and recognized in the community / Programme evaluation is regular / Long-term planning to add or delete programme(s) in response to market	42.5%	75.7%	58.4%
Stage 5: Renewal / Rejuvenation / Refocusing Programmes are mainly to meet funding needs / Difficulty in achieving goals and maintaining consistent service quality / Losing sight of changing market needs / Refocusing of diversified services	15.0%	10.8%	13.0%
Total	100.0%	100.0%	100.0%
No. of surveyed NGOs	40	37	77

Number of Full-time Staff

The numbers of full-time staff varied across the surveyed NGOs. The median number of full-time staff for the 77 surveyed NGOs was 40.

The median number of full-time staff for the 40 surveyed NGOs with an annual expenditure of less than or equal to HK\$20 million was nine.

The median number of full-time staff for the 37 surveyed NGOs with an annual expenditure of more than HK\$20 million was 270.

Number of Full-time Staff	Annual expenditure		All NGOs
	<=HK\$20m	>HK\$20m	
Mean	14	545	269
Median	9	270	40
No. of surveyed NGOs	40	37	77

Significant Issues Experienced in the Last 3 Years

62 of the 77 surveyed NGOs indicated that they had experienced one or more of the significant issues we listed out in the last 3 years. The top three issues reported by most NGOs were “change of board chair” (58.1%), “change of CEO” (46.8%) and “staff turnover by more than 20%” (38.7%).

Significant Issues	Annual expenditure		All NGOs
	<=HK\$20m	>HK\$20m	
Change of Board Chair	48.5%	69.0%	58.1%
Change of CEO	51.5%	41.4%	46.8%
Staff turnover by more than 20%	39.4%	37.9%	38.7%
Recurrent deficit for more than two years	24.2%	20.7%	22.6%
Significant change in organizational structure	18.2%	24.1%	21.0%
Litigation	0.0%	13.8%	6.5%
Staff reduction by more than 20%	3.0%	0.0%	1.6%
Total	100.0%	100.0%	100.0%
No. of surveyed NGOs	33	29	62

² References: (1) Stevens, S. K. (2001). Nonprofit lifecycles: Stage-based wisdom for nonprofit capacity. Long Lake, MN: Stagewise. (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.

Profile of Board Members

Of the 77 surveyed NGOs, there were in total 990 board members.

The average number of board members was 13 (9 for the surveyed NGOs with an annual expenditure of less than or equal to HK\$20 million, and 17 for those with an annual expenditure of more than HK\$20 million).

Annual expenditure	No. of board members (NGOs)	Average no. of board members
<=HK\$20m	355 (40)	9
>HK\$20m	635 (37)	17
Total	990 (77)	13

Among board members of the surveyed NGOs with an annual expenditure of less than or equal to HK\$20 million, a majority of them were female (54.1%), in the age group between 40 and 60 (61.1%), and with a tertiary education (36.1%); for those of the NGOs with an annual expenditure of more than HK\$20 million, a majority of them were male (65.4%), in the age group between 40 and 60 (67.9%), and with a Master's degree or above (37.2%).

Profile	Annual expenditure		All NGOs
	<=HK\$20m	>HK\$20m	
Gender			
Male	45.9%	65.4%	58.4%
Female	54.1%	34.6%	41.6%
Age group			
Below 40	18.6%	3.3%	8.8%
40 to 64	61.1%	67.9%	65.5%
65 or above	20.3%	28.8%	25.8%
Education Level			
Master's degree or above	30.4%	40.9%	37.2%
Tertiary institution	36.1%	36.7%	36.5%
Secondary school or below	15.8%	4.9%	8.8%
No information provided	17.7%	17.5%	17.6%
Total	100.0%	100.0%	100.0%
No. of board members (NGOs)	355 (40)	635 (37)	990 (77)

Board Meetings

Among the 77 surveyed NGOs, there were on average six board meetings held last year, with each lasting for 2.5 hours on average. The average attendance rate of board members was 78.5%.

Board Meetings	Annual expenditure		All NGOs
	<=HK\$20m	>HK\$20m	
Board meetings held last year (average numbers)	6	7	6
Length of board meetings held last year (average hours)	2.5	2.5	2.5
Attendance rate last year (%)	80.0%	75.0%	78.5%

Number of Committees

For the surveyed NGOs with an annual expenditure of more than HK\$20 million, the median number of committees (including programme/service) was seven. If we exclude those committees which were focused on programme/service, the median number of committees was four. As one might expect, these NGOs have a larger average number of committees than those with an annual expenditure of less than or equal to HK\$20 million.

The most common types of committees were program/service committee, finance / investment committee, executive /management committee and human resources committee.

Number of Committees	Annual expenditure		All NGOs
	<=HK\$20m	>HK\$20m	
Number of committees (median) (including programme/service)	3	7	5
Number of committees (median) (excluding programme/service)	3	4	3

Board Holds an "Away-day" or a "Retreat" At Least Once a Year

Boards of the surveyed NGOs with an annual expenditure of less than or equal to HK\$20 million (45.0%) were more likely to hold an "away-day" or a "retreat" at least once a year to enhance better collective understanding and/or to discuss strategic issues, than those with an annual expenditure of more than HK\$20 million (24.3%).

KEY RESULTS OF LANDSCAPE SURVEY

Adoption of Good Practices

The surveyed board members were asked to rate the degrees to which good practices are adopted in a 5-point Likert scale, with “1” representing “never/strongly disagree” and “5” representing “always/strongly agree”.

The **5** most frequently adopted good practices (*in terms of the percentage of NGOs reporting “always” or “often”*) reported by the 77 surveyed NGOS are:

Board Role Execution

- All board members share a common understanding of your organization's mission (B13) (**90%**)
- Board works with the management to monitor financial statements regularly (B24) (**90%**)
- All major policy and strategy discussions are in line with mission and vision (B15) (**88%**)

Board Dynamics & Behaviour

- Board members see the connection between what they do and the positive impact on the beneficiaries (B51) (**89%**)
- Board-management has a trustful and open relationship. Top-tier management actively involves the Board in leading your organization (B54) (**88%**)

The **5** least frequently adopted good practices (*in terms of the percentage of NGOs reporting “seldom” or “never”*) reported by the 77 surveyed NGOS are:

Board Role Execution

- Board members financially support your organization (B25) (**49%**)
- Board reviews risk registers compiled by management that acknowledges potential risk and includes mitigation plans (B31) (**33%**)

Board Dynamics & Behaviour

- Committee assignments are rotated to give board members experience and opportunity to lead, as a part of succession planning (B44) (**37%**)
- Board regularly assesses and gives feedback to all members to enhance their performance (B42) (**36%**)
- Board conducts periodical assessment to evaluate governance performance (B56) (**33%**)

Agreement on Perceived Relevance

The surveyed board members were asked to rate the levels of agreement on perceived relevance of good practices to their NGOs in a 5-point Likert scale, with “1” representing “strongly disagree” and “5” representing “strongly agree”.

The **9** good practices perceived to be most relevant to the 77 surveyed NGOs (*in terms of the percentage of NGOs reporting “strongly agree” or “agree”*) are:

Board Design & Processes

- Board / committee(s) receives agenda and quality information well in advance of meetings (B10) (**95%**)
- Board members bring range of perspectives to governance (B4) (**94%**)

Board Role Execution

- All board members share a common understanding of your organization's mission (B13) (**96%**)
- Board works with the management to monitor financial statements regularly (B24) (**94%**)
- All major policy and strategy discussions are in line with mission and vision (B15) (**94%**)

Board Dynamics & Behaviour

- Board members see the connection between what they do and the positive impact on the beneficiaries (B51) (**94%**)
- Board-management has a trustful and open relationship. Top-tier management actively involves the Board in leading your organization (B54) (**94%**)
- Board and management have a shared understanding of their roles and responsibilities in governing and managing your organization respectively (B53) (**94%**)
- A culture of trust, commitment, openness and transparency exists in board room (B45) (**94%**)

The **5** good practices perceived to be least relevant to the 77 surveyed NGOs (*in terms of the percentage of NGOs reporting “strongly agree” or “agree”*) are:

Board Role Execution

- Board members financially support your organization (B25) (**49%**)
- Board works with management to set performance targets that benchmark with peer organizations (B35) (**70%**)

Board Dynamics & Behaviour

- Board regularly assesses and gives feedback to all members to enhance their performance (B42) (**61%**)
- Committee assignments are rotated to give board members experience and opportunity to lead, as a part of succession planning (B44) (**71%**)
- Continuous and collective learning opportunities are provided to board members (B41) (**74%**)

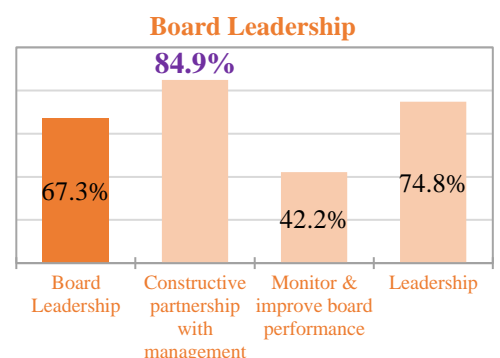
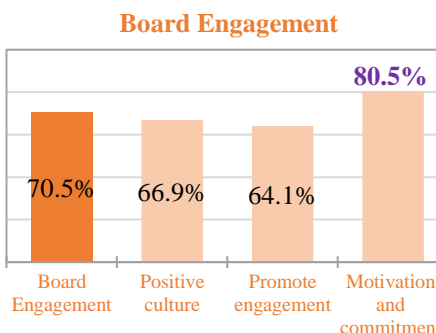
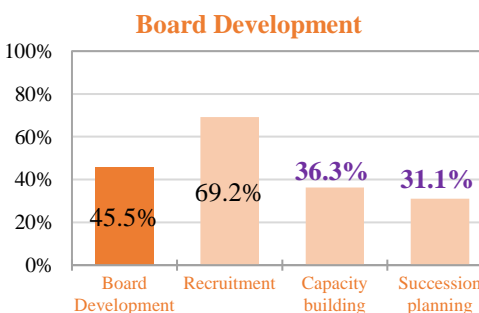
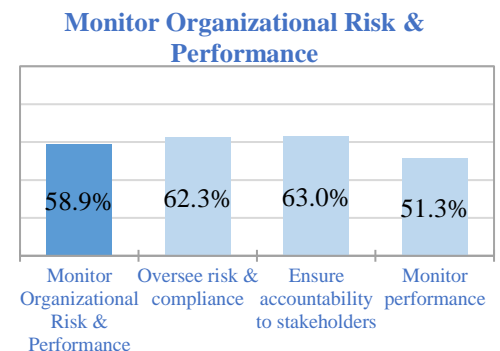
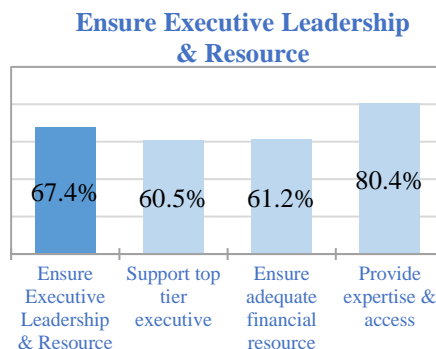
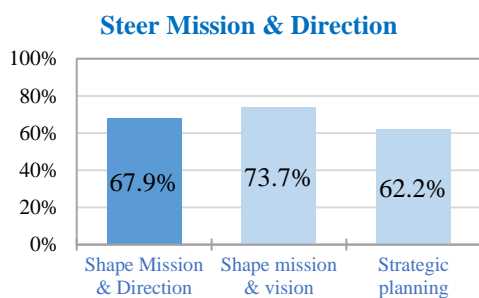
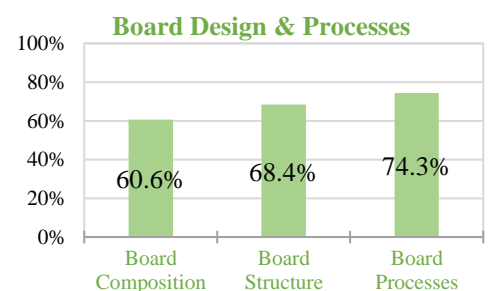
Alignment between Perceived Relevance and Adoption of Good Practices

Alignment between the perceived relevance of good practices to the surveyed NGOs (in terms of the percentage of the NGOs reporting “strongly agree” or “agree”) and the degrees to which particular good practices are adopted (in terms of the percentage of the NGOs reporting “always” or “often”) are examined. The 5 good practices which had the least alignment between perceived relevance and adoption were:

Good Practices	% of Perceived Relevance	% of Adoption of Practices	TOP 5 Differences
Board Dynamics & Behaviour - Succession planning is discussed and processes are in place to recruit and develop potential board leaders (B43)	79%	30%	49%
Board Role Execution - Board reviews risk registers compiled by management that acknowledges potential risk and includes mitigation plans (B31)	79%	35%	44%
Board Dynamics & Behaviour - Board conducts periodical assessment to evaluate governance performance (B56)	77%	33%	44%
Board Dynamics & Behaviour - Continuous and collective learning opportunities are provided to board members (B41)	74%	35%	39%
Board Dynamics & Behaviour - Committee assignments are rotated to give board members experience and opportunity to lead, as a part of succession planning (B44)	71%	33%	38%

Analysis of Adoption of Good Practices (% of NGOs reporting “always” or “often”) by 17 Aspects

Focusing on the 17 aspects which constitute the three dimensions, the two aspects with the highest levels of adoption were “Board Leadership - Constructive partnership with management” (84.9%) and “Board Engagement - Motivation & commitment” (80.5%); the two aspects with the lowest levels of adoption were “Board Development - Succession planning” (31.1%) and “Capacity building” (36.3%).



Level of Satisfaction and Areas for Improvement

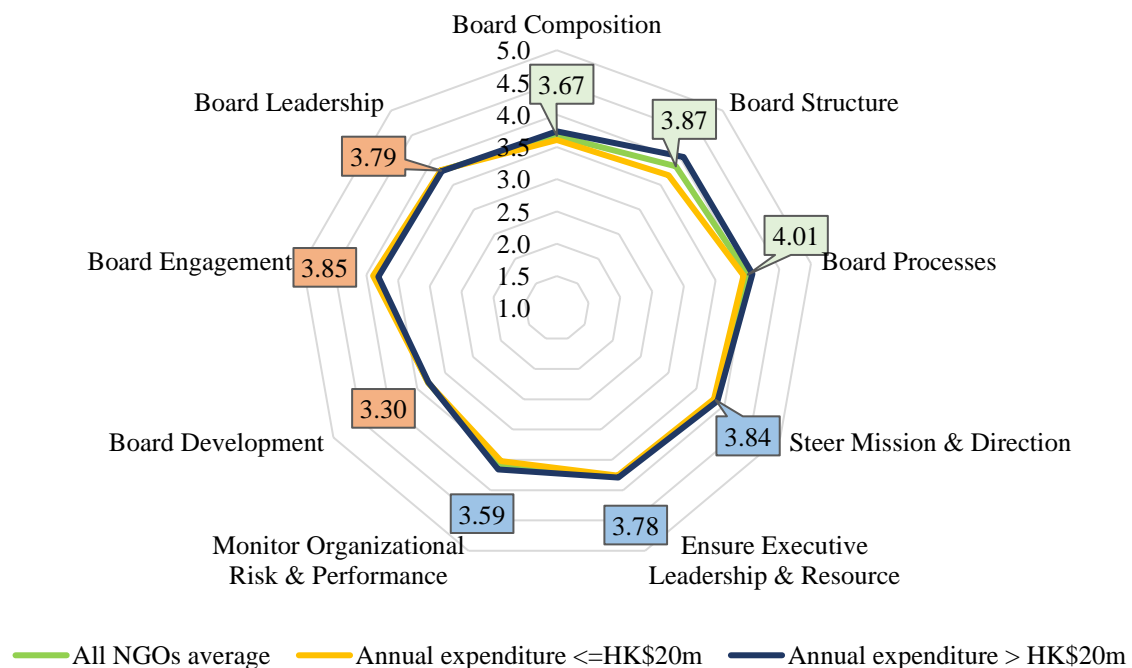
Over three quarters of the surveyed NGOs were satisfied with their governance in terms of the commitment to mission and vision (84.7%), top-tier management support to board (84.2%), disclosure and transparency to the public (79.4%), legal oversight and compliance (77.4%), community relations and outreach efforts (77.0%) and direction and leadership (76.5%). Of the 11 areas, the least satisfactory ones were board recruitment and development practices (53.4%) and stakeholder representation and accountability (54.7%).

The two areas in which the surveyed NGOs feel strongly about the need for improvement were “board recruitment and development practices” (51.1%) and “adequate financial resources and oversight” (50.3%).



NGO Governance Health Index

The data collected by this landscape survey demonstrate high degrees of reliability among the 62 question items. An NGO Governance Index was constructed, of which the scores were compiled by assigning equal weights for all aspects, elements and dimensions. We calculated the average scores for the three dimensions, nine elements and 17 aspects. The index represents a major step towards a systematic measurement of NGO governance health; data from future research could further test and corroborate the validity of the index.



Board Design & Processes

- **Board Composition**, with an average score of 3.67, was a relatively weak element. Only about half of the surveyed NGOs always or often adopted the good practice of having a systematic process for identifying required board skills and recruiting to fill the gap, despite the fact that over three quarters of the NGOs perceived the practice to be of relevance.
- **Board Structure**, with an average score of 3.87, was the element with the second highest average score among the nine elements. About half of the surveyed NGOs ranked Board Composition and Structure among the top three areas in which improvement should be made in the following three years. The surveyed NGOs with an annual expenditure of more than HK\$20 million had relatively better Board Structure, such as having clear terms of reference and accountability reporting processes.
- **Board Processes**, with an average score of 4.01, was the element with the highest average score among the nine elements. About three quarters of the surveyed NGOs reported that they always or often adopted international good practices, such as well-planned meeting preparation and quality discussions.

Board Role Execution

- **Steer Mission and Direction**, with an average score of 3.84, was the highest average score in this dimension. Over two-thirds of the surveyed NGOs adopted good international practices in this area. It is, however, warranted to note the rather significant misalignment between the perceived relevance and actual adoption of the practices of updating the missions and visions, and of overseeing the performance of the strategic plan.
- **Ensure Executive Leadership & Resource**, with an average score of 3.78, was ranked middle among the nine elements. About half of the surveyed NGOs reported that their organizations always or often adopted the international good practice of providing all-round development opportunities for the top-tier management. 90% of the NGO Boards always or often worked with the management to monitor financial statements regularly; only 73% of the NGO Boards supported the management to prepare and review multi-year financial planning.
- **Monitor Organization Risk and Performance**, with an average score of 3.59, was the weakest link in the board role execution dimension. About half of the surveyed NGOs indicated that improvement needed to be made in Monitor Programs and Organization Performance in the coming three years. Less frequently adopted international good practices might provide insights for improvement actions:
 - ✓ Reviews risks & mitigation plans made by the management
 - ✓ Set performance targets that benchmark peers
 - ✓ Formal processes in place to obtain feedback from stakeholders

Board Dynamics & Behaviour

- **Board Engagement**, with an average score of 3.85, was the highest average score in this dimension. Small NGOs had a relatively higher score in Board Engagement especially in having a trustful, open and committed culture, and being more appreciative of each board member's contribution instead of being dominated by a few board members.
- **Board Leadership**, with an average score of 3.79, was ranked middle among the nine elements. Only one-third of the surveyed NGOs always or often adopted the good practice of conducting periodical assessment to evaluate governance performance.
- **Board Development**, with an average score of 3.30, was the lowest among the nine elements. Over one-third of the surveyed NGOs reported that they seldom and never adopted international good practices of rotating the assignments of board members for experience building, succession planning, conducting regular board performance assessment, and providing feedback to members to enhance their performance. Over half of the surveyed NGOs ranked Board Recruitment and Development Practices as the top area in which improvement should be made in the coming three years. Less frequently adopted international good practices might provide insights for improvement actions:
 - ✓ Rotation of committee membership and process in place for board recruitment & succession planning
 - ✓ Regular performance assessment & feedback given to individual board members
 - ✓ Continuous & collective learning opportunities for board members
 - ✓ Orientation for new board members
 - ✓ Board learning & sharing activities outside meetings

LANDSCAPE REPORT

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Chapter 1 Introduction

Background

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 non-governmental organizations, (NGOs) and to apply the tool to collect data for a landscape survey and analysis.

NGO governance is increasingly in the spotlight in Hong Kong's social service sector. Regarding the oversight of NGOs, stakeholders and the general public are demanding more transparency, accountability and effectiveness. At the organizational level, the board is responsible for ensuring that good governance is in place.

The current landscape survey is conducted to study the governance health of NGOs in Hong Kong's social service sector. Participating NGOs are offered an agency individual report in which they can find their self-assessment responses, and also relevant information which they can use to compare the governance health of their organizations with that of other participating NGOs of similar size, and to review various areas of governance practices. Further, group debriefing sessions tailor-made for NGOs of different sizes are organized to disseminate the landscape survey findings. In-depth briefings by professional consultants were offered to 15 selected NGOs with a view to facilitating their boards to better understand the governance health of their organizations, and to identify areas in which possible improvement could be made.

