

IMPORTANCE OF DIVERSITY ON CHARITY BOARDS: DO YOU KNOW WHO YOU NEED AND HOW TO FIND HER?

By Shai Ganu and Suhaimi Zainul-Abidin | 5 March 2020

An abridged version of this article was posted on The Business Times on 5 March 2020, [“The case for greater gender diversity in non-profit boards”](#).

With 27.4% women on their boards in June 2019, it would seem that the top 100 institutions of a public character (**IPCs**) in Singapore are faring better than the top 100 Singapore Exchange primary-listed companies (15.7%), and statutory boards in Singapore (24.5%). Yet, the IPC’s women-on-board percentage is the only one that has failed to see any increase since the end of 2018. Four out of the top 100 IPC boards remain fully male.

Much more work is required to further increase diversity, including gender diversity, on the boards of non-profit organisations (**NPO**) in Singapore. This Article serves to empower NPOs with the knowledge and the resources to effect the necessary change.

The Council for Board Diversity (**CBD**) interviewed five prominent chairpersons – Mr. Edmund Cheng, Ms. Anita Fam, Mr. Ho Kwon Ping, Mr. Lee Tzu Yang, and Mr. Chandra Mohan Rethnam – to gather their views on the issue of board diversity and its importance for NPO governance. We thank them for their invaluable contributions towards this article and to the cause of improving diversity on boards in Singapore. This article captures some of their thoughts and insights on the important traits that make an effective NPO board member, how diversity should feature in board composition, and how NPO chairpersons may go about reforming their boards for the better.

(A) WHAT MAKES A GOOD NPO DIRECTOR?

The primary responsibilities of NPO boards is to their beneficiaries. NPO causes may vary, but each board is charged with developing the **mission, policies and overall direction of the organisation**. NPO boards need to ensure their cause remains relevant amidst changing societal norms by identifying and evaluating significant opportunities and risks, and serving as informed counsel for major strategic decisions to be made by management. The board’s primary role is that of stewardship; i.e. overseeing management and ensuring that the NPO’s affairs meet statutory and governance obligations, and are conducted in a manner that helps achieves its objectives.

Executing these responsibilities requires individuals on the board with the right mix of characteristics, experiential attributes and demographic qualities. Appointing the right individuals should be taken with the utmost seriousness.

Therefore some NPOs have determined the need for a dedicated nominating committee to scrutinise board composition and take charge of board appointments. But it is the principles and processes that matter most, not the body that performs it. Even if an NPO does not deem it fit to establish a dedicated nominating committee, the question of board composition and board recruitment deserves significant attention.

What should one look for in NPO board members? Our discussions point to three broad areas to consider when assessing Directors: **Personal Characteristics, Skills and Experiences,** and **Demographic diversity.**

Personal characteristics

NPOs exist to serve a public purpose and are accountable to the public. For that reason alone, NPO boards must ensure that each board member possesses certain minimum characteristics; including:

Passion for the Cause

- *“Both passion and expertise are important. ... Given resource and funding limitations, it is important to bring in volunteer (directors) who share the passion to fulfil the mission, ... the passion to contribute to the advancement of society.” – Edmund Cheng*

Effective communication & interpersonal acumen

- *“The relationship between boards and management is also a key determinant for achieving success– ability to get along with management, and obviously also with their board colleagues.” – Lee Tzu Yang*

Ability to commit time and action

- *“What is equally important is the desire and willingness to do something. Sometimes, it is not so good when you have people who just have ideas but are unwilling to roll up their sleeves, because it can be discouraging to people who want to get the work done.” - Chandra Mohan Rethnam*

Taking responsibility for outcomes, honesty & integrity

- *“There is an expectation nowadays that you do not only sit on the board, but you serve actively on a committee, and this has to be made clear right from the start...I think people do realise that a board role is actually far more demanding.” - Anita Fam*

These characteristics are not easily detected by looking through a CV and often require verification through personal and professional dealings.

In addition to the core characteristics mentioned above, each individual board members must also understand the need to step down from board positions whenever he or she is unable to fulfil the relevant responsibilities and to facilitate board renewal. This is not often stated but is critically important for the growth and evolution of the sector.

Skills and Experiences

Passion is not a proxy for competence. NPO board members must bring something to the table by way of practical and relevant skills, ideally based on accumulated professional experience.

