

Hong Kong NGO Governance Health Survey 2018

Key Insights and Recommendations

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睿智 **ExCEL3**
Excellence in Capacity building on Entrepreneurship and Leadership for the Third sector



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The Hong Kong Council of Social Service has received support from five family foundations to partner with ExCEL3 of The University of Hong Kong as well as Governance and Management Excellence (GAME) for Public Benefit, to develop a self-assessment tool for measuring NGO governance health and collect data for landscape analysis. Below are the key insights and recommendations drawn from the study.

INSIGHT 1

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

The average score of NGO Governance Health Index was 3.74 in a 5-point scale. Of the 77 surveyed NGOs, 64.5% reported that they “always” or “often” adopted the 62 international good practices. The surveyed NGOs generally agreed that these good practices were relevant to their organizations; with the agreement percentage of 85%.

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

Board Design & Processes

- Governance Health score: 3.85
- Adoption of good practices: 67.8%

Board Role Execution

- Governance Health score: 3.74
- Adoption of good practices: 64.7%

Board Dynamics & Behaviour

- Governance Health score: 3.65
- Adoption of good practices: 61.1%

Over 80% of the NGOs were “satisfied” or “very satisfied” with their boards’ commitment to mission and vision (84.7%) and the support provided by the boards to the top-tier management (84.2%).

INSIGHT 2

Small NGOs tended to have better board engagement, while large NGOs had better board structure.

Comparing the small NGOs which have an annual expenditure of less than or equal to HK\$20 million with the large ones which have an annual expenditure of more than HK\$20 million,

- The average score of NGO Governance Health of the small NGOs (3.70) was slightly lower than that of the large NGOs (3.79).
- The score differences between large and small NGOs were greatest in Board Structure (4.06 vs 3.69) and Monitor Organizational Risk & Performance (3.66 vs 3.52); the large NGOs in general had done better than the small ones.
- The small NGOs (3.89) had better score in Board Engagement than the large NGOs (3.81).

INSIGHT 3

The perceived strength in governance was having constructive partnership with management.

The three aspects of NGO Governance Health Index which attained the highest scores, in which over 80% of the surveyed NGOs reported that they “always” or “often” adopted good practices:

No. 1: Constructive partnership with the management

- Governance Health score: 4.18
- Adoption of good practices: 84.9%;

No. 2: Motivation and commitment

- Governance Health score: 4.04
- Adoption of good practices: 80.5%;

No. 3: Provision of expertise & access

- Governance Health score: 4.03
- Adoption of good practices: 80.5%.

INSIGHT 4

The perceived weakness in governance health was in board succession planning.

The three aspects of NGO Governance Health Index which attained the lowest scores, in which less than 45% of the surveyed NGOs reported that they had adopted such good practices:

No.1: Board succession planning

- Governance Health score: 2.99
- Adoption of good practices: 31.1%;

No.2: Board capacity building

- Governance Health score: 3.10
- Adoption of good practices: 36.3%;

No.3: Monitoring and improving board performance

- Governance Health score: 3.23
- Adoption of good practices: 42.2%.

INSIGHT 5

The top 5 biggest differences of governance health expectation gaps are identified: these practices concerned recruitment and development of potential board leaders, risk assessment and compliance, board governance performance evaluation, continuous and collective learning opportunities and rotation of committee assignments.