Survey Objectives

The five key objectives of the landscape survey are as follows:

- To promote the concept and knowledge of governance health in the local social service sector.**
- To investigate key governance health practices among NGOs of different sizes and background.**
- To identify the benchmark range of key governance health data among NGOs and analyse the common strength and weaknesses.**
- To develop and pilot a NGO Governance Health Check Tool appropriate to the local NGO sector.**
- To encourage good governance practices and to provide support on governance.**

Research Teams

The landscape survey is a collaborative effort of HKCSS, ExCEL3 (HKU) and GAME (hereafter “the research team”). HKCSS is the lead partner to promote and recruit participants for the landscape survey, to steer and monitor the project implementation, and to plan and organize the dissemination of results through such activities as debriefing sessions to NGOs. ExCEL3 (HKU) is responsible for undertaking the data collection work, conducting data analysis, compiling the landscape report, and presenting the results. GAME is responsible for producing individual NGO reports, conducting in-depth debriefing sessions to participating NGOs, and presenting the results.

HKCSS (Leading partner)

- To promote and recruit participants
- To steer and monitor the project implementation
- To plan and organize result dissemination



GAME

- To compile individual NGO reports
- To conduct in-depth debriefing sessions
- To present the findings and deliver debriefing sessions

ExCEL3, HKU

- To undertake data collection work
- To conduct data analysis
- To compile the landscape report
- To present the findings and deliver debriefing sessions

Organization of the Landscape Report

This landscape report summarizes the responses and views collected through the survey, and proposes a list for good practices of NGO Governance in the following seven chapters:

-  *Introduction*
-  *Conceptual Framework*
-  *Survey Methodology*
-  *Profile of Surveyed NGOs*
-  *NGO Governance Good Practices*
-  *Areas for Improvement*
-  *NGO Governance Health Index*
-  *Recommendations*



Chapter 2 Conceptual Framework

The questionnaire comprises two major components: (1) the NGO Governance Health Check Tool which gauges the degrees to which different good practices are adopted, and perceived to be of relevance to the organizations; and (2) 11 areas of NGO governance for which the surveyed NGOs' levels of satisfaction and perceived need for improvement are gauged.

(1) NGO Governance Health Check Tool

Conceptual Framework

NGOs in Hong Kong are governed and steered by governing bodies such as Councils, Boards or Executive Committees (hereafter “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. In order to manage the day-to-day operation of NGOs, the board appoints an executive director (hereafter “agency head”).

Good governance with a healthy and performing board is key to the sustainability and growth of NGOs. International references³ on NGO governance practices are drawn to construct a conceptual framework of NGO governance health. Governance health encompasses the attributes, qualities and actions that help sustain governance performance over time.

NGO governance health is measured by assessing the way the board of an organization 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.

³ 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.

Board Design & Processes

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 formulate and implement its strategic plan effectively? Does the board structure meet the needs of the NGO?

1. Board Composition

Boards tend to work more effectively when they are structured to align with the missions of the organizations and to maximize the talents and expertise of individual board members. The four proposed good practices of board composition include “board reviews and agrees on board size”, “board engages in a systematic process for identifying required board skills and filling the gaps”, “board members’ tenure of office or term limits effectively balance the need for new members/skills and the retention of valuable directors”, and “board members bring a range of perspectives to governance”.

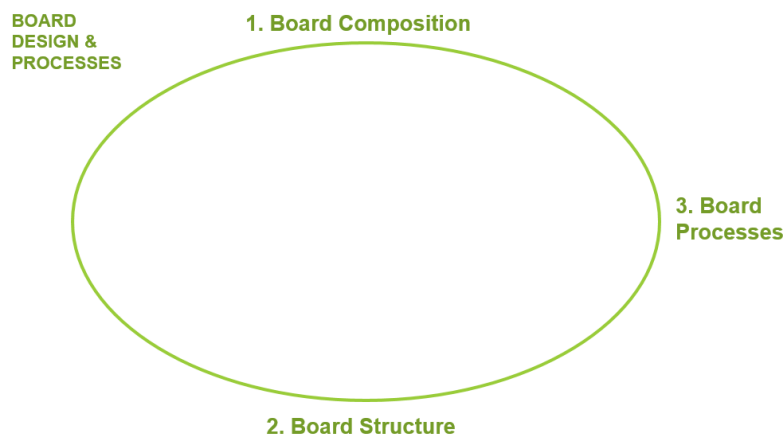
2. Board Structure

Regarding board structure, the four proposed good practices include “current committee structure reflects the needs or priorities of NGO”, “board reviews the committee structure and performance to ensure that the NGO’s governance needs are met”, “the terms of references of committees clearly define their authority, roles and responsibilities, and activities”, and “committee(s) report to the board sufficiently with clear information”. A caveat is warranted that no one board structure fits all NGOs.

3. Board Processes

Regarding board processes, the four proposed good practices include “calendar of board/committee(s) meetings is set and distributed for the year”, “board/committee(s) receives agenda and quality information well in advance of meetings”, “participants of board members are well prepared”, and “board meeting discussions focus effectively on strategic issues rather than operational matters”.

In the dimension of board design & processes, three elements with 12 good practices are constructed.



Board Role Execution

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 organizational risk and performance.

4. Steer Mission & Direction

The board uses a mission statement to remind members of the reasons why the organization exists. The mission helps the board stay focused on the direction of the organization. The vision stipulates what the organization is doing now, and points to possible ways forward.

To shape mission and vision, the four proposed good practices are “all board members share a common understanding of the mission of the organization”, “all board members share a common understanding of the vision of where the organization wants to be in 5-10 years with concrete goals”, “all major policy and strategy discussions are in line with mission and vision”, and “board acknowledges the need to update and review its mission and vision as necessary”.

To formulate strategic planning, the three proposed good practices are “the board works with the management to design and participate in strategic planning process”, “the board works with the management to review strategic plan to ensure program outcomes are tightly linked to the mission and vision of the organization”, and “the board translates strategic plan into oversight responsibilities for the board and committees to follow through”.

5. Ensure Executive Leadership & Resource

Apart from steering mission and direction of the organization, the board also has the responsibility to ensure effective executive leadership and to secure sufficient resource required for running the organization.

To support the top-tier executive, the three proposed good practices are “the board provides all-round development opportunities for the top-tier management”, “documented evaluations on the top-tier management are performed at least annually against pre-defined criteria (e.g. a self-assessment, written feedback, and / or development plan)”, and “the board has preparedness and planning of succession for the top-tier management”.

To ensure adequate financial resource, the four proposed good practices are “the board supports the management in preparing and reviewing multi-year financial plan that results in robust discussion of resource allocation, funding plans and investment objectives in the context of strategic goals”, “the board works with the management to monitor financial statements regularly”, “board members financially support the organization”, and “the management actively involves the board in fundraising planning and execution”.

To provide expertise and access, the two proposed good practices are “the board proactively provides access and influence needed to accomplish organizational goals”, and “board members provide expertise to address organizational needs and act as effective ambassadors for the organization”.

6. Monitor Organizational Risk & Performance

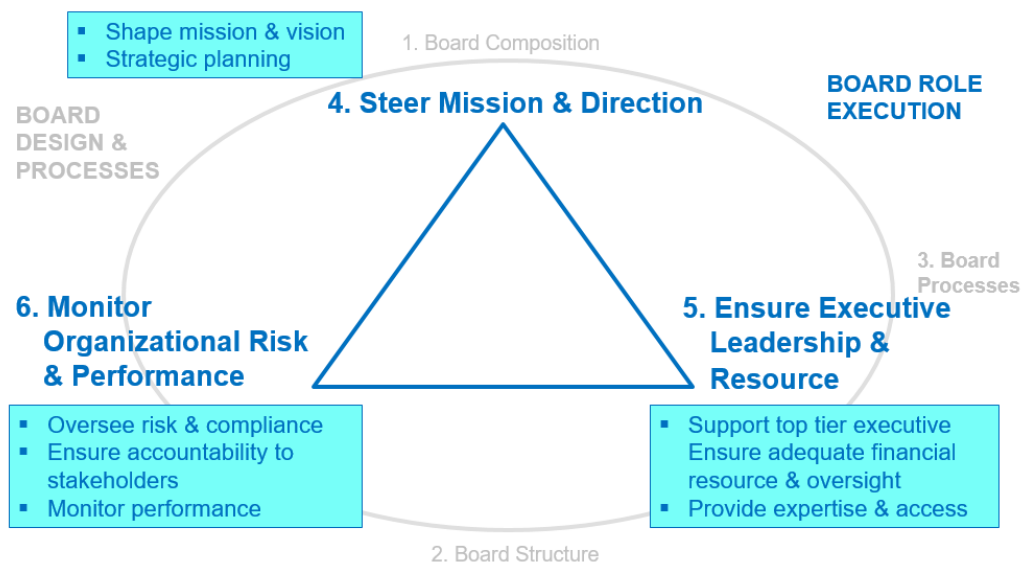
Beyond shaping the mission and vision and providing resources, the board oversees the performance of the organization, identifies sources of risk, estimates potential risk exposure, and reviews mitigation strategies.

To oversee risk and compliance, the three proposed good practices are “the board works with the management to ensure timely, independent audit of results and internal processes”, “the board understands regulatory compliance; develops and monitors recovery plan based on feedback from auditors/regulators”, and “the board reviews risk registers compiled by the management that acknowledge potential risk and include mitigation plans”.

To ensure accountability to stakeholders, the three proposed good practices are “the board identifies key stakeholders and ensures that performance results are communicated effectively to the stakeholders”, “the board has formal processes in place to obtain direct feedback from stakeholders”, and “the board ensures that stakeholder feedbacks are used to inform strategy and resource allocation”.

To monitor performance, the two proposed good practices are “the board works with the management to set performance targets that benchmark with peer organizations”, and “the board monitors and discusses the performance of the organization and programmes; and uses the results to inform decisions in strategic planning, resources allocation, and evaluation of the top-tier management”.

In the dimension of board role execution, three elements and eight aspects with 24 good practices are constructed.



Board Dynamics & Behaviour

People's behaviour and the dynamics of their interaction constitute the governance culture, which critically affects the functioning of the board. Board member engagement or a sense of ownership, board development practices, board-management relationship, and leadership style and abilities are key factors influencing board performance.

7. Board Development

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.

The three proposed good practices of board recruitment are “the board has formal processes to recruit and nominate members with clear evaluative criteria”, “a key criterion adopted for board recruitment is the commitment to the mission and vision of the organization”, and “a key criterion adopted for board recruitment is the professional knowledge relevant to board operation (e.g. finance, secretarial knowledge)”.

For capacity building, the three proposed good practices are “there is an orientation for all new board members on the organization (e.g. programs, finances), members' governance responsibilities and introduction to their board colleagues”, “continuous and collective learning opportunities are provided to board members”, and “the board regularly assesses and gives feedback to all members to enhance their performance”.

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 (e.g. chair, office bearers, committee chair)”, and “committee assignments are rotated to give board members experience and opportunity to lead, as a part of succession planning”.

8. Board Engagement

An engaged board is vital to the growth and sustainability of the organization. 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 organization.

To create a positive culture, the three proposed good practices are “a culture of trust, commitment, openness and transparency exists in board room”, “board meetings are not dominated by a few individuals, and members appreciate contributions of each other and work as a team”, and “board members spend time together outside board meetings to share experiences and learn together”.

To promote engagement, the two proposed good practices are “the board develops a clear sense of direction towards achieving the vision and mission of the organization”, and “there are conscious engagement efforts to enhance board members' understanding and execution of board roles (e.g. assigning buddies/ mentors to new members, formal training, and board chair's proactive communication on expectations to members)”.

For motivation and commitment of the board, the three proposed good practices are “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 success of the organization are appreciated”.

9. Board Leadership

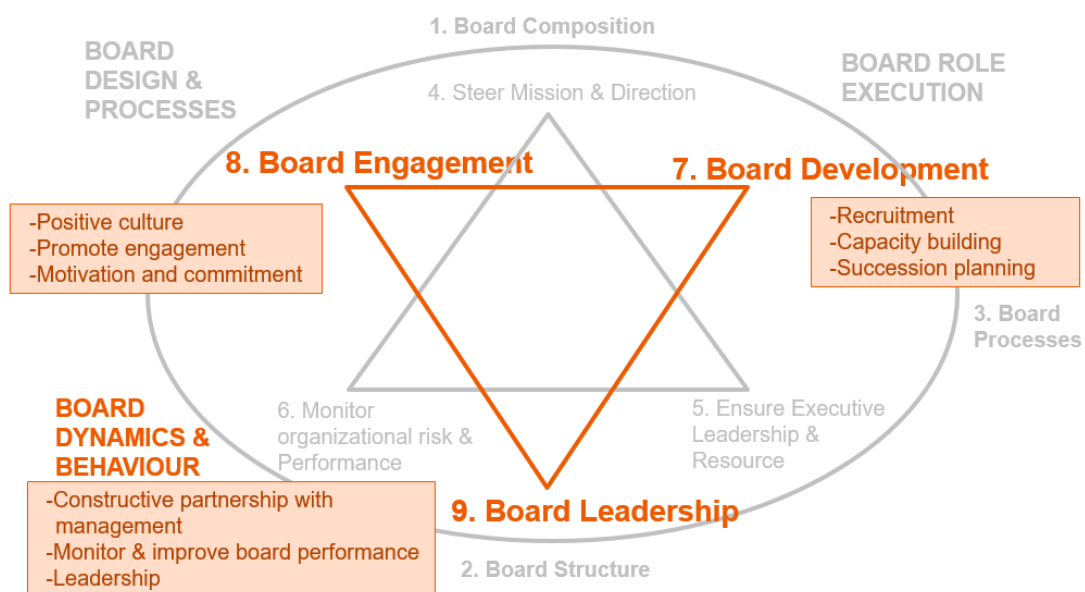
Healthy board leadership is grounded upon a shared and mutually-supportive partnership with the management. It requires that board members be able to work as an effective team to provide insight and judgement, to be reflective of the board’s performance, and to be accountable to the public and various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

Regarding constructive partnerships with the management, the three proposed good practices are “the board and the management have a shared understanding of their roles and responsibilities in governing and managing the organization respectively”, “board-management has a trustful and open relationship and the top-tier management actively involves the board in leading the organization”, and “the board gives the top-tier management enough authority and responsibility to lead the staff and manage the organization, and is alert to avoid micro-management”.

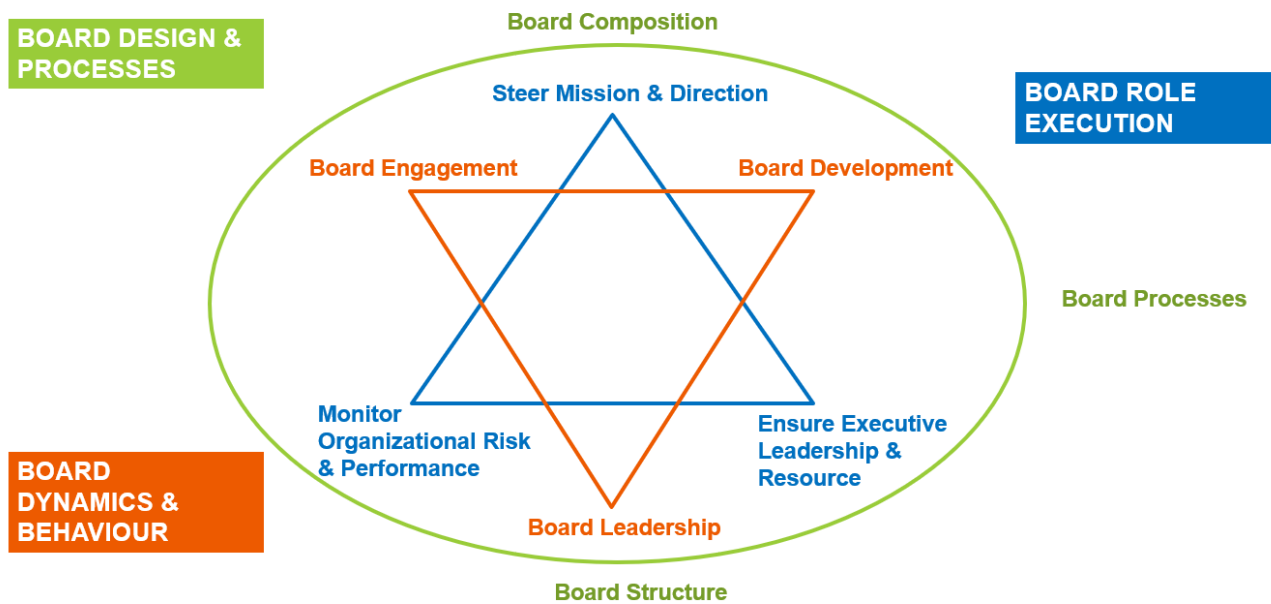
The board has to monitor and be conscious of the need to improve its own performance, the two proposed good practices are “the board conducts periodical assessment to evaluate governance performance”, and “there is a formal assessment process which results in a clear plan for improvement”.

To develop effective leadership, the five proposed good practices are “current board leaders (chair, committee chair) have the necessary skills, enthusiasm, energy and time to provide leadership to the board”, “board / committee chairs are effective to encourage the board / committees to discuss strategic questions, resolve conflict, build trust and reach compromise”, “the board provides insight, wisdom and judgement”, “the board brings new and creative ideas to the organization”, and “board leaders often reach out to key stakeholders and they are recognizable and approachable to staff, service users and funders”.

In the dimension of board dynamics and behaviour, three elements and nine aspects with 26 good practices are identified.



A framework which comprises three dimensions and nine elements of NGO Governance Health is shown in the diagram below:

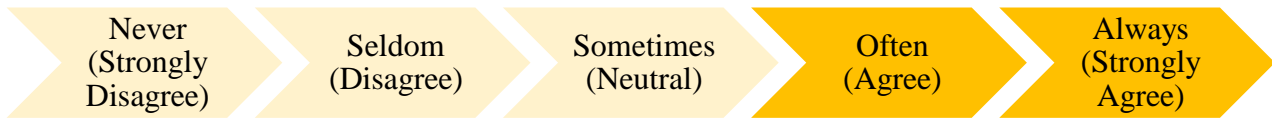


The three dimensions are further divided into nine elements and 17 aspects, with a total of 62 good practices conducive to NGO governance health. The details are shown in the table below:

3 Dimensions	Contextual Dimension (I) Board Design & Processes	Functional Dimension (II) Board Role Execution	Interactive Dimension (III) Board Dynamics & Behaviour
<p>9 Elements & 17 Aspects</p> <p>() = number of good practices in the element / aspect concerned.</p> <p>There are 62 good practices in total.</p>	<p>1 Board Composition (4)</p> <p>2 Board Structure (4)</p> <p>3 Board Processes (4)</p>	<p>4 Steer Mission & Direction 4.3 Shape Mission & Vision (4) 4.4 Strategic Planning (3)</p> <p>5 Ensure Executive Leadership & Resource 5.4 Support Top Tier Executive (3) 5.5 Ensure Adequate Financial Resource (4) 5.6 Provide Expertise & Access (2)</p> <p>6 Monitor Organizational Risk & Performance 6.4 Oversee Risk & Compliance (3) 6.5 Ensure Accountability to Stakeholders (3) 6.6 Monitor Performance (2)</p>	<p>7 Board Development 7.4 Recruitment (3) 7.5 Capacity Building (3) 7.6 Succession Planning (2)</p> <p>8 Board Engagement 8.4 Positive Culture (3) 8.5 Promote Engagement (2) 8.6 Motivation & Commitment (3)</p> <p>9 Board Leadership 9.4 Constructive Partnership with Management (3) 9.5 Monitor & Improve Board Performance (2) 9.6 Leadership (5)</p>

Data Collection Method

Board members of the surveyed NGOs were asked to rate the degrees to which particular good practices are adopted in their organizations 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 organizations, with “1” representing “strongly disagree” and “5” representing “strongly agree”.



Further, the board members were asked to report the perceived relevance of particular good practices to their organizations in a 5-point Likert scale, with “1” representing “strongly disagree” and “5” representing “strongly agree”.



(2) Level of Satisfaction and Areas for Improvement

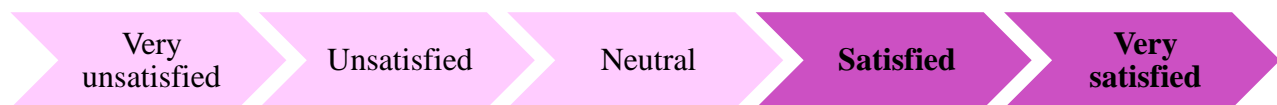
Board Governance Areas

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 whether improvement needs to be made in these areas.

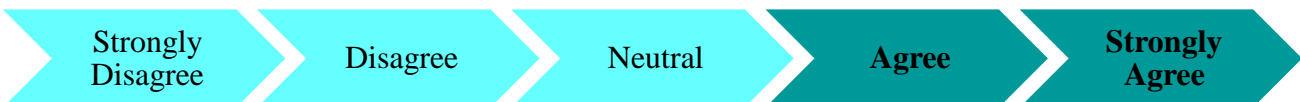
- Commitment to Mission and Vision
- Direction and Leadership
- Adequate Financial Resources and Oversight
- Legal Oversight and Compliance
- Monitor Programmes and Organizational Performance
- Top-tier Management Support to Board
- Stakeholder Representation and Accountability
- Disclosure and Transparency to the Public
- Community Relations and Outreach Efforts
- Board Composition and Structure
- Board Recruitment and Development Practices

Data Collection Method

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".



The board members were asked to indicate their agreement on whether the board should make improvement in the 11 areas in the coming 3 years in a 5-point Likert Scale, with "1" representing "strongly disagree" and "5" representing "strongly agree".





Chapter 3

Survey Methodology

Target Respondents

The target respondents of the landscape survey are:

- (i) Any charitable institutions or trusts of a public character, which are exempt from tax under section 88 of the Inland Revenue Ordinance; which
- (ii) Have governing bodies such as a Council, a Board or an Executive Committee (hereafter “Board”)

Questionnaire Design

Based on the constructed conceptual framework, two questionnaires - namely Form A and Form B - are designed.