“I look at diversity also in terms of expertise and views. ... I am always looking for people who come with a fresh take and knowledge that we may currently lack, such as technology.” – Anita Fam

Some of the typical skillsets currently required with NPO boards include:

- NPO Audit;
- NPO Governance and understanding of the role of board stewardship (including familiarity with NPO laws and regulations);
- Human Resources / Talent Management;
- Legal;
- Marketing, Communications & Public Relations;
- Technology (including information security);
- Data & Analytics (including impact measurement);
- Investment & Finance;
- Organisational Risk Assessment & Crisis Management;
- Volunteer management;
- Donor management and fundraising.

The relevance and importance of skillsets naturally change over time. Knowledge in areas of cyber security and data analytics have become increasingly important and board members with such skillsets are still in short supply.

NPO boards should be careful not to equate broad profession experience with the applicable skillsets that are relevant to the organisation. The candidate's actual professional expertise should be thoroughly considered for relevance. For instance, not all lawyers' skills and experience (which can range from advocacy in disputes versus corporate mergers & acquisitions) are alike or equally useful to the NPO.

"Board members need to be open to new ideas and trends in society such as new media, new communication channels, and social media (in particular), because these affect people's decisions. When you are involved in a cause, you actually want to convince others to buy into your cause." – Lee Tzu Yang

Demographic Diversity

Boards should also strive to achieve greater demographic diversity in terms of gender, ethnicity and age. Such diversity helps ensure that the NPO stays in touch with the circumstances and needs of the diverse communities it serves, and opens the NPO up to a wider range of opportunities in terms of strategic partners and donors.

"Something that very few IPCs consider is generational diversity. I feel that it is important for the board to hear voices from the youth to engage them better. My dream is to have boards with members in their twenties and thirties. The world is a different place today, ... which is the reality faced by youths today. How can we be relevant if we do not consider their views?" – Anita Fam

(B) THE CASE FOR GREATER BOARD DIVERSITY

Good business practice

Even though there has not been a definitive study linking demographic diversity of IPC or NPO boards to high organisational performance, unlike the evidence supporting the link between board diversity and the performance of listed companies, it is difficult to imagine anyone arguing otherwise. NPO leaders largely agree that diversity is simply good business practice.

“Diversity will help simply because [the organisation] will have more channels and avenues to raise funds.” – Chandra Mohan Rethnam

Representative of the communities NPOs serve

NPO leaders also said diversity is especially important to NPOs because charities exist primarily to support beneficiaries who come from diverse backgrounds or circumstances. Diversity should necessarily be part of each NPO’s value system and formally recognised as being critical to support its mission.

It is more important than ever for NPOs to have truly diverse and inclusive boards. Homogenous boards are more likely to fall prey to strategic blind spots and more likely to miscomprehend the full impact of its decisions on the diverse communities it seeks to serve. On the flipside, diverse perspectives lead to better identification of opportunities and risks, and generally better outcomes for the organisation.

Given the reason for existence for several NPOs is to serve the broader community – comprising individuals from diverse backgrounds, the lack of diversity on any NPO board can only be described as disappointing. Diversity and inclusion must be central to the sector’s and each NPO’s vision of advancing and achieving its mission of public good. The NPO sector is expected to bring communities together and speak out against systems and practices that marginalize, exclude or even harm particular individuals. To do this effectively, NPOs need to embrace diversity and inclusiveness. To this end, targets such as that set by CBD to achieve 30% women-on- boards should only be seen as the bare minimum. NPO boards must constantly review and seek to improve the quality of its diversity.

“I’ve always felt that diversity and inclusion are critical because it brings the minority and outlier view into what would otherwise be a single mainstream view. If you only rely on the mainstream, you are limiting your creativity and resilience. ... If you are pro-diversity and inclusivity, you will attract more women and ethnic minorities to your cause, because people will identify with your culture, ... they identify with being non-mainstream.” – Ho Kwon Ping

(C) EFFECTING CHANGE – WHAT CAN NPOs DO TO IMPROVE BOARD DIVERSITY?

Self-Assessment

NPO board members are all generally aware of the value of board diversity, yet many NPO boards lack either the knowledge or commitment needed to turn that awareness into action. In order to appreciate and identify the gaps in diversity, NPO boards should perform regular board self-assessments.

Such self-assessments would typically evaluate the board's effectiveness, its strengths and weaknesses, the quality of board engagement, appropriateness of board size and committee compositions, skills gaps, and board demographic diversity, in each case within the context of the mission and operations of the organisation. It takes strong leadership within the board to conduct an honest self-assessment and thereafter take action to improve the board.

Refresh boards regularly

One of the underlying root causes of a lack of diversity on NPO boards is stagnation or insufficient board renewal. NPOs or charities (in particular) are not subject to legally mandated director term limits. Under the Code of Governance for Charities and IPCs (**Code of Governance**), charities would only be required to have periodic re-nomination provisions for its directors, and to disclose reasons for letting board members serve on their board beyond 10 years. So, while board members may be required to periodically be re-nominated for election to board membership, they can continue to stay on the board for an unlimited number of terms.