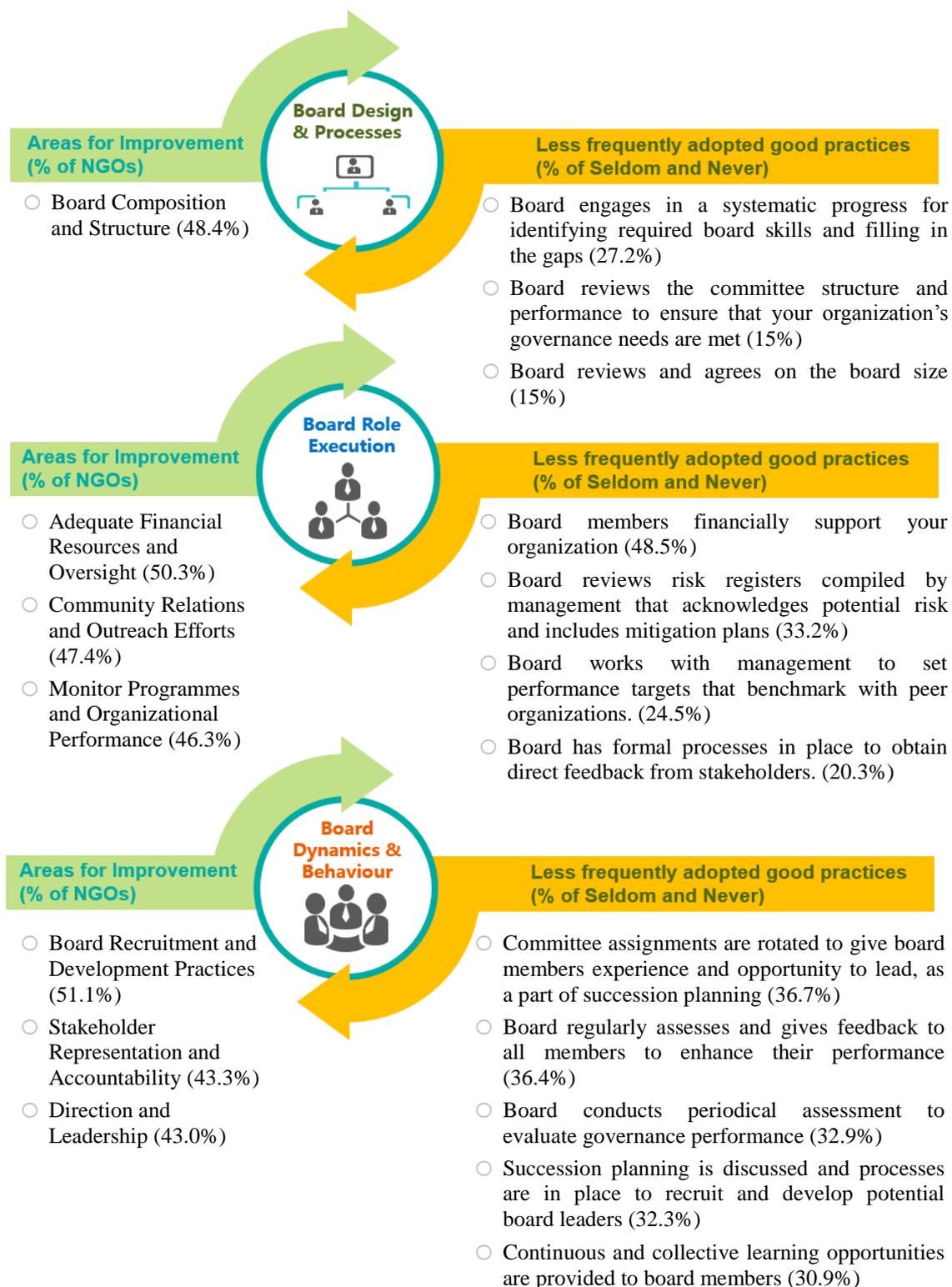
Governance health expectation gaps are reflected in the disparity between the perceived relevance of good practices (% of NGOs reporting “strongly agree” or “agree”) and the frequency of adoption of the good practices (% of NGOs reporting “always” or “often”) among the surveyed NGOs.

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 <u>recruit and develop potential board leaders</u>	79%	30%	49%
Board Role Execution	Board <u>reviews risk registers</u> compiled by management that acknowledges potential risk and includes mitigation plans	79%	35%	44%
Board Dynamics & Behaviour	Board conducts periodical assessment to <u>evaluate governance performance</u>	77%	33%	44%
Board Dynamics & Behaviour	<u>Continuous and collective learning opportunities</u> are provided to board members	74%	35%	39%
Board Dynamics & Behaviour	<u>Committee assignments</u> are rotated to give board members experience and opportunity to lead, as a part of succession planning	71%	33%	38%

INSIGHT 6

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

Priority areas of board governance in which improvement needs to be made in the coming 3 years are detailed as follows:



RECOMMENDATIONS

With reference to the views collected from the surveyed NGOs and the analyses compiled, the research team suggests the following strategies to enhance governance standard of NGOs 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 the 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.

The Survey Landscape Report is available online at <https://governance.hkcss.org.hk/node/362>.