Form A consists of 25 questions concerning organizational information (year of establishment, functions, missions, number of staff, annual total expenditure, funding sources, etc.), and board composition and structure (number and profiles of board members, number and types of board meetings, etc.). The information in Form A is provided by agency heads.

Form B consists of 73 questions gauging the degrees to which particular good practices are adopted, the perceived relevance of the practices to the organizations, and the levels of satisfaction of governance health aspects and future views. The information in Form B is provided by agency heads and board members.

Form A

- 25 questions
- Organizational information (year of establishment, functions, missions, number of staff, annual total expenditure, funding sources, etc.)
- Board composition and structure (number and profiles of board members, number and types of board meetings, etc.)
- Completed by agency heads

Form B

- 73 questions
- Degrees of adoption of the good practices and the relevance of the practices to the organizations
- Levels of satisfaction of governance health aspects and future views
- Completed by agency heads and board members

Survey Design

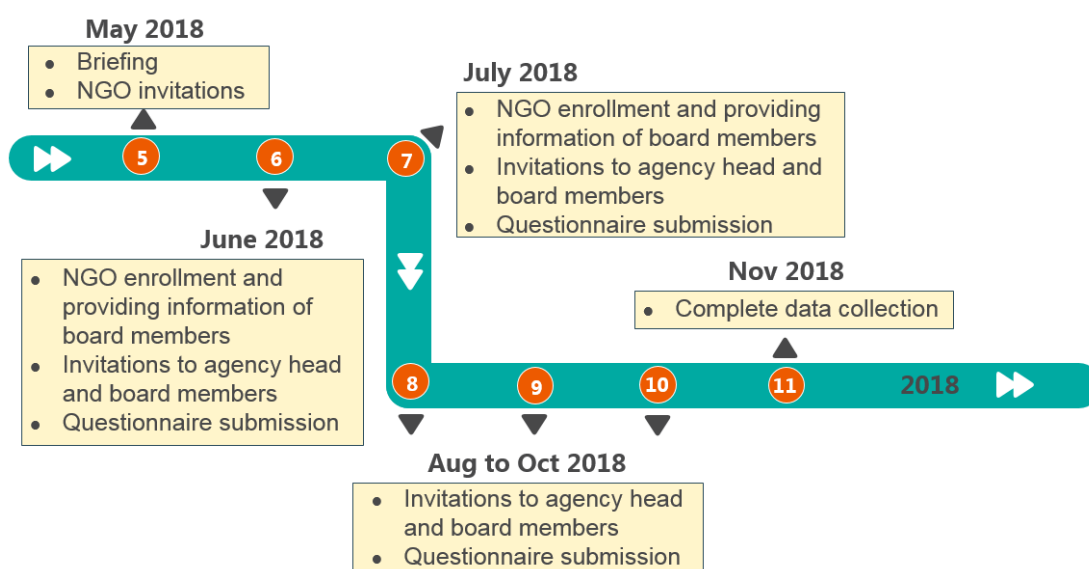
For each NGO which had agreed to participate in the survey, the agency head and three board members - including one board chairperson, one board officer bearer and one board member who had served on the board for more than one year - were invited to fill out the relevant forms. The agency head would provide the information about the NGO in Form A and also his/her views on the board practices in Form B; the three board members would provide their views in Form B.

For those surveyed NGOs which would receive in-depth briefing services, their agency heads would provide the information about the NGOs in Form A and also their views on their board practices in Form B. All the board members of the NGOs were invited provide their views in Form B.

Positions	Participating NGOs	Participating NGOs (provided with in-depth briefing services)
Agency Head	1 (Form A & B)	1 (Form A & B)
Board Chairperson	1 (Form B)	1 (Form B)
Board Officer Bearer	1 (Form B)	All (Form B)
Board Member	1 Board Member who has served on the board for more than 1 year (Form B)	All Board Members (Form B)

A pilot survey was conducted to pre-test the design of the questionnaires (Form A and Form B) as well as the operation of the survey.

On 29 May 2018, a briefing session was conducted to explain to NGOs the design and procedures of the landscape survey. Invitations were sent to the NGOs in May 2018. From June to October 2018, after collecting board members' information, invitations were also sent to agency heads and board members separately via an online platform. Questionnaires were received during the period from June to November 2018.



Enumeration Results

The landscape survey was conducted in the period from 5 June to 18 November 2018. In the recruitment stage, a total of 95 reply slips were received. Of these 95 NGOs, 91 provided information on their board members. After recruitment and confirmation from these NGOs, 641 questionnaire invitations were sent to their agency heads and board members separately via an online platform. A total of 77 NGOs participated in the landscape survey; from which a total of 389 valid completed questionnaires were received. The completion rate was 60.5%.

Stages	No. of NGOs	No. of Qs (Completion rate)
(I) Recruitment		
Received reply slip	95	-
(II) Confirmation		
Received	91	-
Did not receive	4	-
(III) Questionnaire Invitation	91	641
Agency Head		91
Board Chairperson*		90
Board Member		460
(IV) Questionnaire Submission	77 (84.6%)	389 (60.5%)
Agency Head		77 (84.6%)
Board Chairperson		67 (74.4%)
Board Member		245 (53.2%)

* 1 Board Chairperson refused to participate in the survey

Statistical Analysis

Descriptive statistics were generated to summarize findings of the questionnaire surveys, covering the following:

- The profiles of the 77 surveyed NGOs, in terms of the mean, median and percentages;
- The 77 surveyed NGOs' views on the degrees of adoption and perceived relevance of good practices to their organizations, in terms of the mean and percentages; and
- Cross-tabulations of different variables, where appropriate.

Data analysis was conducted using the standard computer package IBM SPSS 24.0. 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. Amounts reported are all in Hong Kong dollars, unless specified otherwise.

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 survey was the reciprocal of the total number of participating agency head and board members.

Limitations of the Survey

The statistical results of this landscape survey 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 survey, and our efforts to alleviate the impact of those limitations.

- The statistical analysis is cross-sectional, which is unable to address the before-and-after dynamics or longitudinal impact.
- Sampling errors and non-sampling errors might exist.
- The data are mainly concerned with the assessment of self-perceived health status of NGO governance, which is by its very nature subjective.

Despite these limitations, this landscape survey 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.

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.



Chapter 4

Profile of Surveyed NGOs

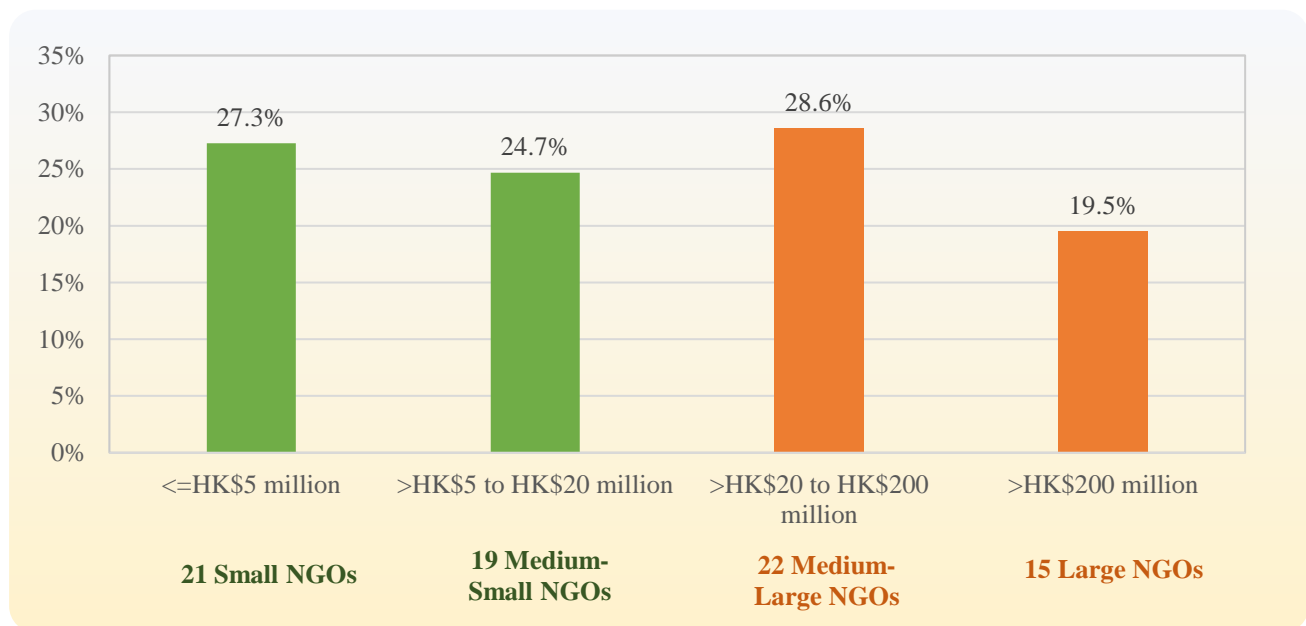
The profile and demographics of the surveyed NGOs based on the information provided by agency heads - including basic organizational information and board composition and structure - are presented in this chapter.

Annual Total Expenditure (HK\$)

According to the information provided by the 77 surveyed NGOs, the distribution of their annual total expenditure (HK\$) in the last financial year is as follows:

- 21 NGOs (27.3% of the 77 surveyed NGOs; hereafter “Small NGOs”) reported a total annual expenditure of HK\$5 million or less;
- 19 NGOs (24.7% of the 77 surveyed NGOs; hereafter “Medium-Small NGOs”) reported a total annual expenditure in the range from more than HK\$5 million to HK\$20 million;
- 22 NGOs (28.6% of the 77 surveyed NGOs; hereafter “Medium-Large NGOs”) reported a total annual expenditure in the range from more than HK\$20 million to HK\$200 million; and
- 15 NGOs (19.5% of the 77 surveyed NGOs; hereafter “Large NGOs”) reported a total annual expenditure of more than HK\$200 million.

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



Change of the Annual Operating Budget

The 77 surveyed NGOs were asked to compare their current budget with that of three years ago. About 91.0% of them reported an increase:

- 24.7% reported an increase of more than 30%;
- 11.7% reported an increase in the range between 21% and 30%;
- 36.4% reported an increase in the range between 11% and 20%;
- 18.2% reported an increase in the range between 1 and 10%;
- 5.2% reported no change; and
- 3.9% reported a decrease.

Among those NGOs with an annual expenditure of less than or equal to HK\$20 million, about one-third (30.0%) reported an increase of more than 30%.

Among those NGOs with annual expenditure of more than HK\$20 million, almost half of them (48.6%) reported an increase in the range between 11% and 20%.

Change of the Annual Operating Budget	Annual expenditure		All NGOs
	<=HK\$20m	>HK\$20m	
Increased (more than 30%)	30.0%	18.9%	24.7%
Increased (between 21% to 30%)	10.0%	13.5%	11.7%
Increased (between 11 to 20%)	25.0%	48.6%	36.4%
Increased (between 1 and 10%)	22.5%	13.5%	18.2%
Unchanged	7.5%	2.7%	5.2%
Reduced (between 1 and 10%)	5.0%	0.0%	2.6%
Reduced (more than 30%)	0.0%	2.7%	1.3%
Total	100.0%	100.0%	100.0%
No. of surveyed NGOs	40	37	77

Legal Establishment

94.8% of the 77 surveyed NGOs did not have a branch or subsidiary outside Hong Kong.

79.2% of the 77 surveyed NGOs were registered as companies limited by guarantee under the Companies Ordinance (Cap. 622); another 1.3% were registered as companies limited by shares. 5.2% of the 77 surveyed NGOs were established under the Societies Ordinance (Cap. 151); and 14.3% were established by other ordinances of Hong Kong.

The reported numbers of years of legal establishment varied across the surveyed NGOs; the median was 36 years. For the 40 surveyed NGOs with an annual expenditure of less than or equal to HK\$20 million, the median years of legal establishment was 19.5; for those 37 surveyed NGOs with an annual expenditure of more than HK\$20 million, the median was 49 years.

Primary Function

Service delivery, which includes the domains of social welfare, health, the environment, arts and recreation, and social enterprises, was considered by 74.0% of the 77 surveyed NGOs to be their primary function.

Of those surveyed NGOs with an annual expenditure of less than or equal to HK\$20 million, 62.5% considered service delivery to be their primary function; for the remaining NGO, 25.0% chose self-help / mutual support; 7.5% advocacy / public education; 2.5% resource mobilization, and 2.5% others.

Of those surveyed NGOs with an annual expenditure of more than HK\$20 million, 86.5% stated that service delivery was their primary function; 8.1% chose advocacy / public education and 5.4% resource mobilization.

Primary Function	Annual expenditure		All NGOs
	<=HK\$20m	>HK\$20m	
Service Delivery	62.5%	86.5%	74.0%
Self-help / Mutual support	25.0%	0.0%	13.0%
Resource Mobilization	2.5%	5.4%	3.9%
Advocacy / Public Education	7.5%	8.1%	7.8%
Other	2.5%	0.0%	1.3%
Total	100.0%	100.0%	100.0%
No. of surveyed NGOs	40	37	77

Funding Source

Among the surveyed NGOs with an annual expenditure of less than or equal to HK\$20 million, the major funding source was non-recurrent funding (including non-recurrent government funding, Hong Kong Jockey Club (HKJC) / Community Chest (ComChest), non-recurrent funding and donations). The median percentage of non-recurrent funding out of the total funding was 66.5%.

Among the surveyed NGOs with an annual expenditure of more than HK\$20 million, the major funding source was recurrent funding (including lump sum grant from Social Welfare Department, other recurrent government funding and HKJC / ComChest recurrent funding). The median percentage of recurrent funding out of the total funding was 56.0%.

Funding Source	Annual expenditure		All NGOs
	<=HK\$20m	>HK\$20m	
Recurrent Funding	0.7%	56.0%	38.0%
Non-recurrent Funding	66.5%	21.4%	34.0%
Earned Income	5.5%	18.6%	15.0%
No. of surveyed NGOs	40	37	77

* Median % was presented, not adding up to 100%.

Perceived Life Cycle Stages

The life cycle of NGOs comprises five stages⁴. NGOs in different stages tend to have different characteristics in terms of age, organizational size, leadership style, the rate of growth, and the external environment. Stage 1 describes the newly incubated NGOs. Stage 2 is the start-up stage when NGOs have started with simple programmes or a mix of diverse and non-integrated activities. Stage 3 is the growth stage when NGOs manage programmes that are more or less established in the market. Stage 4 is the maturity stage when NGOs are operating core programmes that are well-planned and duly recognized by the community. Stage 5 is the renewal, rejuvenation stage when NGOs retool or reposition their orientations to adapt to the new environment.

The surveyed NGOs were asked to describe the stage they are in. Among those with an annual expenditure of less than or equal to HK\$20 million, 42.5% perceived that they were in Stage 4 - Mature (Sustaining and Producing); and 40% in Stage 3 - Adolescent (Growing) (40.0%).

Among the surveyed NGOs which have an annual expenditure of more than HK\$20 million, 75.7% perceived that they were in Stage 4 - Mature (Sustaining and Producing).

Life Cycle Stages	Annual expenditure		All NGOs
	<=HK\$20m	>HK\$20m	
Stage 1: Idea inception (Inspiration and Incubation)	0%	0%	0%
Stage 2: Start-up (Founding and Framing) ^a			
○ Simple programmes or a mix of diverse and non-integrated activities	2.5%	2.7%	2.6%
○ Strong commitment to service delivery	(5 years)	(9 years)	(7 years)
Stage 3: Adolescent (Growing) ^a			
○ Programmes being established in the market	40.0%	10.8%	26.0%
○ Demand is greater than capacity	(10 years)	(38 years)	(15 years)
○ More consistent and focused in programme delivery			
Stage 4: Mature (Sustaining and Producing) ^a			
○ Core programme are established and recognized in the community	42.5%	75.7%	58.4%
○ Programme evaluation is regular	(33 years)	(52 years)	(42 years)
○ Long-term planning to add or delete programme(s) in response to market			
Stage 5: Renewal / Rejuvenation / Refocusing ^a			
○ Programmes are mainly to meet funding needs	15.0%	10.8%	13.0%
○ Difficulty in achieving goals and maintaining consistent service quality	(32 years)	(34 years)	(32 years)
○ Losing sight of changing market needs			
○ Refocusing of diversified services			
Total	100.0%	100.0%	100.0%
No. of surveyed NGOs	40	37	77

Note a: % (median years of establishment)

⁴ 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.

Significant Issues Experienced in the Last 3 Years

62 out of the 77 surveyed NGOs indicated that they had experienced one or more of the listed significant issues in the last 3 years. The top three issues reported by these 62 NGOs were “change of board chair” (58.1%), “change of CEO” (46.8%) and “staff turnover by more than 20%” (38.7%).

Among the 29 surveyed NGOs with an annual expenditure of more than HK\$20 million, apart from the top three issues just mentioned, 24.1% of them had gone through significant change in organizational structure; 20.7% had had recurrent deficit for more than two years; and 13.8% had been involved in litigation in the last 3 years.

Significant Issues	Annual expenditure		All NGOs
	<=HK\$20m	>HK\$20m	
Change of Board Chair	48.5%	69.0%	58.1%
Change of CEO	51.5%	41.4%	46.8%
Staff turnover by more than 20%	39.4%	37.9%	38.7%
Recurrent deficit for more than two years	24.2%	20.7%	22.6%
Significant change in organizational structure	18.2%	24.1%	21.0%
Litigation	0.0%	13.8%	6.5%
Staff reduction by more than 20%	3.0%	0.0%	1.6%
Total	100.0%	100.0%	100.0%
No. of surveyed NGOs	33	29	62

Number of Full-time Staff

The numbers of full-time staff varied across the 77 surveyed NGOs, with a median of 40.

Among the 40 surveyed NGOs with an annual expenditure of less than or equal to HK\$20 million, a majority (92.5%) had 1-50 full-time staff, while the remaining 7.5% did not have any full-time staff. The median number of full-time staff was 9.

Among the 37 surveyed NGOs with an annual expenditure of more than HK\$20 million, over three quarters (75.6%) had more than 100 full-time staff; 21.6% of them had 51-100 full-time staff, and 2.7% had 1-50 full-time staff. The median number of full-time staff was 270.

Number of Full-time Staff	Annual expenditure		All NGOs
	<=HK\$20m	>HK\$20m	
No full-time staff	7.5%	0.0%	3.9%
1-50 full-time staff	92.5%	2.7%	49.4%
51-100 full-time staff	0.0%	21.6%	10.4%
More than 100 full-time staff	0.0%	75.6%	36.4%
Total	100.0%	100.0%	100.0%
Mean	14	545	269
Median	9	270	40
No. of the surveyed NGOs	40	37	77

Profile of Board Members

Of the 77 surveyed NGOs, there were in total 990 board members.

The average number of board members was 13 (9 for the surveyed NGOs with an annual expenditure of less than or equal to HK\$20 million, and 17 for those with an annual expenditure of more than HK\$20 million).

Annual expenditure	No. of board members	No. of NGOs	Average no. of board members
<=HK\$20m	355	40	9
>HK\$20m	635	37	17
Total	990	77	13

Compared with their counterparts in the survey NGOs with an annual expenditure of more than HK\$200 million, the board members of those with an annual expenditure of less than or equal to HK\$20 million were more likely to be female (54.1%), aged below 40 (18.6%), and have received education up to secondary school (15.8%).

Profile	Annual expenditure		All NGOs
	<=HK\$20m	>HK\$20m	
Gender			
Male	45.9%	65.4%	58.4%
Female	54.1%	34.6%	41.6%
Age group			
Below 40	18.6%	3.3%	8.8%
40 to 64	61.1%	67.9%	65.5%
65 or above	20.3%	28.8%	25.8%
Education Level			
Master's degree or above	30.4%	40.9%	37.2%
Tertiary institution	36.1%	36.7%	36.5%
Secondary school or below	15.8%	4.9%	8.8%
No information provided	17.7%	17.5%	17.6%
Total	100.0%	100.0%	100.0%
No. of board members			
	355	635	990
No. of surveyed NGOs			
	40	37	77

Efforts were made to describe and gauge the backgrounds, skills and experience of the 990 board members in the 77 surveyed NGOs. Agency heads reported that it was difficult to clearly categorize the expertise and experience of their board members. Compared with their counterparts in the NGOs with an annual expenditure of less than or equal to HK\$20 million, board members of those NGOs with an annual expenditure of more than HK\$20 million were more likely community leaders (11.5%), representatives from mother organizations (6.9%), and representatives from affiliating religious body (5.4%); they were less likely service users or their carers (2.5%).

Background	Annual expenditure		All NGOs
	<=HK\$20m	>HK\$20m	
Volunteer or member representatives	18.3%	18.6%	18.5%
Service users or their carers	24.8%	2.5%	10.5%
Community leaders	5.9%	11.5%	9.5%
Donors	9.0%	7.1%	7.8%
Representatives from mother organizations	2.0%	6.9%	5.2%
Representatives from affiliating religious body	0.6%	5.4%	3.6%
Representatives from partnering/peer organizations	3.1%	1.6%	2.1%
Government officials	0.8%	1.4%	1.2%
Staff representatives (excluding CEO)	0.6%	0.3%	0.4%
Others	26.8%	29.4%	28.5%
No information provided	8.2%	15.3%	12.7%
Total	100.0%	100.0%	100.0%
No. of board members	355	635	990
No. of surveyed NGOs	40	37	77

For the board members of the 77 surveyed NGOs, about one-third (33.4%) of them were service-related professionals; 12.8% in the field of business and management; and 12.7% in the field of finance, investment, account and audit. 7.6% of them were representatives from the Government or public organizations and 6.6% were in the field of legal, compliance and company secretaries. The remaining were in other fields or experience backgrounds.