Until today, many charities have sizable number of board directors serving more than 10 years. Without regular board renewal, NPO boards will struggle to pursue greater board diversification in accordance with prevailing organisational needs.

"I think it is important for NPOs to make sure that the chairman and board members change regularly. If the chair changes regularly (and I think sometimes that a ten-year tenure is a bit too long), then the organisation can rejuvenate itself." – Chandra Mohan Rethnam

NPO boards should seek to regularly infuse "new blood" into the board. This recharges the board, brings new perspectives, refreshes the collective skillsets of the board and also gives exposure to new directors.

Needless to say, NPO boards should avoid sudden and significant board overhauls that would likely disrupt organizational operations. Any effort to improve board composition should be undertaken gradually. NPO boards should view each appointment as an opportunity to deliberately improve its diversity.

Utilise board skills matrixes

NPO boards should also utilise board recruitment matrixes to map competencies and skills, alongside demographic and other qualities to get the right mix on the board.

"As Chairman, I would seek to identify the organisation's requirements and prioritise key diversity attributes to pursue." – Edmund Cheng

Pick the relevant diversities; tokenism not beneficial

Boards must be careful not to seek demographic or skill diversity for the sake of it. Each NPO director must firstly display the **characteristics** necessary for NPO leadership (described above), but in addition, should have suitable **experiential attributes** (i.e. one or more of the relevant skillsets or expertise, as illustrated above) and, ideally, add to the board's **demographic diversity**. These three domains described above are all important to picking a good NPO board director.

When pursuing board demographic diversity, it is also important to consider the need for critical mass to support broad thinking and create a culture that thrives on the creative tension of different perspectives and the cross-pollination of ideas, all of which are necessary to achieve good corporate governance. Appointing a token director from a particular gender, ethnic or age group will likely lead to feelings of isolation (particularly if that single token director ticks all three boxes of demographic diversity) and may not reap the desired results. There is no point engineering board renewal and diversity if new board members cannot feel welcomed and assimilated into the board, because they will not stay for long or contribute to the best of their abilities.

“When I make [board] appointments, my key consideration is whether the candidate has the necessary expertise, and whether their personal values resonate with the mission of the organisation.” – Anita Fam

Review the pre-conditions of financial contribution for board directors

NPO boards should consider removing pre-conditions of financial contribution for board appointees. While almost all NPOs could use additional funds to support the cause, financial contribution requirements act as a barrier to entry for younger prospective board members and members from lower-income backgrounds whose real contributions to the board and the NPO would not be financial in nature. Such a policy seems to suggest the board’s thinking that only people with financial means are qualified to serve at board level, which is certainly not the case.

Every director plays a role in recommending board candidates

There is much that every NPO board director can do to help improve board diversity, rather than let the chairperson or the nominating committee solely address the issue. Likewise, NPO chairpersons and nominating committees should share with the entire board the kinds of skillsets or demographic differentiators they may be looking for in the next director, so that individual NPO directors can then actively look out for suitable candidates.

“The plans for boards are not just for the here and now, they extend over a period of time. You can sometimes see a potential connection which isn't applicable just yet, but it could become very strong in a year or two.” - Lee Tzu Yang

Cast the net wider

The majority of NPOs today still exclusively or primarily recruit new board members by word of mouth. This often reinforces continued homogeneity on the board. Directors (and indeed all individuals) are often unaware of how limited their networks are, because people tend to interact most with others within the same circles. There is a much larger universe of candidates out there and NPOs simply need to cast a wider net.

Boards should consider using executive search firms, as they have databases of people with diverse skillsets and backgrounds, and some professional search executives may be open to giving such recommendations on a pro bono basis. The Centre for Non-Profit Leadership (CNPL) also operates “Board Match”, which matches senior executives from the public and private sectors to NPO boards. It maintains a pool of CVs from existing and aspiring NPO directors, with a very wide range of useful skillsets and diverse backgrounds. This is often

the first port of call for many well-run NPOs in Singapore when it comes to creating a shortlist of board candidates.

Most NPOs have also, in more recent times, relied on online and social-media job postings, using LinkedIn's Talent Solutions (with a dedicated module for NPOs) and also seeking recommendations from key donors and experienced volunteers.