Skill Sets and Experience Background	Annual expenditure		All NGOs
	<=HK\$20m	>HK\$20m	
Service-related professionals	34.1%	33.1%	33.4%
Business / Management	14.4%	12.0%	12.8%
Finance / Investment / Accounting / Audit	10.7%	13.9%	12.7%
Government / Public organizations	5.6%	8.7%	7.6%
Legal / Compliance / Company secretaries	7.3%	6.1%	6.6%
Human resource management	2.8%	3.6%	3.3%
Community relations / Public relations	4.8%	2.2%	3.1%
IT or Knowledge management	1.7%	3.3%	2.7%
Fundraising / Funder's background	2.8%	1.4%	1.9%
Other experience background	13.2%	13.4%	13.3%
No information provided	2.5%	2.4%	2.4%
Total	100.0%	100.0%	100.0%
No. of board members	355	635	990
No. of surveyed NGOs	40	37	77

Board Meetings

The 77 surveyed NGOs had held an average of 6 board meetings held in the previous year, which on average lasted for about 2.5 hours. The average attendance rate was 78.5%.

Board Meetings	Annual expenditure		All NGOs
	<=HK\$20m	>HK\$20m	
Board meetings held last year (average numbers)	6	7	6
Length of board meetings held last year (average hours)	2.5	2.5	2.5
Attendance rate last year (%)	80.0%	75.0%	78.5%

Board Holds an “Away-day” or a “Retreat”

Compared with their counterparts in the survey NGOs with an annual expenditure of more than HK\$200 million, boards of the NGOs with an annual expenditure of less than or equal to HK\$20 million (45.0%) were more likely to hold an “away-day” or a “retreat” at least once year to foster a better common understanding of the organizations’ mission, and to discuss strategic issues deemed important to their organizations.

Board Holds an “Away-day” or a “Retreat” at least once a year	Annual expenditure		All NGOs
	<=HK\$20m	>HK\$20m	
Yes	45.0%	24.3%	35.1%
No	52.5%	75.7%	63.6%
No information provided	2.5%	0.0%	1.3%
Total	100.0%	100.0%	100.0%
No. of board members (NGOS)	40	37	77

Terms of Board

27.3% of the surveyed NGOs reported that the length of term of their board chair was 1 year, 35.1% 2 years, and 31.2% 3 years or above. 6.5% indicated that there was no limit to the length of term.

32.5% of the surveyed NGOs indicated that the length of term of their office bearers was 1 year, 29.9% 2 years, and 24.7% 3 years or above. 13.0% indicated that there was no limit to the length of term.

18.2% of the surveyed NGOs reported that the length of term of their board members was 1 year, 35.1% 2 years, and 37.7% 3 years or above. 9.1% indicated that there was no limit to the length of term.

Terms of Board	Board Chair	Office Bearers	Board Members
1 year	27.3%	32.5%	18.2%
2 years	35.1%	29.9%	35.1%
3 years or above	31.2%	24.7%	37.7%
No Limit	6.5%	13.0%	9.1%
Total	100.0%	100.0%	100.0%
Maximum number of consecutive terms (Median)	3	3	3
No. of surveyed NGOs	77	77	77

Number of Committees

For the surveyed NGOs with an annual expenditure of more than HK\$20 million, the median number of committees (including programme/service) was 7, and the median number of committees (excluding programme/service) was 4. The numbers suggested that these NGOs tend to have more committees than those with an annual expenditure less than or equal to HK\$20 million.

The most common types of committees in the surveyed NGOs included program/service committees, finance / investment committees, executive /management committees and human resources committees.

Number of Committees	Annual expenditure		Total
	<=HK\$20m	>HK\$20m	
Number of committees (median) (including programme/service)	3	7	5
Number of committees (median) (excluding programme/service)	3	4	3
No. of surveyed NGOs	40	37	77



Chapter 5

NGO Governance Good Practices

NGO Governance Good Practices

The surveyed board members were asked to rate

- (a) the degrees to which the 62 good practices were adopted in their organizations 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 organizations in a 5-point Likert scale, with “1” representing “strong disagree” and “5” representing “strongly agree.

The charts below summarize the results:

- the percentages of the surveyed NGOs who always and often adopted the good practices;
- the percentages of the surveyed NGOs who strongly agreed and agreed that the good practices were relevant to their NGOs; and
- the differences between the agreement on perceived relevance and the extent of adoption of particular good practices (often and always).

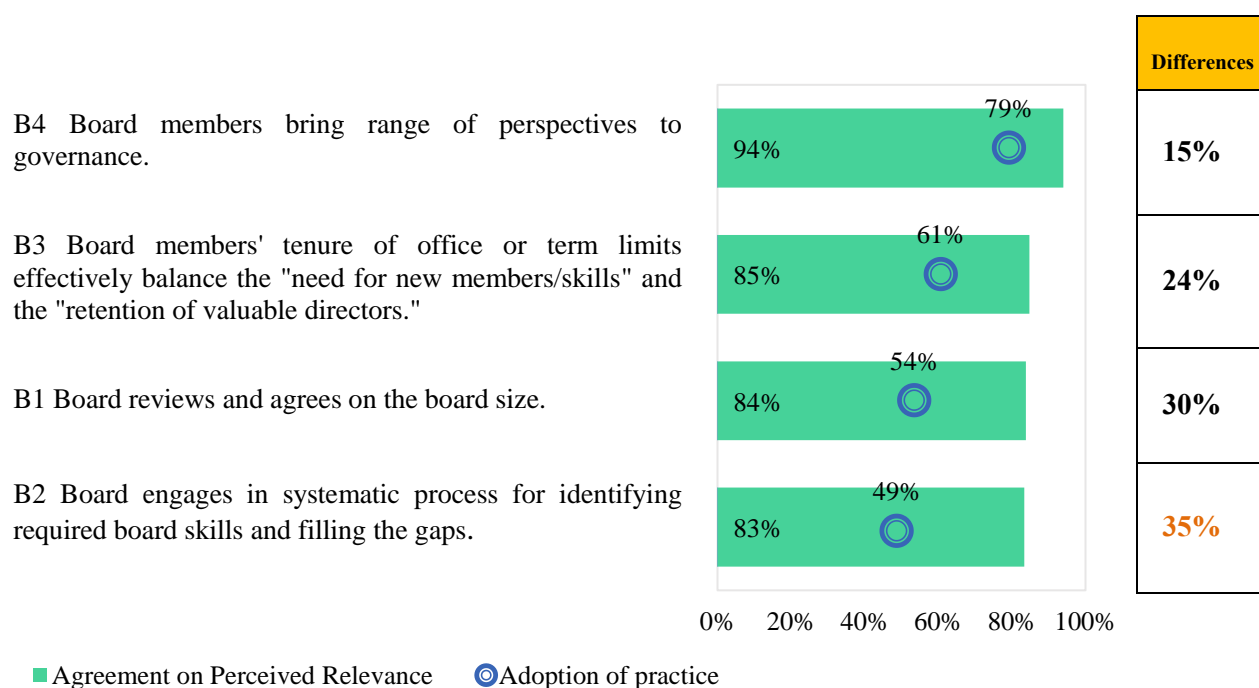
Board Design & Processes

1. Board Composition

The surveyed NGOs perceived that the four good practices in this element were relevant to their organizations; the agreement percentages ranged from 83% to 94%.

Over two-thirds of the surveyed NGOs always or often adopted the practice of “board members brought a range of perspectives to governance” (79%). The best practices which less than two-thirds of the surveyed NGOs always or often adopted included “board members’ tenure of office or term limited effectively balance the need for new members/skills and the retention of valuable directors” (61%), “board reviewed and agreed on the board size” (54%), and “board engaged in systematic process for identifying required board skills and filling the gaps” (49%).

A relatively large difference (35%) between the perceived relevance and the extent of adoption can be observed in the good practice of “board engaged in systematic process for identifying required board skills and filling gaps”. In general, the results suggested that while the surveyed NGOs realized the relevance of the good practices, they did not always or often adopt them.

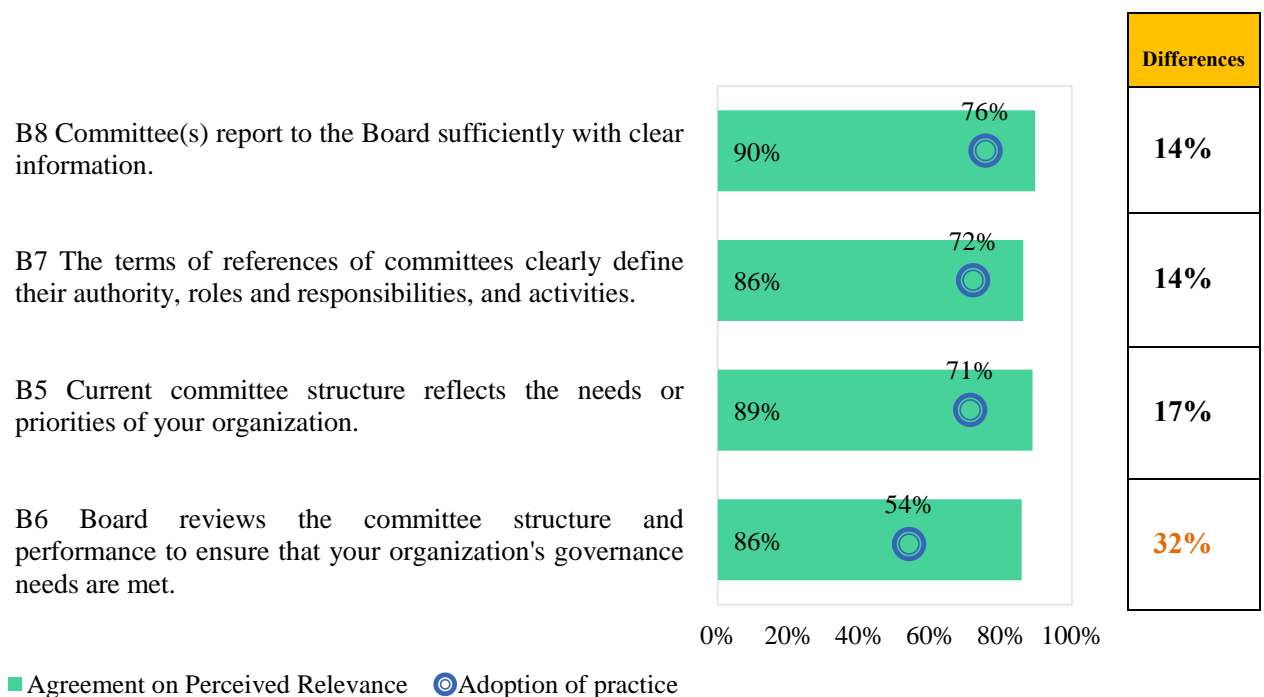


2. Board Structure

The surveyed NGOs perceived that the four good practices in this element were relevant to their organizations; the agreement percentages ranged from 86% to 90%.

Over two-thirds of the surveyed NGOs always or often adopted the practices of “committee(s) reported to the board sufficiently with clear information (76%), “the terms of references of committees clearly defined their authority, roles and responsibilities, and activities” (72%), and “current committee structure reflected the needs or priorities of the organization” (71%). The practice which less than two-thirds of the surveyed NGOs always or often adopted was “board reviewed the committee structure and performance to ensure that the organization’s governance needs were met” (54%).

A relatively large difference (32%) between the perceived relevance and the extent of adoption could be found in the good practice “board reviewed the committee structure and performance to ensure that the organization’s governance needs were met”.

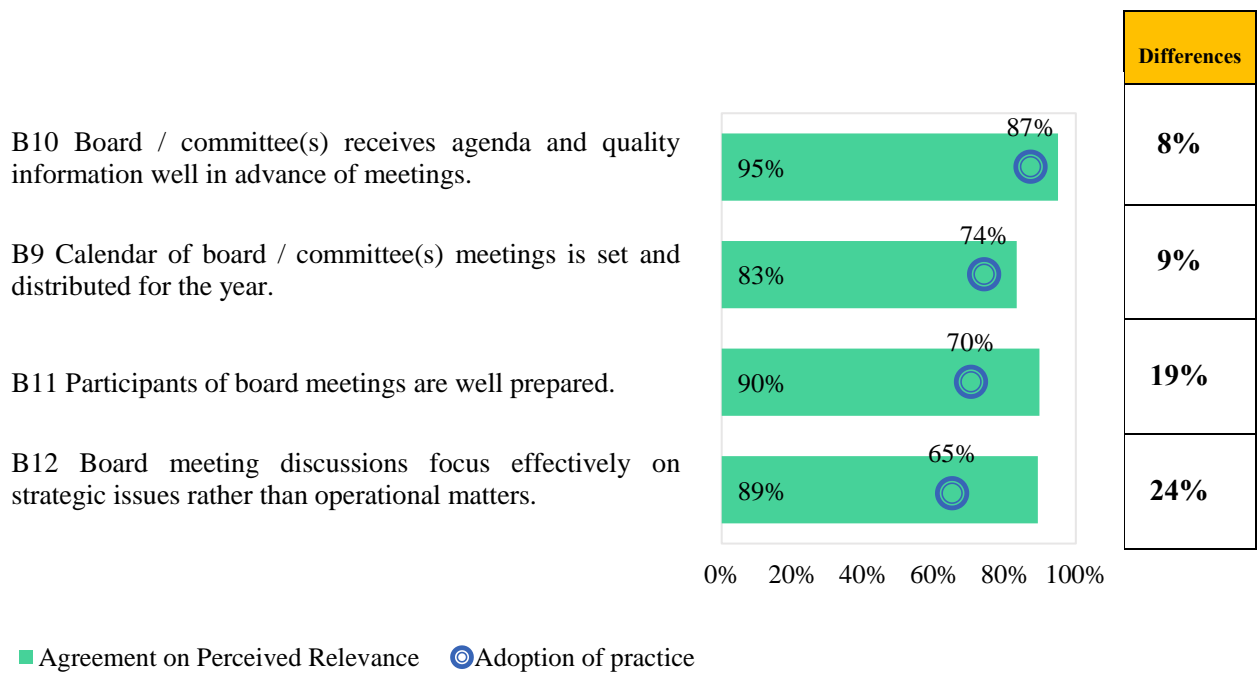


3. Board Processes

The surveyed NGOs perceived that the four good practices in this element were relevant to their organizations; the agreement percentages ranged from 83% to 95%.

Over two-thirds of surveyed NGOs always or often adopted the practices of “board and committee(s) received agenda and quality information well in advance of meetings” (87%), “calendar of board and committee(s) meetings was set and distributed for the year” (74%), and “participants of board meetings were well prepared” (70%). The practice which less than two-thirds of the surveyed NGOs always or often adopted was “board meeting discussions focused effectively on strategic issues rather than operational matters” (65%).

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



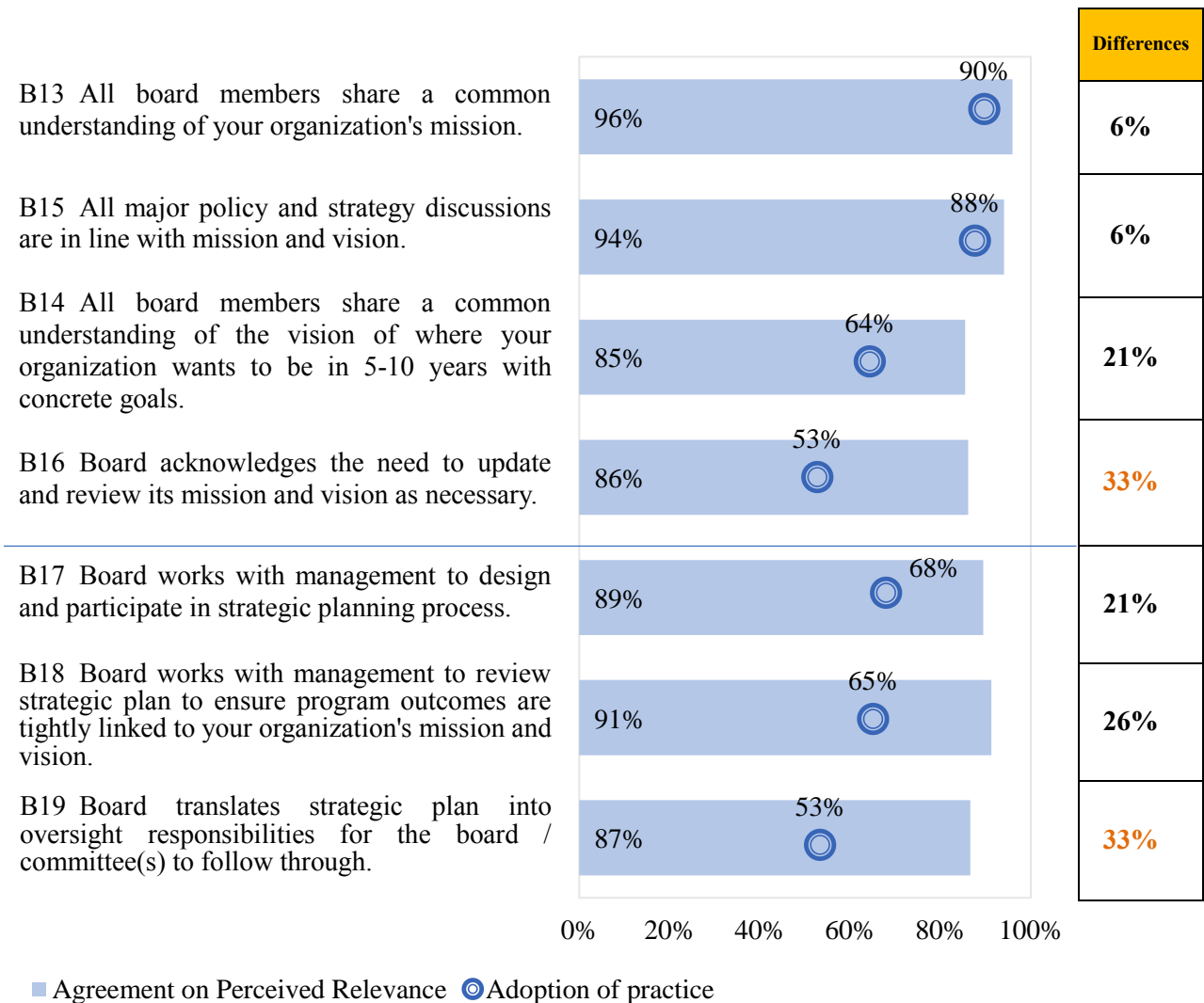
Board Role Execution

4. Steer Mission & Direction

The surveyed NGOs perceived that all the seven good practices in this element were relevant to their organizations; the agreement percentages ranged from 85% to 96%.

Over two-thirds of the surveyed NGOs always or often adopted the practices of “all board members shared a common understanding of the organization’s mission” (90%), “all major policy and strategy discussions were in line with mission and vision” (88%), and “board worked with management to design and participate in strategic planning process” (68%). Nearly half of the surveyed NGOs always or often adopted the practices of “board acknowledged the need to update and review its mission and vision as necessary” (53%), and “board translated strategic plan into oversight responsibilities for the board and committee(s) to follow through” (53%).

A relatively large difference between the percentages of perceived relevance and the extent of adoption could be found in the good practices of “board acknowledged the need to update and review its mission and vision as necessary” (33%) and “board translated strategic plan into oversight responsibilities for the board and committee(s) to follow through” (33%). The results indicated that while the NGOs in general perceived that the good practices were relevant to their organizations, they did not always and often adopt them.

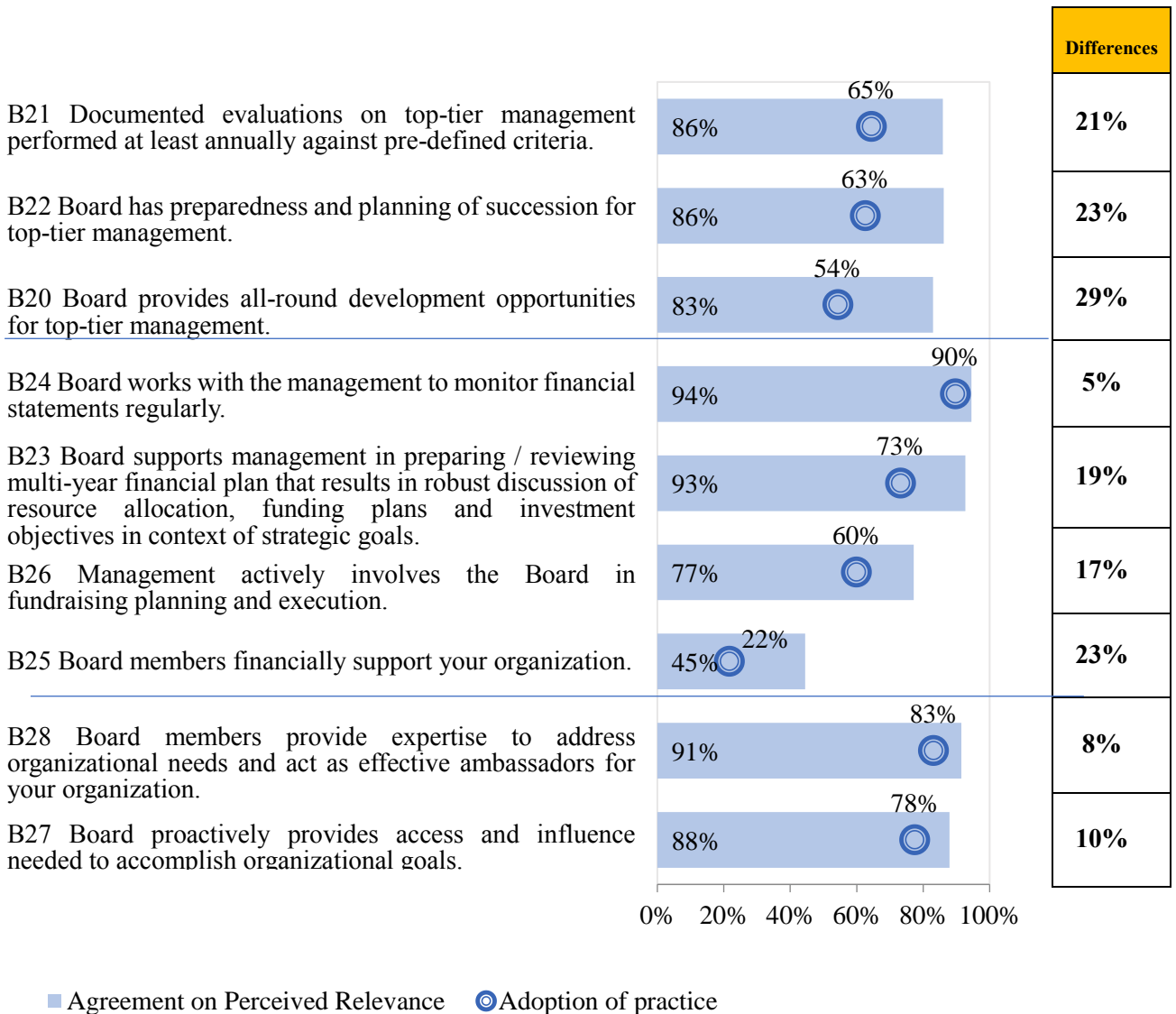


5. *Ensure Executive Leadership & Resource*

Of the nine good practices in this element, only eight were perceived by the surveyed NGOs to be of relevance to them; the agreement percentages ranged from 77% to 94%. Less than half (45%) of the surveyed NGOs perceived the practice of “board members financially supported the organization” to be relevant to them.

Over three quarters of the surveyed NGOs always or often adopted the practices of “board worked with the management to monitor financial statements regularly” (90%), “board members provided expertise to address organizational needs and act as effective ambassadors for the organization” (83%), and “board proactively provided access and influence needed to accomplish organizational goals” (78%). A little more than half of the surveyed NGOs always or often adopted the practice of “board provided all-round development opportunities for top-tier management” (54%). Only 22% of the NGOs always or often adopted the practice of “board members financially supported the organization”.

No large differences between the percentages of perceived relevance and adoption were identified in any of the practices.

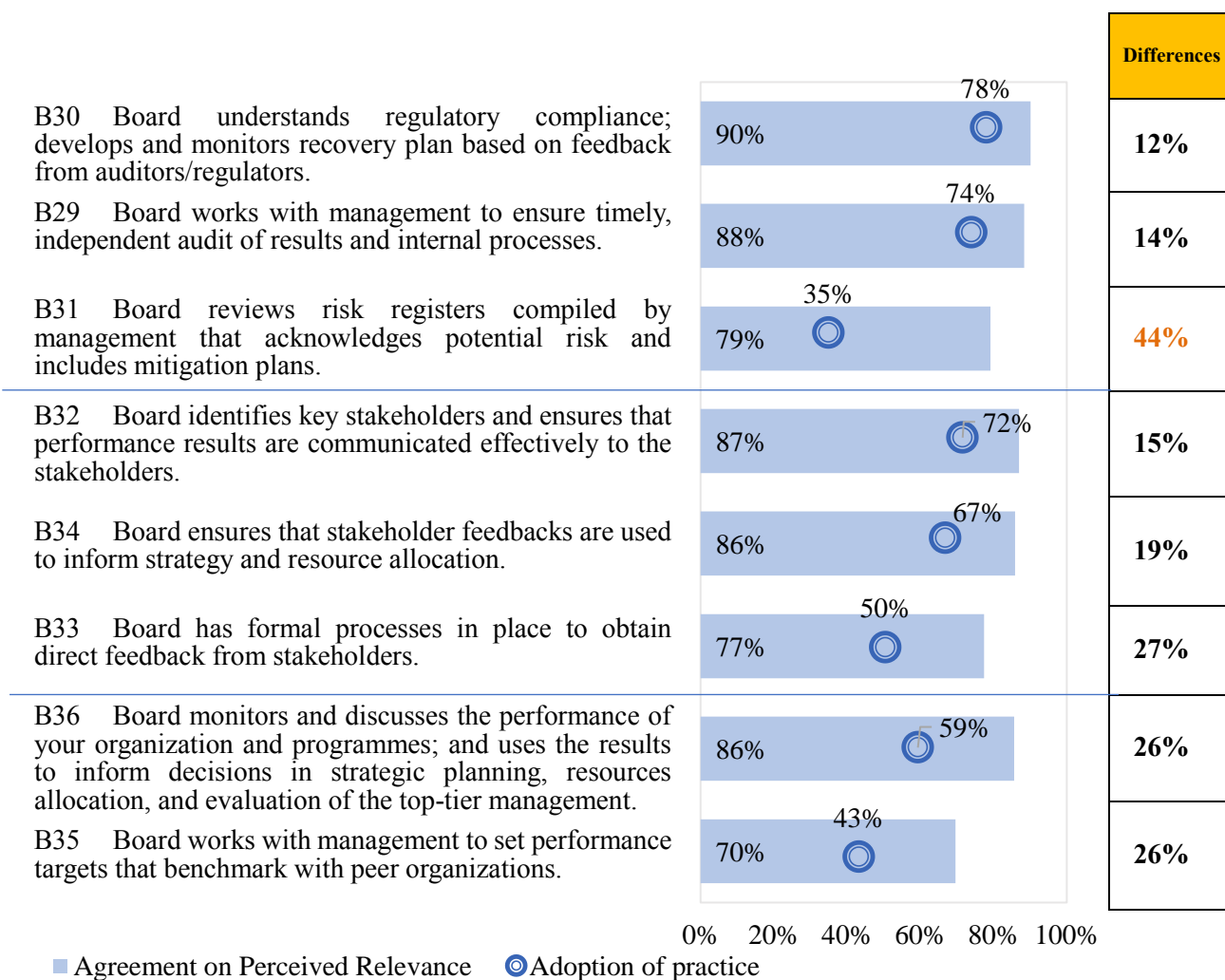


6. Monitor Organizational Risk & Performance

The surveyed NGOs perceived that the eight good practices in this element were relevant to their organizations; the agreement percentages ranged from 70% to 90%.

Over two-thirds of the surveyed NGOs always or often adopted the practices of “board understood regulatory compliance; developed and monitored recovery plan based on feedback from auditors/regulators” (78%), “board worked with management to ensure timely, independent audit of results and internal processes” (74%), “board identified key stakeholders and ensured that performance results are communicated effectively to the stakeholders” (72%), and “board ensured that stakeholder feedbacks are used to inform strategy and resource allocation” (67%). Less than two-thirds of the surveyed NGOs always or often adopted the practices of “board monitored and discussed the performance of the organization and programmes; and used the results to inform decisions in strategic planning, resources allocation, and evaluation of the top-tier management” (59%), “board had formal processes in place to obtain direct feedback from stakeholders” (50%), “board worked with management to set performance targets that benchmark with peer organizations” (43%), and “board reviewed risk registers compiled by management that acknowledged potential risk and included mitigation plans” (35%).

A relatively large difference between the percentages of perceived importance and adoption could be observed in the good practice of “board reviewed risk registers compiled by management that acknowledged potential risk and included mitigation plans”. The results in general suggested that while the surveyed NGOs perceived that the good practices were of relevance to their organizations, they did not always or often adopt the practices.



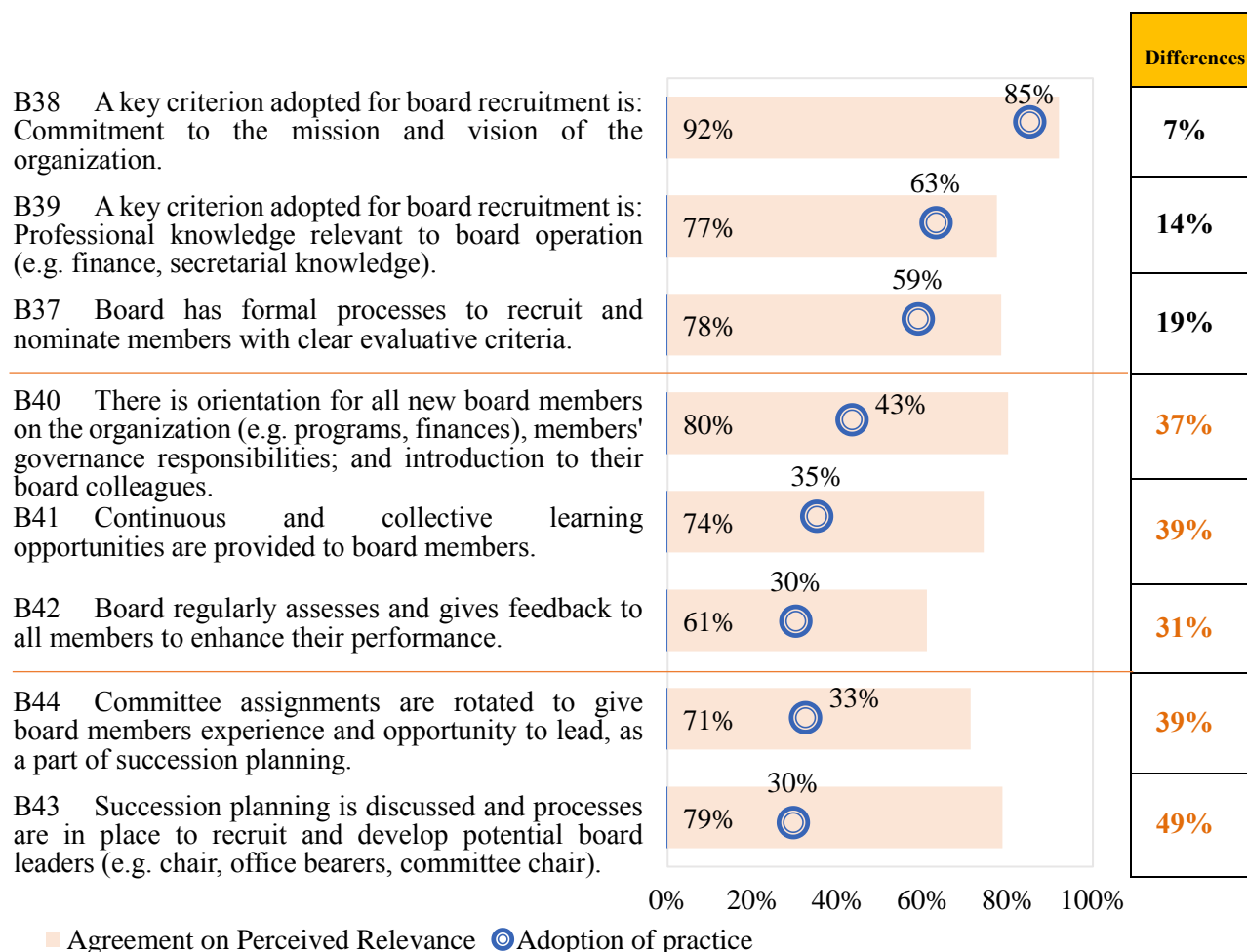
Board Dynamics & Behaviour

7. Board Development

Of the eight good practices in this element, only seven were perceived by the surveyed NGOs to be of relevance to them; the agreement percentages ranged from 71% to 92%. Less than two-thirds (61%) of the surveyed NGOs perceived that the good practice of “board regularly assessed and gave feedback to all members to enhance their performance” was relevant to them.

Over two-thirds of the surveyed NGOs always or often adopted the practice of “a key criterion adopted for board recruitment was commitment to the mission and vision of the organization” (85%). Less than half of the surveyed NGOs always or often adopted the practices of “there was orientation for all new board members on the organization (e.g. programs, finances), members’ governance responsibilities; and introduction to their board colleagues” (43%), “continuous and collective learning opportunities were provided to board members” (35%), “committee assignments were rotated to give board members experience and opportunity to lead, as a part of succession planning” (33%), “board regularly assessed and gave feedback to all members to enhance their performance” (30%), and “succession planning was discussed and processes were in place to recruit and develop potential board leaders (e.g. chair, office bearers, committee chair)” (30%).

Relatively large differences were observed in those best practices that had a low percentage of adoption. The results indicated that the surveyed NGOs did not always or often adopt the good practices in relation to capacity building and succession planning.

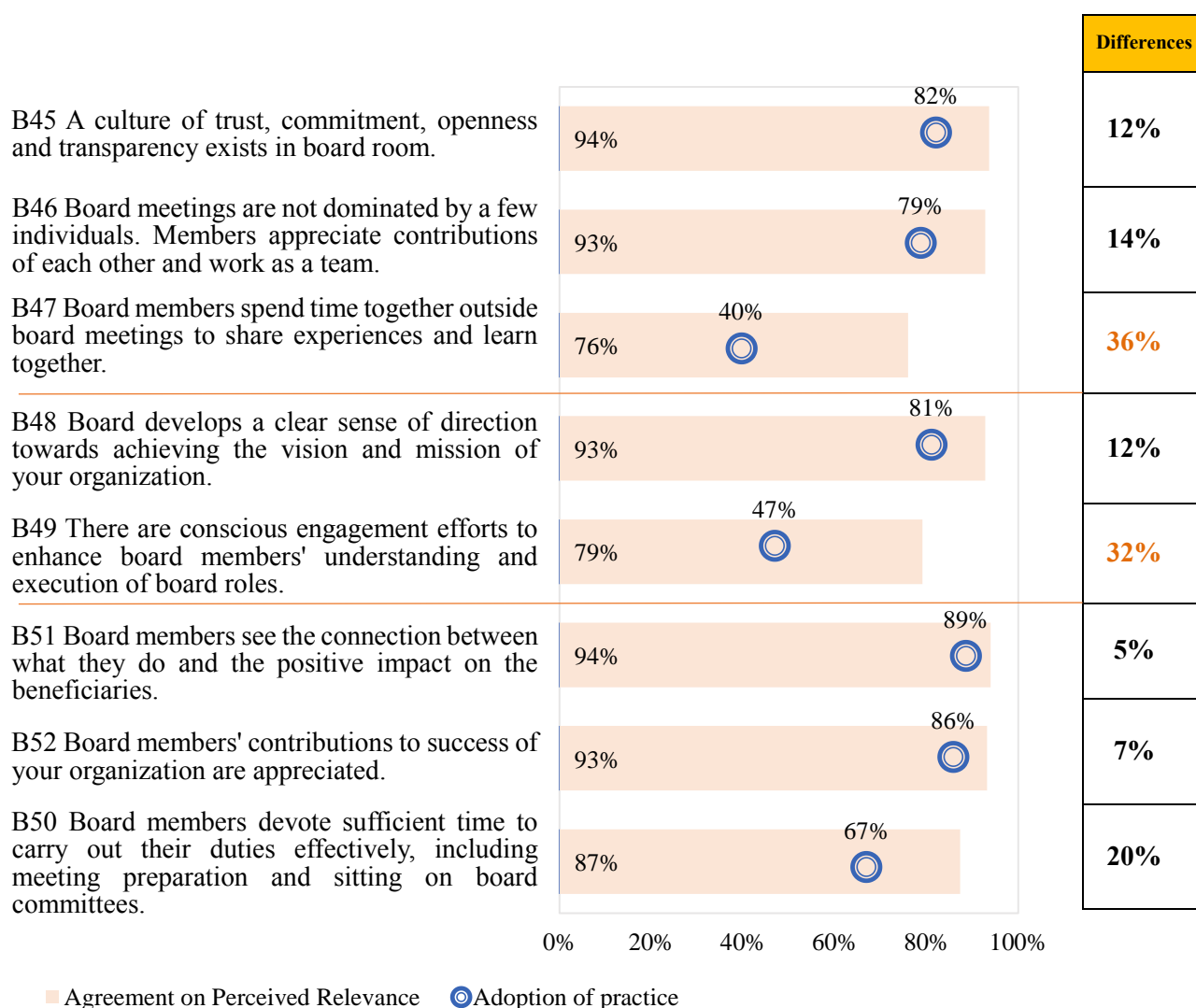


8. Board Engagement

The surveyed NGOs perceived that the eight good practices in this element were relevant to their organizations; the agreement percentages ranged from 76% to 94%.

Over 80% of the surveyed NGOs always or often adopted the practices of “board members saw the connection between what they did and the positive impact on the beneficiaries” (89%), “board members’ contributions to success of the organization were appreciated” (86%) and “a culture of trust, commitment, openness and transparency existed in board room” (82%). Less than half of the surveyed NGOs always or often adopted the practices of “there were conscious engagement efforts to enhance board members’ understanding and execution of board roles (e.g. assigning buddies/mentors to new members, formal training, Board Chair’s proactive communication on expectations to members)” (47%), and “board members spent time together outside board meetings to share experiences and learn together” (40%).

Relatively large differences between the percentages of perceived relevance and adoption could be identified in the good practices of “board members spent time together outside board meetings to share experiences and learn together” (36%) and “there are conscious engagement efforts to enhance board members’ understanding and execution of board roles” (32%). The results indicated that while the surveyed NGOs perceived the good practices to be relevant, they did not always and often adopt the practices.

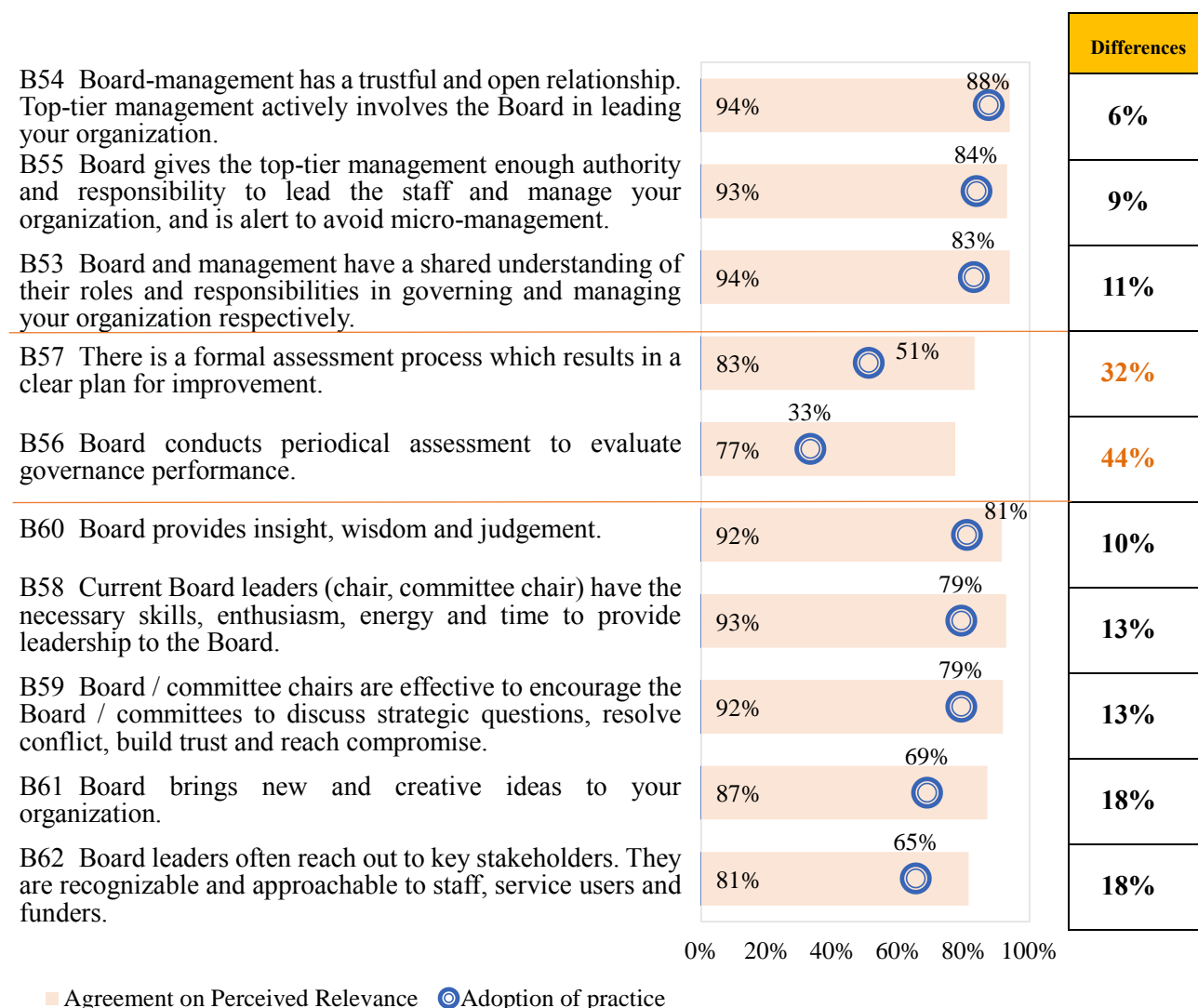


9. Board Leadership

The surveyed NGOs perceived that the 10 good practices in this element were relevant to their organizations; the agreement percentages ranged from 81% to 94%.