Grow the pool of first-time directors and mentor them

NPO directors should also bear in mind that as with most men, the majority of women directors were appointed to their first board seat because someone actively championed them. New initiates to the boardroom are often introduced by more experienced directors who have seen them in action and can vouch for them. To embed the culture of effective board renewal into the NPO sector, NPO directors must actively champion new or younger potential board members and also look to mentor them.

"You have to either positively create new mechanisms to enable women to rise to their capabilities, or to remove mechanisms which have inhibited women from being able to rise to their natural capabilities." – Ho Kwon Ping

Integrate potential board directors early into NPOs

Where appropriate, the best candidates should be introduced and integrated into the activities of the NPO gradually through being co-opted committee members, task force members, or activity participants or volunteers. Such gradual integration allows for existing and potential board members to familiarise themselves with each other and for a better assessment of cultural fit.

(D) SPOTLIGHT ON GENDER DIVERSITY - FINDING THE RIGHT WOMEN FOR NPO BOARDS

No shortage of capable women willing to serve on boards

Many NPO chairs still claim difficulty increasing the gender diversity of their boards, despite acknowledging its value to the board and the organisation.

The notion that there aren't women with both the passion and the ability to be effective NPO board directors is simply untrue. You certainly need to look out for them, but you would not need to look too far to find them.

"I see that there are a lot of women out there who can make a difference, and we would have to be far more open in our search. ... Don't recruit women just for women's sake but recruit good women." – Anita Fam

There is an increasing number of women who have risen to C-suite positions especially in the past decade, and there is correspondingly a substantial pool of talented women immediately below the C-suite level who can be particularly suitable for NPOs. In addition, many enlightened companies now encourage their high potential

talent, including women, to seek developmental experience outside of the organisation. This includes taking on non-executive director positions at NPOs. So there is no shortage of willing and able women for NPOs to tap on.

Communicate your diversity philosophy

Organisations should discuss and agree on concrete steps and targets to improve board composition, diversity, engagement and communication, and ultimately board performance.

A case can also be made about being transparent and going public with the organisation's diversity policy. This would represent true commitment to the cause of furthering NPO board diversity, including gender, though very few NPOs in Singapore have taken this bold step.

"If I have to adopt a general rule, then I think gender and ethnic diversity are so fundamental that I would name them specifically were I to write up a diversity inclusion policy." – Ho Kwon Ping

(E) LET'S MAKE GENDER DIVERSITY A PRIORITY

NPO board members should reflect about the importance of gender diversity and what it means not just to the organisation, but also to the NPO sector and society. While there has been much commentary and publicity about board diversity and how it contributes to board and organisational performance, the importance of diversity among NPOs takes on a different magnitude of importance because diversity reflects and enables inclusivity and acceptance, which is ultimately what NPOs are all about.

If we set out to build a nation which cherishes and nurtures all our people, then we need to make sure that no one is left behind; and in particular, no woman is left behind. We need to ensure that opportunities to contribute are availed to people from all demographic groups, be they men or women, young or old, no matter the colour of their skin and no matter the size of their wallet. It is only by doing so that we can ensure an inclusive society, harness the full power of our people, and include everyone we can in the good that we do.

Board diversity cannot be changed overnight. NPOs face an enduring challenge to stay relevant, deliver quality services for their beneficiaries and achieve long-term sustainability. The sooner they embrace and pursue greater board and gender diversity, the better their odds of success; and consequently helping enhance Singapore's society.

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The Council for Board Diversity (CBD) was established by the Ministry of Social and Family Development to promote and achieve sustained increase in the number of women on boards of listed companies, statutory boards and non-profit organisations. Visit www.councilforboarddiversity.sg for more information on how you can play a part and how CBD can help increase board diversity in Singapore.

The CBD is working with Centre for Non-Profit Leadership, Ernest & Young and Singapore Institute of Directors to produce a Board Appointment Guide for Charities and IPCs that will provide practical guidance to charities and IPCs on their appointment processes, to achieve greater board diversity and governance standards. The guide should be ready sometime in September 2020.

A separate collection of tips for women who aspire to take up NPO board roles titled “How Women Can Capitalise on Board Opportunities” is a supplement to this article.

Special thanks to interview guests who shared their perspectives and support so generously



Mr. Edmund Cheng

Deputy Chairman of Wing Tai Holdings Limited, Chairman of Singapore Art Museum, Civil Aviation Authority of Singapore, and Mapletree Investments



Ms. Anita Fam

Chairman of National Council of Social Service and Assisi Hospice



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Founder and Executive Chairman of Banyan Tree Holdings Limited; Founding and current Chairman of the Board of Trustees of Singapore Management University; and Chairman of The Singapore Summit



Mr. Lee Tzu Yang

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