Over 80% of the surveyed NGOs always or often adopted the practices of “board-management had a trustful and open relationship. Top-tier management actively involved the board in leading the organization” (88%), “board gave the top-tier management enough authority and responsibility to lead the staff and manage the organization, and was alert to avoid micro-management” (84%), “board and management had a shared understanding of their roles and responsibilities in governing and managing the organization respectively” (83%), and “board provided insight, wisdom and judgement” (81%). About half of the surveyed NGOs always and often adopted the practice of “there was a formal assessment process which resulted in a clear plan for improvement” (51%); only 33% of the NGOs always or often adopted the practice of “board conducted periodical assessment to evaluate governance performance” (33%).

Relatively large differences between the percentages of perceived relevance and adoption could be observed in the good practices of “board conducted periodical assessment to evaluate governance performance” (44%) and “there was a formal assessment process which resulted in a clear plan for improvement” (32%). The results suggested that while the surveyed NGOs perceived that the good practices to be relevant to them, they did not always or often adopt the practices.



Adoption of Good Practices

Board members of the surveyed NGOs were asked to rate the degrees to which particular good practices were adopted in a 5-point Likert scale, with “1” representing “never/strongly disagree” and “5” representing “always/strongly agree”.

Of the 62 good practices, the **5** good practices that were adopted most frequently (*% of NGOs reporting “always” and “often”*) are listed in the table below:

Dimensions	Good practices	% of Always and Often
Board Role Execution	All board members share a common understanding of your organization's mission (B13)	90%
Board Role Execution	Board works with the management to monitor financial statements regularly (B24)	90%
Board Dynamics & Behaviour	Board members see the connection between what they do and the positive impact on the beneficiaries (B51)	89%
Board Role Execution	All major policy and strategy discussions are in line with mission and vision (B15)	88%
Board Dynamics & Behaviour	Board-management has a trustful and open relationship. Top-tier management actively involves the Board in leading your organization (B54)	88%

Of the 62 good practices, the **5** good practices that were adopted least frequently (*% of NGOs reporting “seldom” and “never”*) are listed in the table below:

Dimensions	Good practices	% of Seldom and Never
Board Role Execution	Board members financially support your organization (B25)	49%
Board Dynamics & Behaviour	Committee assignments are rotated to give board members experience and opportunity to lead, as a part of succession planning (B44)	37%
Board Dynamics & Behaviour	Board regularly assesses and gives feedback to all members to enhance their performance (B42)	36%
Board Role Execution	Board reviews risk registers compiled by management that acknowledges potential risk and includes mitigation plans (B31)	33%
Board Dynamics & Behaviour	Board conducts periodical assessment to evaluate governance performance (B56)	33%

Agreement on Perceived Relevance

Board members of the surveyed NGOs were asked to rate the levels of agreement on the perceived relevance of particular good practices to their organizations in a 5-point Likert scale, with “1” representing “strongly disagree” and “5” representing “strongly agree”.

Of the 62 good practices, the 9 good practices relevant that were perceived by the surveyed NGOs to be most relevant to their organizations (*% of NGOs reporting “strongly agree” and “agree”*) are listed in the table below:

Dimensions	Good practices	% of Agreement
Board Role Execution	All board members share a common understanding of your organization's mission (B13)	96%
Board Design & Processes	Board / committee(s) receives agenda and quality information well in advance of meetings. (B10)	95%
Board Role Execution	Board works with the management to monitor financial statements regularly (B24)	94%
Board Role Execution	All major policy and strategy discussions are in line with mission and vision (B15)	94%
Board Design & Processes	Board members bring range of perspectives to governance (B4)	94%
Board Dynamics & Behaviour	Board members see the connection between what they do and the positive impact on the beneficiaries. (B51)	94%
Board Dynamics & Behaviour	Board-management has a trustful and open relationship. Top-tier management actively involves the Board in leading your organization (B54)	94%
Board Dynamics & Behaviour	Board and management have a shared understanding of their roles and responsibilities in governing and managing your organization respectively (B53)	94%
Board Dynamics & Behaviour	A culture of trust, commitment, openness and transparency exists in board room (B45)	94%

Of the 62 good practices, the 5 good practices that were perceived by the 77 surveyed NGOs to be least relevant (*% of NGOs reporting “strongly agree” and “agree”*) are listed in the table below:

Dimensions	Good practices	% of Agreement
Board Role Execution	Board members financially support your organization (B25)	45%
Board Dynamics & Behaviour	Board regularly assesses and gives feedback to all members to enhance their performance (B42)	61%
Board Role Execution	Board works with management to set performance targets that benchmark with peer organizations (B35)	70%
Board Dynamics & Behaviour	Committee assignments are rotated to give board members experience and opportunity to lead, as a part of succession planning (B44)	71%
Board Dynamics & Behaviour	Continuous and collective learning opportunities are provided to board members (B41)	74%

Differences between Perceived Relevance and Adoption of Good Practices

The differences between the perceived relevance and the extent of adoption of the good practices were examined.

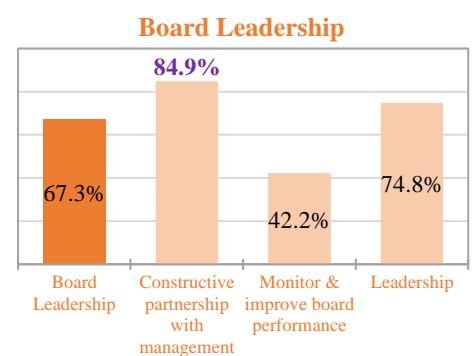
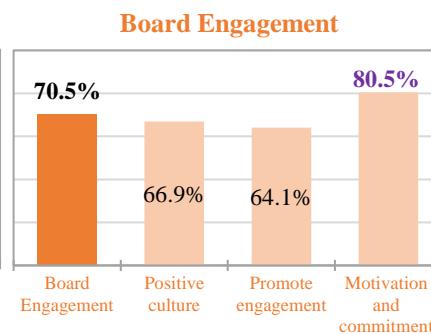
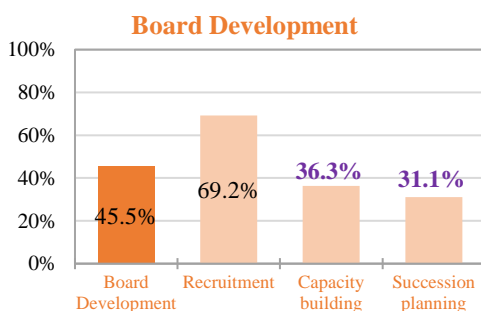
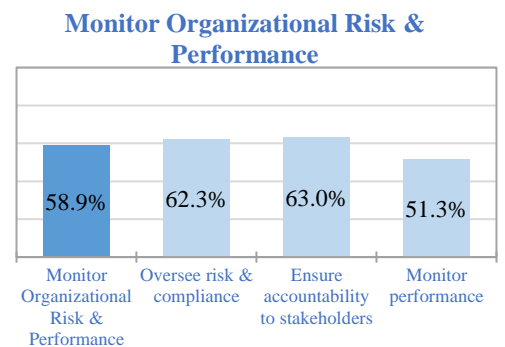
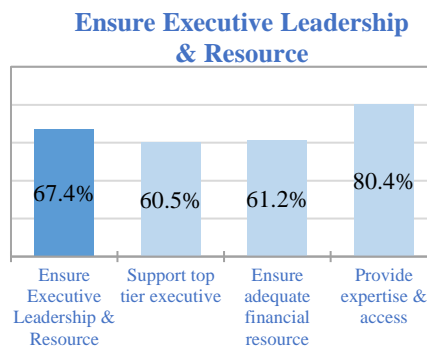
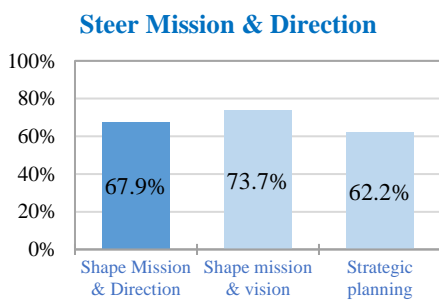
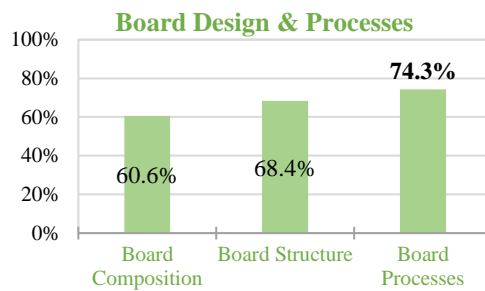
The 5 best practices which had the biggest differences were identified. The results suggested that, even though some best practices were perceived to be of high relevance to the surveyed NGOs, they were not always or often adopted by the organizations. These practices concerned succession planning (i.e. recruitment and development of potential board leaders and rotation of committee assignments to board members for building experience), risk assessment and compliance (i.e. review of risk registers compiled by management that acknowledged potential risk and included mitigation plans), board governance performance evaluation (i.e. conducting periodical assessment to evaluate governance performance), and capacity building (i.e. provision of continuous and collective learning opportunities to board members).

Dimensions	Good practices	% of Perceived Relevance	% of Adoption of Practices	TOP 5 Differences
Board Dynamics & Behaviour	Succession planning is discussed and processes are in place to recruit and develop potential board leaders (B43)	79%	30%	49%
Board Role Execution	Board reviews risk registers compiled by management that acknowledges potential risk and includes mitigation plans (B31)	79%	35%	44%
Board Dynamics & Behaviour	Board conducts periodical assessment to evaluate governance performance (B56)	77%	33%	44%
Board Dynamics & Behaviour	Continuous and collective learning opportunities are provided to board members (B41)	74%	35%	39%
Board Dynamics & Behaviour	Committee assignments are rotated to give board members experience and opportunity to lead, as a part of succession planning (B44)	71%	33%	38%

Analysis of Adoption of Good Practices by 17 Aspects

The two elements that had the highest degrees of adoption of good practices were “Board Processes” (74.3%) and “Board Engagement” (70.5%).

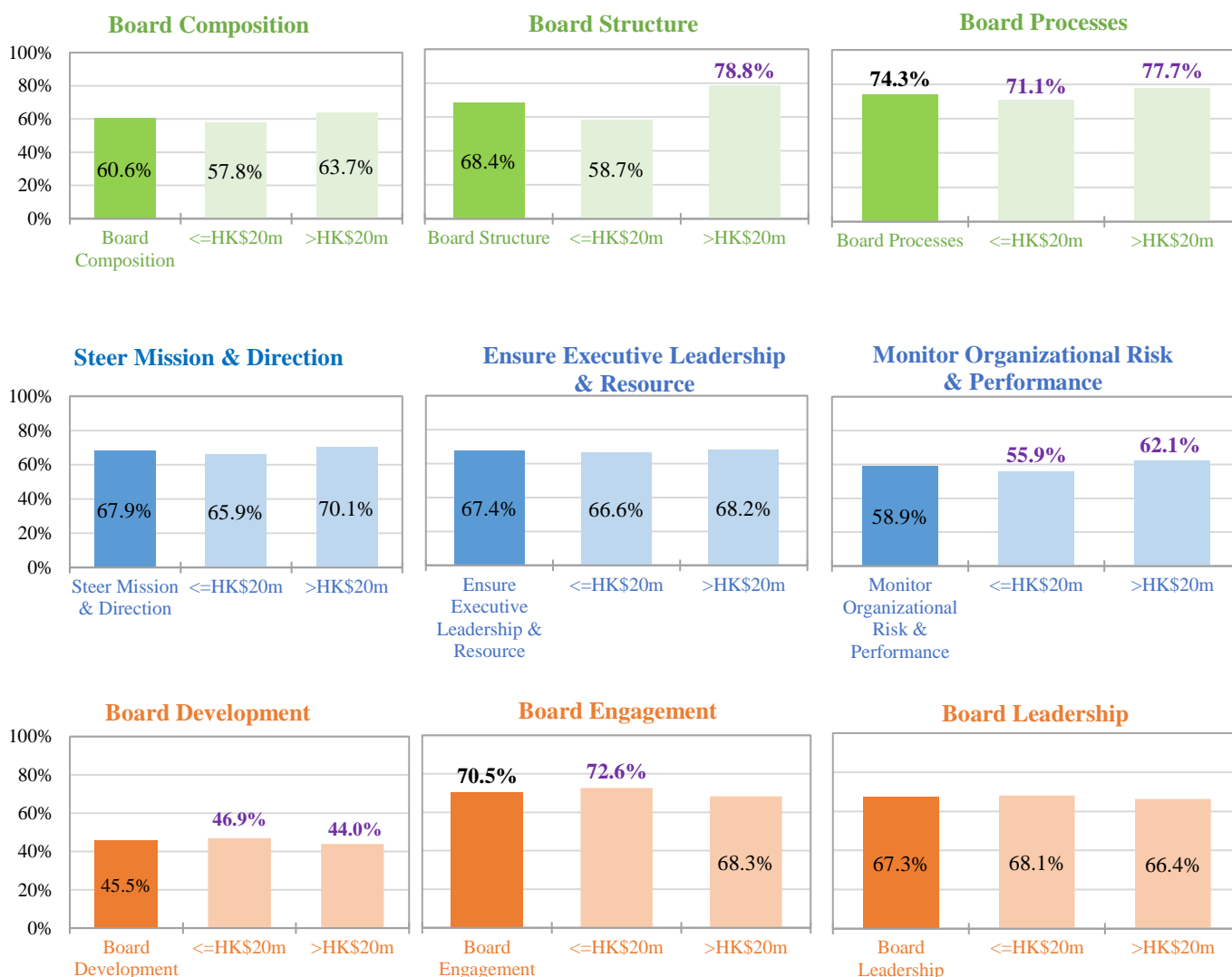
Across the 17 aspects, the two that had the highest degrees of adoption of good practices were “Board Leadership - Constructive partnership with management” (84.9%), and “Board Engagement - Motivation & commitment” (80.5%). The two aspects that had the lowest degrees of adoption were “Board Development - Succession planning” (31.1%) and “Capacity building” (36.3%).



Analysis of Adoption of Good Practices by Annual Total Expenditure of NGOs

Among the 40 surveyed NGOs with an annual expenditure of less than or equal to HK\$20 million, the two aspects that adopted good practices most frequently were “Board Engagement” (72.6%) and “Board Processes” (71.1%); the two that adopted the best practices least frequently were “Board Development” (46.9%) and “Monitor Organizational Risk & Performance” (55.9%).

Among the 37 surveyed NGOs with an annual expenditure of more than HK\$20 million, the two aspects that adopted good practices most frequently were “Board Structure” (78.8%) and “Board Processes” (77.7%); the two that adopted the best practices least frequently were “Board Development” (44.0%) and “Monitor Organizational Risk & Performance” (62.1%).





Chapter 6

Areas for Improvement

Level of Satisfaction and Areas for Improvement

Board members of the surveyed NGOs were asked to indicate their levels of satisfaction in 11 areas in a 5-point Likert Scale, with “1” representing “very unsatisfied” and “5” representing “very satisfied”; they were also asked to indicate their levels of agreement on whether their board should make improvement in the 11 areas in the coming 3 years, in a 5-point Likert Scale with “1” representing “strongly disagree” and “5” representing “strongly agree”.

More than three quarters of the surveyed NGOs indicated satisfaction with their governance in terms of “commitment to mission and vision” (84.7%), “top-tier management support to board” (84.2%), “disclosure and transparency to the public” (79.4%), “legal oversight and compliance” (77.4%), “community relations and outreach efforts” (77.0%) and “direction and leadership” (76.5%). “Board recruitment and development practices” (53.4%) and “stakeholder representation and accountability” (54.7%) were the two areas with which the smallest numbers of the surveyed NGOs indicated satisfaction.

The two areas in which the largest numbers of the surveyed NGOs considered improvement necessary were “Board recruitment and development practices” (51.1%) and “Adequate financial resources and oversight” (50.3%).

It is interesting to note that while 70.5% of the surveyed NGOs were satisfied with the area of adequate financial resources and oversight, over half (50.3%) of them considered improvement necessary in this area in the coming 3 years.



Level of Satisfaction by Annual Total Expenditure of NGOs

Among the 40 surveyed NGOs with an annual expenditure of less than or equal to HK\$20 million, the two areas that attained the highest levels of satisfaction were “Top-tier management support to board” (85.3%) and “Commitment to mission and vision” (84.1%); the two areas that attained the lowest levels of satisfaction were “Stakeholder representation and accountability” (51.8%) and “Board recruitment and development practices” (53.2%).

Similarly, among the 37 surveyed NGOs with an annual expenditure of more than HK\$20 million, the two areas that attained the highest levels of satisfaction were “Commitment to mission and vision” (85.2%) and “Top-tier management support to board” (83.1%); the two areas that attained the lowest levels of satisfaction were “Board recruitment and development practices” (53.6%) and “Stakeholder representation and accountability” (57.8%).

It is worth noting that, in comparison with their counterparts with an annual expenditure of more than HK\$20 million, those surveyed NGOs with an annual expenditure of less than or equal to HK\$20 million were less satisfied with the areas of “adequate financial resources and oversight” (63.4%), “stakeholder representation and accountability” (51.8%) and “legal oversight and compliance (73.1%)”.

Areas	Annual expenditure		All NGOs
	<=HK\$20m	>HK\$20m	
Board Recruitment and Development Practices	53.2%	53.6%	53.4%
Adequate Financial Resources and Oversight	63.4%	78.1%	70.5%
Board Composition and Structure	67.3%	68.5%	67.9%
Community Relations and Outreach Efforts	76.2%	77.8%	77.0%
Monitor Programmes and Organizational Performance	73.3%	75.7%	74.5%
Stakeholder Representation and Accountability	51.8%	57.8%	54.7%
Direction and Leadership	74.2%	79.1%	76.5%
Legal Oversight and Compliance	73.1%	82.1%	77.4%
Top-tier Management Support to Board	85.3%	83.1%	84.2%
Commitment to Mission and Vision	84.1%	85.2%	84.7%
Disclosure and Transparency to the Public	77.2%	81.8%	79.4%
No. of board members (NGOS)	40	37	77

Areas for Improvement by Annual Total Expenditure of NGOs

Among the 40 surveyed NGOs with an annual expenditure of less than or equal to HK\$20 million, over half of them indicated that their board should improve in the areas of “adequate financial resources and oversight” (57.6%), “board recruitment and development practices” (55.0%), “board composition and structure” (52.2%), “community relations and outreach efforts” (52.1%), and “stakeholder representation and accountability” (51.7%) in the coming 3 years. In contrast, the surveyed NGOs with an annual expenditure of more than HK\$20 million had lower percentages in all these areas.

Among the 37 surveyed NGOs with an annual expenditure of more than HK\$20 million, less than half expressed that their board should improve in the areas of “board recruitment and development practices” (46.9%), “board composition and structure” (44.3%), and “monitor programmes and organizational performance” (44.3%) in the coming 3 years.

Areas	Annual expenditure		All NGOs
	<=HK\$20m	>HK\$20m	
Board Recruitment and Development Practices	55.0%	46.9%	51.1%
Adequate Financial Resources and Oversight	57.6%	42.4%	50.3%
Board Composition and Structure	52.2%	44.3%	48.4%
Community Relations and Outreach Efforts	52.1%	42.2%	47.4%
Monitor Programmes and Organizational Performance	48.2%	44.3%	46.3%
Stakeholder Representation and Accountability	51.7%	34.2%	43.3%
Direction and Leadership	47.0%	38.8%	43.0%
Legal Oversight and Compliance	46.2%	35.1%	40.9%
Top-tier management Support to Board	41.1%	32.5%	37.0%
Commitment to Mission and Vision	42.3%	29.6%	36.2%
Disclosure and Transparency to the Public	44.9%	26.0%	35.8%
No. of board members (NGOS)	40	37	77

Mapping with Areas for Improvement and Frequency of Adoption of Good Practices

Focusing on the areas in which improvement was considered necessary by the surveyed NGOs, we mapped out the good practices that were adopted less frequently (% of seldom and never).

The mapping results by the three dimensions are illustrated as follows.

Board Design & Processes

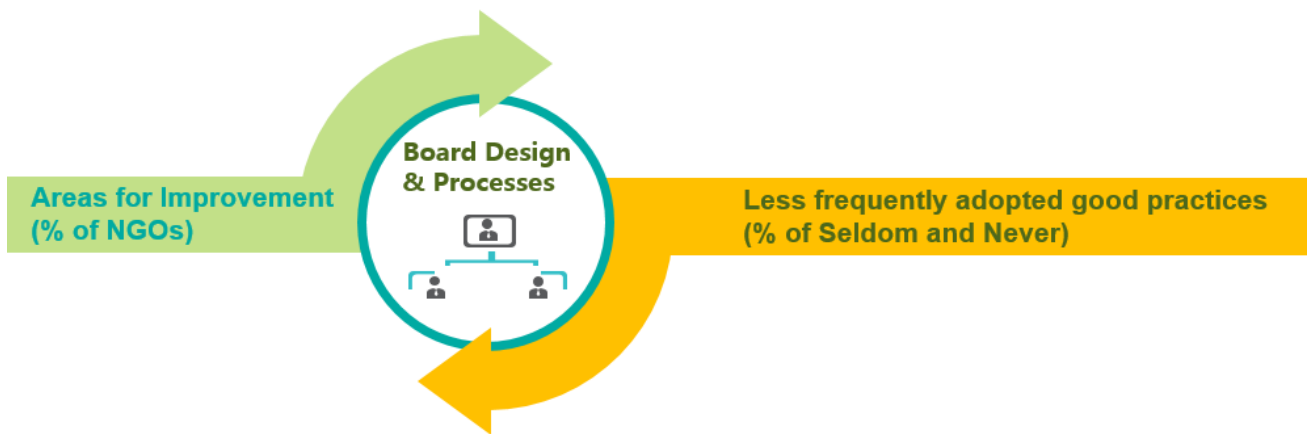
Nearly half (48.4%) of the surveyed NGOs indicated that their boards should make improvement in the area of board composition and structure in the coming 3 years.

By reviewing the good practices related to board composition, over one-seventh of the surveyed NGOs stated that they seldom or never adopted the good practices of “board engaged in a systematic process for identifying required board skills and filling in the gaps” (27.2%), “board members’ tenure of office or term limited effectively balance the “need for new members/skills” and the “retention of valuable directors” (17.2%), and “board reviewed and agreed on the board size” (15.3%).

Regarding board structure, about 14.7% of the surveyed NGOs stated that their boards seldom or never reviewed committee structure and performance to ensure that the organization's governance needs were met.

Regarding board processes, about 12.2% of the surveyed NGOs stated that their boards seldom or never set the calendar of board / committee(s) meetings for the year.

The NGOs might want to consider the feasibility of adopting the suggested good practices so as to improve board composition and structure in the future.



○ Board Composition and Structure (48.4%)

Board Composition

- Board engages in a systematic progress for identifying required board skills and filling in the gaps (27.2%) (B2)
- Board members' tenure of office or term limits effectively balance the "need for new members/skills" and the "retention of valuable directors". (17.2%) (B3)
- Board reviews and agrees on the board size (15.3%) (B1)

Board Structure

- Board reviews the committee structure and performance to ensure that your organization's governance needs are met. (14.7%) (B6)

Board Processes

- Calendar of board / committee(s) meetings is set and distributed for the year. (12.2%) (B9)

Board Role Execution

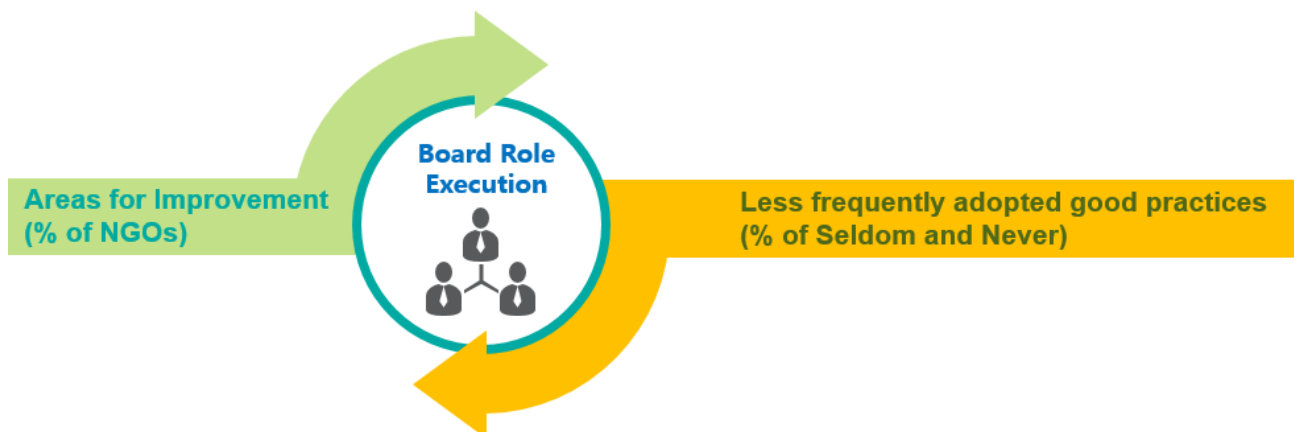
Over two-fifths of the surveyed NGOs indicated that their boards should make improvement in the areas of “adequate financial resources and oversight” (50.3%), “community relations and outreach efforts” (47.4%), “monitor programmes and organizational performance” (46.3%), “stakeholder representation and accountability” (43.3%), “direction and leadership” (43.0%), and “legal oversight and compliance” (40.9%) in the coming 3 years.

By reviewing the good practices related to steering mission and direction, about 14.7% of the surveyed NGOs stated that their boards seldom or never acknowledged the need to update and review its mission and vision as necessary.

Regarding the leadership and resource aspect, about 48.5% of the surveyed NGOs stated that their board members seldom or never financially supported the organizations. Noting that the perceived relevance of this good practice was the lowest among all the good practices, NGOs could decide whether this good practice would be applicable or not. Besides, over one-seventh of the surveyed NGOs stated that their boards seldom or never “conducted documented evaluations on the top-tier management at least annually against pre-defined criteria” (18.9%), and “provided all-round development opportunities for the top-tier management” (15.4%).

Regarding organizational risk and performance, over one-seventh of the surveyed NGOs stated that their boards seldom or never “reviewed risk registers compiled by that management that acknowledged potential risk and included mitigation plans” (33.2%), “worked with the management to set performance targets that benchmarked with peer organizations” (24.5%), “had formal processes in place to obtain direct feedback from stakeholders” (20.3%), and “monitored and discussed the performance of the organization and programmes; and used the results to inform decisions in strategic planning, resources allocation, and evaluation of the top-tier management” (14.7%).

The NGOs might want to consider the feasibility of adopting the suggested good practices so as to improve board role execution in the future.



- Adequate Financial Resources and Oversight (50.3%)
- Community Relations and Outreach Efforts (47.4%)
- Monitor Programmes and Organizational Performance (46.3%)
- Stakeholder Representation and Accountability (43.3%)
- Direction and Leadership (43.0%)
- Legal Oversight and Compliance (40.9%)
- Top-tier management Support to Board (37%)
- Commitment to Mission and Vision (36.2%)
- Disclosure and Transparency to the Public (35.8%)

Steer Mission & Direction

- Board acknowledges the need to update and review its mission and vision as necessary. (14.7%) (B16)

Ensure Executive Leadership & Resource

- Board members financially support your organization (48.5%) (B25)
- Documented evaluations on top-tier management performed at least annually against pre-defined criteria (e.g. a self-assessment, written feedback, and / or development plan). (18.9%) (B21)
- Board provides all-round development opportunities for top-tier management. (15.4%) (B20)

Monitor Organizational Risk & Performance

- Board reviews risk registers compiled by management that acknowledges potential risk and includes mitigation plans (33.2%) (B31)
- Board works with management to set performance targets that benchmark with peer organizations. (24.5%) (B35)
- Board has formal processes in place to obtain direct feedback from stakeholders. (20.3%) (B33)
- Board monitors and discusses the performance of your organization and programmes; and uses the results to inform decisions in strategic planning, resources allocation, and evaluation of the top-tier management. (14.7%) (B36)

Board Dynamics & Behaviour

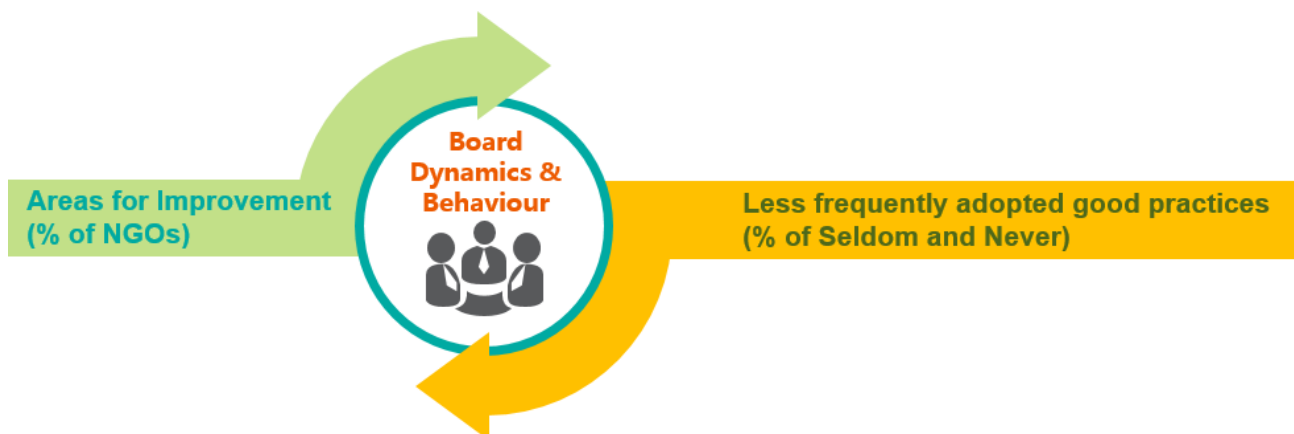
Over two-fifths of the surveyed NGOs indicated that their boards should make improvement in the areas of board recruitment and development practices (51.1%), board composition and structure (48.4%), stakeholder representation and accountability (43.3%), and direction and leadership (43%) in the coming 3 years.

By reviewing the good practices related to board development, over one-third of the surveyed NGOs stated that their boards seldom or never “rotated the committee assignments to give board members experience and opportunity to lead, as a part of succession planning” (36.7%), “regularly assessed and gave feedback to all members to enhance their performance” (36.4%), and “discussed the succession planning for recruiting and developing potential board leaders” (32.3%). Besides, over a quarter of the surveyed NGOs stated that their boards seldom or never “provided continuous and collective learning opportunities to board members” (30.9%), and “provided orientation for all new board members on the organization (e.g. programs, finances), members' governance responsibilities and introduction to their board colleagues” (27.8%).

Regarding board engagement, over one-fifth of the surveyed NGOs stated that their boards seldom or never “devoted conscious engagement efforts to enhance board members' understanding and execution of board roles (e.g. assigning buddies/ mentors to new members, formal training, Board Chair's proactive communication on expectations to members)” (21.0%), and “spent time together outside board meetings to share experiences and learn together” (20.3%).

Regarding board leadership, about 32.9% of the surveyed NGOs stated that their boards seldom or never conducted periodical assessment to evaluate governance performance.

The NGOs might want to consider the feasibility of adopting the suggested good practices in the future.



- Board Recruitment and Development Practices (51.1%)
- Board Composition and Structure (48.4%)
- Stakeholder Representation and Accountability (43.3%)
- Direction and Leadership (43.0%)
- Top-tier management Support to Board (37%)
- Commitment to Mission and Vision (36.2%)

Board Development

- Committee assignments are rotated to give board members experience and opportunity to lead, as a part of succession planning (36.7%) (B44)
- Board regularly assesses and gives feedback to all members to enhance their performance (36.4%) (B42)
- Succession planning is discussed and processes are in place to recruit and develop potential board leaders (32.3%) (B43)
- Continuous and collective learning opportunities are provided to board members (30.9%) (B41)
- There is orientation for all new board members on the organization (e.g. programs, finances), members' governance responsibilities; and introduction to their board colleagues (27.8%) (B40)

Board Engagement

- There are conscious engagement efforts to enhance board members' understanding and execution of board roles (e.g. assigning buddies/ mentors to new members, formal training, Board Chair's proactive communication on expectations to members) (21.0%) (B49)
- Board members spend time together outside board meetings to share experiences and learn together. (20.3%) (B47)

Board Leadership

- Board conducts periodical assessment to evaluate governance performance (32.9%) (B56)



Chapter 7

NGO Governance Health Index

Construction of NGO Governance Health Index

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, we sent the questionnaire to 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. These individuals were asked to assess the question items in the questionnaire with respect to conceptual clarity, appropriateness of terms, grammatical accuracy, and comprehensibility. Based upon their input and feedback, the question items and also the design of the index were further refined. The modified good practices were considered acceptable by all the individuals.

Based on the data collected from the 389 surveyed 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 0.74 and 0.91. As a Cronbach's alpha coefficient of 0.70 or above is considered an acceptable measure of the internal consistency of index statements (Santos, 1999), the data collected from this landscape survey demonstrate high degrees of reliability among the 62 good practices.

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:

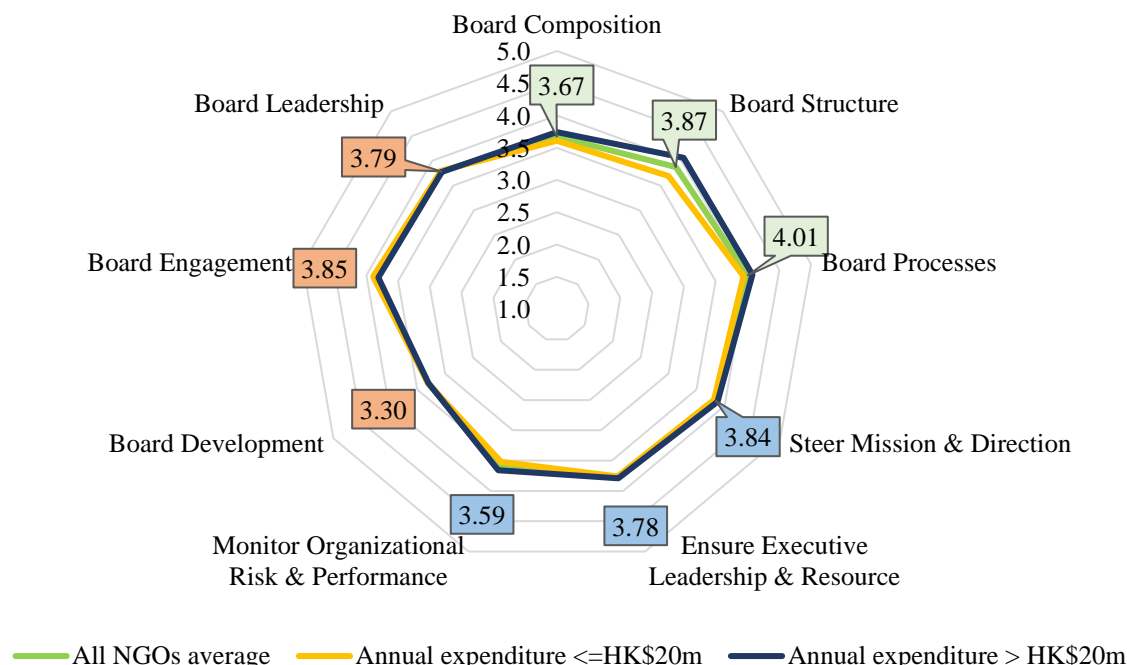
- equal weights were assigned for all good practices; the average scores of the 17 aspects were compiled;
- equal weights were assigned for all aspects; the average scores of the nine elements were compiled; and
- equal weights were assigned for all elements; the average scores of three dimensions were compiled.

The average scores of the three dimensions, nine elements and 17 aspects were compiled. The index is the first step in the effort to construct a comprehensive tool for gauging NGO governance health; it provides a good foundation for further research which could further refine the measurement instruments.

Average Scores of NGO Governance Health Index

The average score of NGO Governance Health Index was 3.74 in a 5-point scale.

The average scores of the nine elements ranged from 3.30 to 4.01, as shown in the diagram below:



Board Design & Processes

1. Board Composition

Board Composition, with an average score of 3.67, was a relatively weak element. Only about half of the surveyed NGOs always or often adopted the good practice of having a systematic process for identifying required board skills and recruiting to fill the gap, despite that over three quarters of the NGOs perceived the practice to be of relevance.

2. Board Structure

Board Structure, with an average score of 3.87, was the element with the second highest average score among the nine elements. About half of the surveyed NGOs ranked Board Composition and Structure as an area which warrants improvement in the next three years. The surveyed NGOs with an annual expenditure of more than HK\$20 million were more likely to have better Board Structure, in terms of having clear terms of references and accountability reporting processes.

3. Board Processes

Board Processes, with an average score of 4.01, was the element with the highest average score among the nine elements. About three quarters of the surveyed NGOs reported that they always or often adopted such good practices as well-planned meeting preparations and quality discussions.

Board Role Execution

4. *Steer Mission & Direction*

Steer Mission and Direction, with an average score of 3.84, was the highest average score in this dimension. Over two-thirds of the surveyed NGOs adopted good international practices in this area. It is, however, warranted to note the rather significant misalignment between the perceived relevance and actual adoption of the practices of updating the missions and visions, and of overseeing the performance of the strategic plan.

5. *Ensure Executive Leadership & Resource*

Ensure Executive Leadership & Resource, with an average score of 3.78, ranked middle among the nine elements. About half of the surveyed NGOs always or often adopted the good practice of providing all-round development opportunities for the top-tier management. 90% of the NGO Boards always or often worked with the management to monitor financial statements regularly; only 73% of the NGO Boards supported the management to prepare and review multi-year financial planning.

6. *Monitor Organizational Risk & Performance*

Monitor Organization Risk and Performance, with an average score of 3.59, was the weakest link in the board role execution dimension. About half of the surveyed NGOs indicated that there should be improvement in “Monitor Programs and Organization Performance” in the coming 3 years. The good practices that had been adopted least frequently might provide insights for improvement actions:

- Reviews risks & mitigation plans made by the management
- Set performance targets that benchmark peers
- Formal processes in place to obtain feedback from stakeholders

Board Dynamics & Behaviour

7. Board Development

Board Development, with an average score of 3.30, was the lowest average score among the nine elements. About one-third of the surveyed NGOs seldom or never adopted the good practices of rotating the assignments of board members for experience building as part of succession planning, conducting regular board performance assessment, and providing feedback to members to enhance their performance.

Over half of the surveyed NGOs ranked Board Recruitment and Development Practices as the top area in which improvement needed to be made in the coming three years. The good practices that were adopted less frequently might provide insights for improvement actions:

- Rotation of committee membership and process in place for board recruitment & succession planning
- Regular performance assessment & feedback given to individual board members

8. Board Engagement

Board Engagement, with an average score of 3.85, was the highest average score in this dimension. Small NGOs tended to have higher scores in Board Engagement especially in having a trustful, open and committed culture, and are more appreciative of each other's contribution instead of being dominated by a few board members.

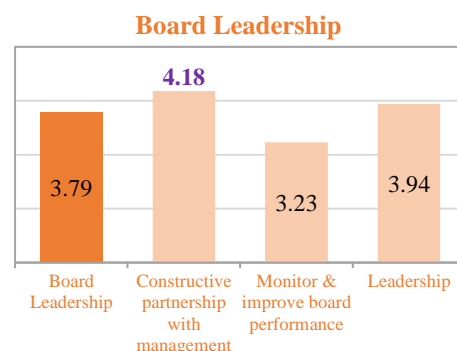
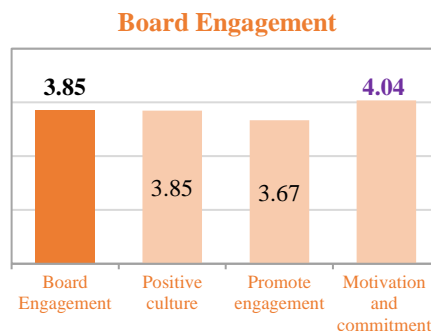
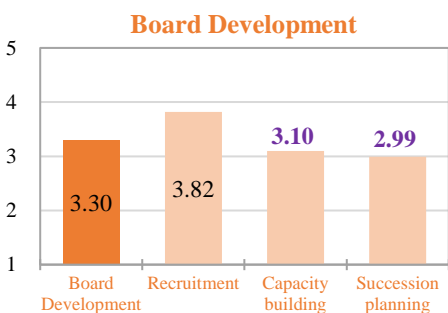
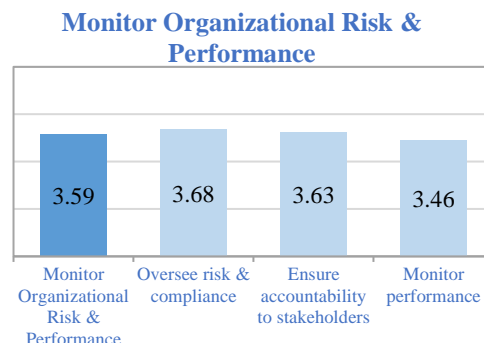
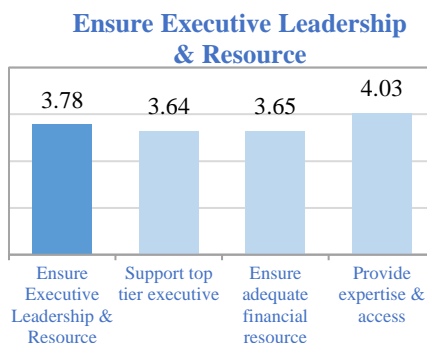
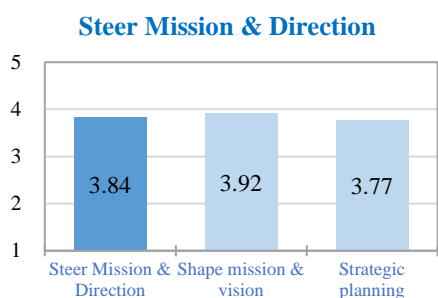
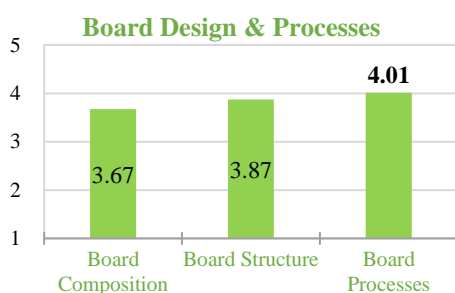
9. Board Leadership

Board Leadership, with an average score of 3.79, ranked middle among the nine elements. Only one-third of the surveyed NGOs always or often adopted the good practice of conducting periodical assessment to evaluate governance performance.

Average Scores of NGO Governance Health Index by 17 Aspects

Of the nine elements, the two which adopted the good practices most frequently were “Board Processes” (4.01) and “Board Engagement” (3.85); the two which adopted the good practices least frequently were “Board Development” (3.30) and “Monitor Organizational Risk & Performance” (3.59).

Of the 17 aspects, the two which adopted the good practices most frequently were “Board Leadership - Constructive partnership with management” (4.18) and “Board Engagement - Motivation & commitment” (4.04); the two which adopted the good practices least frequently were “Board Development - Succession planning” (2.99) and “Board Development - Capacity building” (3.10).

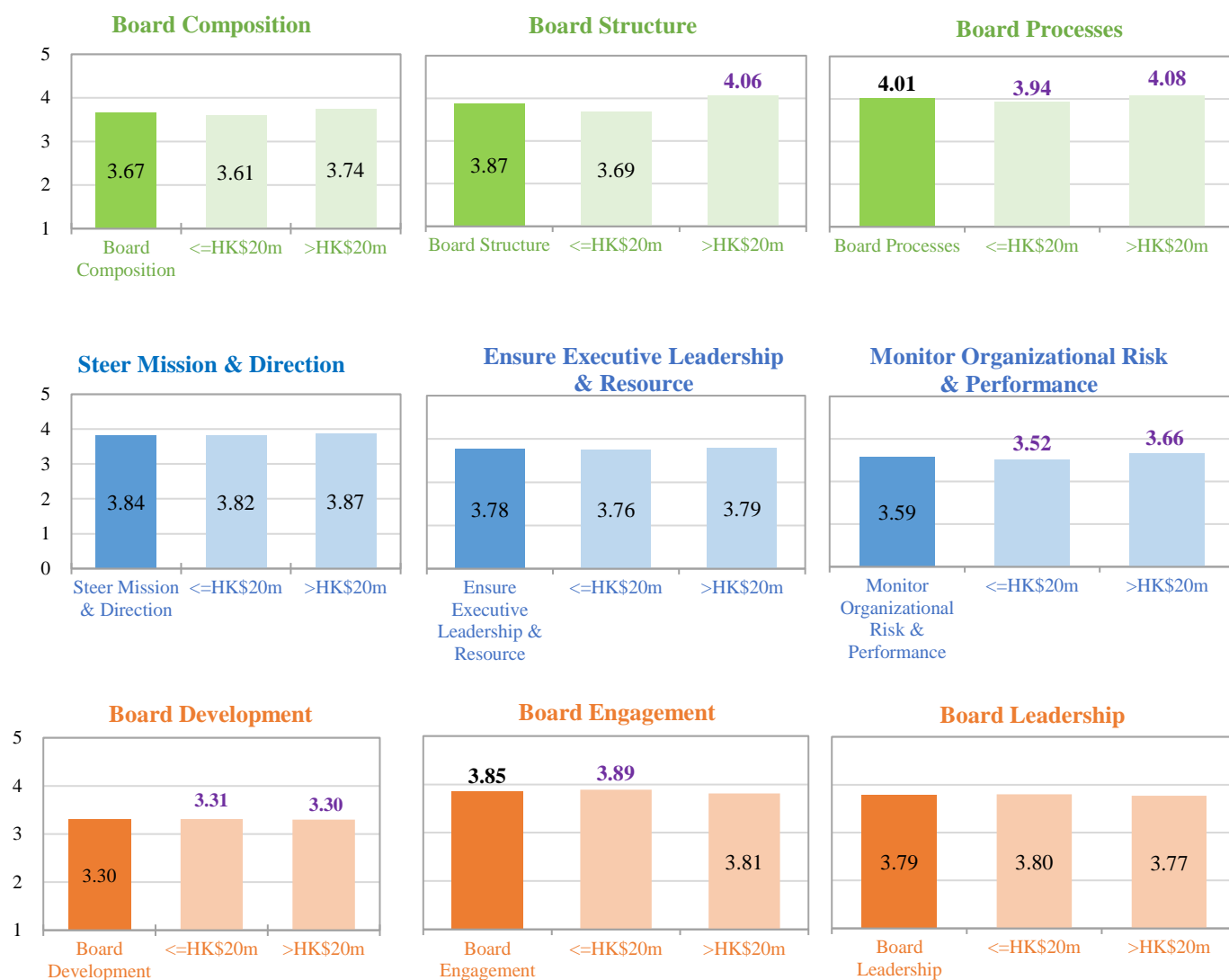


Analysis of Adoption of Good Practices by Annual Total Expenditure of NGOs

The average score of NGOs with an annual expenditure of less than or equal to HK\$20 million (3.70) was slightly lower than that of NGOs with an annual expenditure of more than HK\$20 million (3.79).

Among the 40 surveyed NGOs with an annual expenditure of less than or equal to HK\$20 million, the two aspects which adopted the good practices most frequently were “Board Engagement” (3.89) and “Board Processes” (3.94); the two which adopted the good practices least frequently were “Board Development” (3.31%) and “Monitor Organizational Risk & Performance” (3.52).

Among the 37 surveyed NGOs with an annual expenditure of more than HK\$20 million, the two aspects which adopting the good practices most frequently were “Board Structure” (4.06) and “Board Processes” (4.08%); the two which adopted the good practices least frequently were “Board Development” (3.30%) and “Monitor Organizational Risk & Performance” (3.66).





Chapter 8

Recommendations

Aligning with the views collected from the surveyed NGOs and the analyses compiled and the research team suggests several strategies for NGO governance in Hong Kong:

(1) Invest in board development

- To ensure that the board grows with the organization;
- To enhance on-going board capacity building in (i) the programmes and services provided by the organizations; (ii) the operating environment of the organizations; and (iii) the leadership roles of the board;
- To enhance the facilitation and leadership roles of Board Chairs, which can affect the performance of senior executives, the meeting quality of the board, and board members' engagement;
- To ensure that performance evaluation of the board should be done and reviewed collectively and regularly; and
- To set aside resources for board development.

(2) Enhance board oversight in organizational risks and performance

- To ensure adequate risk assessment and formulate mitigation plans; and
- To work with the management to set performance targets that benchmark with peers.

(3) Develop and implement board succession planning

- To identify board talents to maintain the sustainability of the boards;
- To cultivate and nurture board leaders; and
- To encourage discussions on long-term and strategic board succession planning.

(4) Regular review of board composition and structure to match organizational development needs

- To put in place a process to ensure that the board has the required skills, diversity and experience;
- To decide on an appropriate tenure of office for board members and board size;
- To spend time to discuss the composition, performance and effectiveness of the committees and the appropriate committee structure to match the organization needs and governance oversight; and
- To ensure there is clear delegation of responsibilities and reporting between the committees and the board.

(5) Improve accountability to stakeholders

- To put in place formal processes to obtain direct feedback from stakeholders; and
- To communicate with stakeholders for the assessment and evaluation of organizational performance.

(6) Nurture a positive board culture to enhance impact and effectiveness of the board

- To spend time together outside board meetings to share experiences and learn together;
- To continue a culture of trust, commitment, openness and transparency in board room;
- To conduct periodical assessment of board performance and formulate plans for improvement; and
- To maintain a constructive partnership between board and management.

Appendix 1

List of Good Practices on Governance Health ¹

Dimension (I): Board Design & Processes

Element	Good Board Practice or Status
1. Board composition	1. Board reviews and agrees on the board size.
	2. Board engages in a systematic process for identifying required board skills and filling the gaps.
	3. Board members' tenure of office or term limits effectively balance the "need for new members/skills" and the "retention of valuable directors."
	4. Board members bring a range of perspectives to governance.
2. Board structure	5. Current committee structure reflects the needs or priorities of your organization.
	6. Board reviews the committee structure and performance to ensure that your organization's governance needs are met.
	7. The terms of references of committees clearly define their authority, roles and responsibilities, and activities.
	8. Committee(s) report to the Board sufficiently with clear information.
3. Board processes	9. Calendar of board / committee(s) meetings is set and distributed for the year.
	10. Board / committee(s) receives agenda and quality information well in advance of meetings.
	11. Participants of board meetings are well prepared.
	12. Board meeting discussions focus effectively on strategic issues rather than operational matters.

¹ 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 Organisations, 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.

Dimension (II): Board Role Execution

Element	Aspect	Good Board Practice or Status
4. Steer Mission & Direction	4.1 Shape Mission & Vision	13. All board members share a common understanding of your organization's mission.
		14. All board members share a common understanding of the vision of where your organization wants to be in 5-10 years with concrete goals.
		15. All major policy and strategy discussions are in line with mission and vision.
		16. Board acknowledges the need to update and review its mission and vision as necessary.
	4.2 Strategic Planning	17. Board works with management to design and participate in strategic planning process.
		18. Board works with management to review strategic plan to ensure program outcomes are tightly linked to your organization's mission and vision.
19. Board translates strategic plan into oversight responsibilities for the board / committee(s) to follow through.		
5. Ensure Executive Leadership & Resource	5.1 Support Top Tier Executive	20. Board provides all-round development opportunities for top-tier management.
		21. Documented evaluations on top-tier management performed at least annually against pre-defined criteria (e.g. a self-assessment, written feedback, and / or development plan).
		22. Board has preparedness and planning of succession for top-tier management.
	5.2 Ensure Adequate Financial Resource	23. 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.
		24. Board works with the management to monitor financial statements regularly.

Element	Aspect	Good Board Practice or Status
		25. Board members financially support your organization.
		26. Management actively involves the Board in fundraising planning and execution.
	5.3 Provide Expertise & Access	27. Board proactively provides access and influence needed to accomplish organizational goals.
		28. Board members provide expertise to address organizational needs and act as effective ambassadors for your organization.
6. Monitor Organizational Risk & Performance	6.1 Oversee Risk & Compliance	29. Board works with management to ensure timely, independent audit of results and internal processes.
		30. Board understands regulatory compliance; develops and monitors recovery plan based on feedback from auditors/regulators.
		31. Board reviews risk registers compiled by management that acknowledges potential risk and includes mitigation plans.
	6.2 Ensure Accountability to Stakeholders	32. Board identifies key stakeholders and ensures that performance results are communicated effectively to the stakeholders.
		33. Board has formal processes in place to obtain direct feedback from stakeholders.
		34. Board ensures that stakeholder feedbacks are used to inform strategy and resource allocation.
	6.3 Monitor Performance	35. Board works with management to set performance targets that benchmark with peer organizations.
		36. Board monitors and discusses the performance of your organization and programmes; and uses the results to inform decisions in strategic planning, resources allocation, and evaluation of the top-tier management.

Dimension (III): Board Dynamics & Behaviour

Element	Aspect	Good Board Practice or Status
7. Board Development	7.1 Recruitment	37. Board has formal processes to recruit and nominate members with clear evaluative criteria.
		38. A key criterion adopted for board recruitment is: Commitment to the mission and vision of the organization.
		39. A key criterion adopted for board recruitment is: Professional knowledge relevant to board operation (e.g. finance, secretarial knowledge).
	7.2 Capacity Building	40. There is orientation for all new board members on the organization (e.g., programs, finances), members' governance responsibilities; and introduction to their board colleagues.
		41. Continuous and collective learning opportunities are provided to board members.
		42. Board regularly assesses and gives feedback to all members to enhance their performance.
	7.3 Succession Planning	43. Succession planning is discussed and processes are in place to recruit and develop potential board leaders (e.g., chair, office bearers, committee chair).
		44. Committee assignments are rotated to give board members experience and opportunity to lead, as a part of succession planning.
	8. Board Engagement	8.1 Positive Culture
46. Board meetings are not dominated by a few individuals. Members appreciate contributions of each other and work as a team.		
47. Board members spend time together outside board meetings to share experiences and learn together.		

Element	Aspect	Good Board Practice or Status
	8.2 Promote Engagement	48. Board develops a clear sense of direction towards achieving the vision and mission of your organization.
		49. There are conscious engagement efforts to enhance board members' understanding and execution of board roles (e.g., assigning buddies/mentors to new members, formal training, Board Chair's proactive communication on expectations to members).
	8.3 Motivation & Commitment	50. Board members devote sufficient time to carry out their duties effectively, including meeting preparation and sitting on board committees.
		51. Board members see the connection between what they do and the positive impact on the beneficiaries.
		52. Board members' contributions to success of your organization are appreciated.
9. Board Leadership	9.1 Constructive Partnership With Management	53. Board and management have a shared understanding of their roles and responsibilities in governing and managing your organization respectively.
		54. Board-management has a trustful and open relationship. Top-tier management actively involves the Board in leading your organization.
		55. Board gives the top-tier management enough authority and responsibility to lead the staff and manage your organization, and is alert to avoid micro-management.
	9.2 Monitor & Improve Board Performance	56. Board conducts periodical assessment to evaluate governance performance.
		57. There is a formal assessment process which results in a clear plan for improvement.

Element	Aspect	Good Board Practice or Status
	9.3 Leadership	58. Current Board leaders (chair, committee chair) have the necessary skills, enthusiasm, energy and time to provide leadership to the Board.
		59. Board / committee chairs are effective to encourage the Board / committees to discuss strategic questions, resolve conflict, build trust and reach compromise.
		60. Board provides insight, wisdom and judgement.
		61. Board brings new and creative ideas to your organization.
		62. Board leaders often reach out to key stakeholders. They are recognizable and approachable to staff, service users and funders.

Appendix 2

管治健康良好實務清單 (中文版)

維度(1)：董事會設計及運作程序

元素	董事會良好實務或狀況
1. 董事會組成	1. 董事會負責檢討並同意董事會人數
	2. 董事會設有機制來辨別董事會所需的各種技能並填補相應不足之處
	3. 董事會成員的任期或任期限制有效地平衡了「新成員 / 技術」及「保留重要董事會成員」的需要
	4. 董事會成員為機構管治帶來不同的思考角度
2. 董事會架構	5. 現時的委員會架構反映了機構的需要或考慮優次
	6. 董事會檢討其委員會架構和表現以符合機構的管治需要
	7. 各委員會訂下的職權範圍清晰釐定了它們的權力、角色及職責及活動
	8. 委員會向董事會提交內容充足、清晰的報告
3. 董事會運作程序	9. 每年預先定下董事會 / 委員會的會議日期並知會相關人士
	10. 董事會 / 委員會在會議前提早收到議程和有用的資料
	11. 董事會會議與會者均有作會前準備
	12. 董事會會議有效地集中討論策略而非日常營運事宜

維度(2)：董事會履行角色

元素	範疇	董事會良好實務或狀況
4. 為機構使命及方向掌舵	4.1 訂定使命及願景	13. 所有董事會成員均對機構使命有共同理解
		14. 所有董事會成員均對機構在未來 5 至 10 年的願景和具體目標有共同理解
		15. 所有圍繞重大政策和策略的討論都與機構的使命和願景相符
		16. 董事會明白有需要按情況定期更新和檢討機構宗旨和願景
	4.2 策略規劃	17. 董事會聯同管理層設計及參與策略規劃
		18. 董事會聯同管理層檢討策略計劃以確保各項服務目的成果與機構的使命和願景緊密相連
19. 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. 確保執行領導力及資源	5.1 支援最高管理層	20. 董事會為最高管理層提供全面的發展機會
		21. 以既定的準則 (如通過自我評估、書面意見及 / 或發展計劃) 對最高管理層作出最少每年一次的工作評估記錄
		22. 董事會有就最高管理層的接任事宜作出準備和計劃
	5.2 確保財政資源充足	23. 董事會支援管理層準備 / 檢討跨年度的財務計劃以達致全面討論有關資源分配、撥款計劃及投資目標的事宜以配合策略目標
		24. 董事會聯同管理層定期查核機構的財務報表
		25. 董事會成員對機構提供財政資助
		26. 機構管理層積極地讓董事會參與籌款的規劃和執行工作
	5.3 提供專門知識及聯繫網絡	27. 董事會主動提供渠道和建立影響力來落實機構目標
		28. 董事會成員提供專業知識來處理機構需要，並擔當機構親善大使的角色

元素	範疇	董事會良好實務或狀況
6. 監察機構性的風險及表現	6.1 監管風險及符合法規	29. 董事會聯同管理層確保有適時和獨立的審計報告以及內部運作的審核
		30. 董事會了解法定和監管規條，並根據審計人員 / 監管機構提出的意見制定並監督改善計劃和措施
		31. 董事會檢視管理層編製的風險登記冊以確認可能存在的風險及制定處理方案
	6.2 確保向持份者問責	32. 董事會辨別重要持份者，並確保有效地向持份者交代機構的表現
		33. 董事會設有正式程序直接收集持份者的意見
		34. 董事會確保於策略制定和資源分配的問題上，會考慮持份者的意見
	6.3 監察表現	35. 董事會與管理層合作以業界基準訂立績效指標
		36. 董事會監察並討論機構和服務的表現，並以檢討結果決定策略計劃、資源分配和評估最高管理層的表現

維度(3)：董事間互動及行為

元素	範疇	董事會良好實務或狀況
7. 董事會發展	7.1 成員招募	37. 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
		38. 招募董事會成員的一項重要準則為：願意承擔機構的理念和願景
		39. 招募董事會成員的一項重要準則為：具備董事會運作的專業知識 (如財務、公司秘書的知識)
	7.2 能力建設	40. 為所有新加入董事會的成員提供培訓，如機構概況 (如服務、財務)，成員的管治職責，並介紹他們給現任董事會成員認識
		41. 為董事會成員提供持續和集體的學習機會
		42. 董事會對所有成員的表現作定期評估並給予意見以提升他們的表現
	7.3 接班規劃	43. 有接任人選的計劃，以挑選和培訓有潛質的董事會領袖 (如董事會主席、主要職位之委員及委員會主席)
		44. 委員會的工作由董事會成員輪流負責，以豐富成員的領導經驗，並作為接任計劃的一部分
	8. 董事會參與	8.1 正向文化
46. 董事會會議並非由一小撮人主導。董事會成員互相欣賞彼此的貢獻並團結地工作		
47. 董事會成員之間願意投放會議外的時間分享經驗並一起學習		
8.2 推動參與		48. 董事會定出清晰的工作方向以實踐機構的理念和願景
		49. 董事會有措施協助成員理解並履行他們的角色和職責 (如委派夥伴 / 導師協助新成員、提供正式的培訓、主席積極與新成員溝通關於董事會對各成員的期望)

元素	範疇	董事會良好實務或狀況
	8.3 積極性與投入感	50. 董事會成員投放足夠時間履行職務，包括準備會議並擔任董事會下之委員會成員 51. 董事會成員看到他們的工作與為受惠者帶來正面影響的關係 52. 董事會成員對機構的貢獻得到肯定
9. 董事會領導力	9.1 與管理層建立具建設性的夥伴關係	53. 董事會和管理層互相理解各自的管治與管理的角色和職責分工 54. 董事會和管理層之間維持互信和開放的關係。最高管理層積極與董事會一起帶領機構 55. 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，同時董事會警醒地避免微觀管理
	9.2 監察及改善董事會表現	56. 董事會進行定期評估來評核管治表現 57. 正式的評核結果會用於制定清晰的改善計劃
	9.3 領導力	58. 現時的董事會領袖（主席、委員會主席）均具備所需的技能、熱誠、精力和時間來領導董事會
		59. 董事會 / 委員會主席能有效地鼓勵董事會 / 委員會討論策略問題、解決分歧，建立互信並達致妥協
		60. 董事會提供獨到見解、知識和判斷
		61. 董事會為機構帶來嶄新和具創意的思維
		62. 董事會領袖經常主動接觸重要持份者。不論員工、服務使用者及資助者都能容易辨認並接觸到董事會領袖

Appendix 3

Glossary

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

<i>Ad-hoc working group</i>	A short-term task group under the Board.
<i>Board</i>	The highest governing body representing its members, which oversees and monitor the development of the organization; may also be known as “Executive Committee”, “Council”, “Management Committee”, etc.
<i>Board members</i>	The official/legal members on the board; may also be known as “Directors”, “Executive Committee members”, “Council members”, “Management Committee members”, etc.
<i>CEO</i>	Chief Executive Officer, the highest ranking staff of the organization; may also be known as “Agency Head”, “Executive Director”, “General Secretary”, “Centre-in-Charge”, etc.
<i>Chair</i>	The leader of the Board; may also be known as “Chairman”, “Chairperson”, “President”, etc.
<i>Committee/ sub-committee/ committee</i>	<i>Sub- Standing</i> The governing body under the Board.
<i>Earned income</i>	Including membership fees, service fees or sales income and income from endowment / investment.
<i>Management</i>	The managing staff team of the organization.
<i>Non-recurrent funding</i>	Including non-recurrent government funding, Hong Kong Jockey Club / Community Chest, non-recurrent funding and donations.
<i>Office bearer</i>	Board members holding special titles other than ordinary board members; they may include “Chair”, “Vice Chair”, “Treasurer”, “Secretary”, etc.

<i>Organization</i>	The organization that you are currently serving on as board member or head; may also be known as “Agency”, “NGO”, “Council”, “Association”, “Society”, etc.
<i>Programmes</i>	The services or projects that the organization provides or organizes.
<i>Recurrent funding</i>	Including lump sum grant from Social Welfare Department, other recurrent government funding and Hong Kong Jockey Club / Community Chest recurrent funding.
<i>Regulatory compliance</i>	The organization's adherence to laws, regulations, guidelines and specifications relevant to its business.
<i>Risk registers</i>	A risk management tool acting as a repository for all risks identified along with their analysis and plans for how those risks will be treated.
<i>Top-tier management</i>	The highest-ranking staff of the organization, which could include the CEO (i.e. Executive Director, General Secretary, Centre-in-Charge, etc.) and other senior management staff.

Appendix 4

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