

**Design and Implementation of  
a Scheme for Accreditation of  
Company Directors by  
The Hong Kong Institute of Directors  
in Advancing Corporate Governance**

A project submitted to Middlesex University  
in partial fulfillment of  
the requirements for the degree of  
**Doctor of Professional Studies**

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**National Centre for  
Work Based Learning Partnerships**

**Middlesex University**

May 2007

Volume One of Two: Main Report

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## ACKNOWLEDGEMENTS

I wish to gratefully acknowledge:-

- Prof Jonathan Garnett for his wise advice and meticulous guidance throughout my study.
- Prof Steven G W Li and the staff of the Middlesex University East Asian Regional Office in Hong Kong for their wise advice and timely help and support.
- Dr Jenny Naish for her wise advice and encouragement.
- Dr Joe Leung for introducing to me the Work Based Learning Programme and Middlesex University and for his encouragement.
- The following parties of The Hong Kong Institute of Directors for their support, encouragement and participation in the project:-
  - The Chairman and Members of Council.
  - The Chairman and Members of Accreditation Committee.
  - The entire membership.
  - My colleagues in the Executive Office and work associates – Ms Susan Ling, Mrs Judy Lau, Miss Yiu Yip-hing, Ms Karin Sze, Mr Sammy Fung, Ms Abo Yeung, Miss Carole Suen, Mr Patrick Ng and Miss Cherry Fung.
- The following persons for their kind assistance in library resources:-
  - Mr Y M Lee, Assistant Director (Libraries & Development), Leisure and Cultural Services Department, the Government of HKSAR.
  - Miss Agnes Lee, Senior Librarian (General Reference), Hong Kong Central Library, Leisure and Cultural Services Department, the Government of HKSAR.

I wish to further express my gratitude to Middlesex University for awarding me the Ken Goulding Prize for Professional Excellence.

## **EXECUTIVE SUMMARY**

This report documents the design and implementation of a scheme for accreditation of members by The Hong Kong Institute of Directors (“HKIoD”), Hong Kong’s premier body of company directors. HKIoD’s mission is to promote good corporate governance and to contribute towards advancing the status of Hong Kong. Its membership of 1,000+ directors from listed, private and non-profit-distributing companies represents a cross-section of the community at large.

Good corporate governance is crucial for the progresses of companies, the economies and the world. While many parties are involved in corporate governance, directors bear the ultimate responsibility and determine the integrity and prosperity of their companies. It is vital that directors continually upgrade their knowledge and practice in fulfilling such duties in a dynamic world.

Demonstration of continuing professional development (“CPD”) is mandatory for the recognized professions. Unlike recognized professionals, directors are not licensed. However, they should uphold professionalism and pursue CPD. Through instigating accreditation of members by requiring them to fulfill CPD on an annual basis, HKIoD embarked on this project as a pioneering private-sector initiative in Hong Kong and a new approach to membership accreditation as compared to major institutes of directors elsewhere.

The project has engaged action research over a long period of 46 months to motivate and mobilize collective action for improvement by members in introducing change in knowledge, attitude, belief and practice. It has gone through various phases of intervention: definition, design, implementation, monitoring and strengthening and finally evaluation. The project results are deemed successful in output, outcome and impact, measured respectively in terms of scale of operations, satisfaction to owners and perceptions of influence by owners, stakeholders and others. A breakthrough for HKIoD, its members and the community, the project has established an implementation model, generated values to many and achieved significant learning outcome for the researcher.

## GLOSSARY OF ACRONYMS

AGM	annual general meeting
AICD	Australian Institute of Company Directors
AIM	Alternative Investment Market, the growth market in the London Stock Exchange.
CG	corporate governance
CPD	continuing professional development
CSRC	China Securities Regulatory Commission
GEM	Growth Enterprise Market (in the Hong Kong stock market)
HK	Hong Kong
HKSAR	Hong Kong Special Administrative Region
HKEx	Hong Kong Exchanges and Clearing Limited
HKIoD	The Hong Kong Institute of Directors
HKMA	Hong Kong Monetary Authority
ICD	Institute of Corporate Directors (in Canada)
IoD	Institute of Directors (in the UK)
IoDs	institutes of directors
IoDNZ	Institute of Directors in New Zealand
KABP	knowledge, attitude, belief and practice
KLSE	Kuala Lumpur Stock Exchange
NACD	National Association for Corporate Directors (in the USA)
OECD	Organization for Economic Co-operation and Development
RQ(1)	Research Question (1): Would members of HKIoD agree that directors should embrace professionalism and to what extent?
RQ(2)	Research Question (2): Would members of HKIoD agree that directors should keep up with CPD and to what extent?
RQ(3)	Research Question (3): What does a reasonable and acceptable accreditation scheme through CPD consist of – scope of CPD activities, time of CPD activities, administration system?
RQ(4)	Research Question (4): Would members take action in response to the implementation of a scheme requiring CPD commencing from 2005?
RQ(5)	Research Question (5): How would the implementation of an accreditation

	scheme be perceived – by members and stakeholders?
SCCLR	Standing Committee on Company Law Review (in Hong Kong)
SEHK	The Stock Exchange of Hong Kong
SFC	Securities and Futures Commission (in Hong Kong)
SMEs	small and medium enterprises

## **CHAPTER 1**

### **INTRODUCTION**

## 1.1 IN SEARCH OF A BREAKTHROUGH IN THE WAY FORWARD

The following statement summarizes what called for the creation of the research project:-

The Hong Kong Institute of Directors, Hong Kong's premier body representing professional directors, seeks a breakthrough in the way forward via collective action of impact by members, which is in line with HKIoD's mission of promoting corporate governance and contributing towards Hong Kong's international status.

Over the past two decades, corporate governance has been a major driver of impact for the progress of the economic world. On the international platform, the issue is receiving intense and high-profile support from such bodies as the World Bank and the Organization for Economic Co-operation and Development ("OECD"). Former World Bank President James Wolfensohn commented that corporate governance is now "as important to the world economy as the government of the countries" (IoD, 2005: Foreword).

Corporate governance is seen to be crucial to the shaping of the world in the 21st Century. Eric Burgeat, Director of Centre for Co-operation with Non-Members, OECD, remarked on the significance of good corporate governance post Asian crisis "not only for individual corporations to raise capital but also for an economy to achieve sustainable growth" (OECD, 2001: 3). Sir Adrian Cadbury remarked that the "way ahead lies in ensuring the fruits of good governance....are widely and wisely shared, thus playing a positive part in the goal of the developed and developing world to alleviate poverty" (Claessens, 2003: Foreword).

The enhancement of corporate governance and empowering of its owners and stakeholders are key concerns in the development plan of each economy. This research project addresses the continuing professional development of directors to facilitate them in their role of responsibilities for corporate governance.

This introductory chapter of the project report reviews the developments of companies, directors' role, corporate governance and HKIoD. These form the basis thinking for the creation of the research project. In the review, this chapter argues for the fitness of purpose of the project.

## **1.2 HISTORICAL DEVELOPMENT AND WORLD TRENDS**

### **1.2.1 The Corporate Form**

Economic activities started in time immemorial in transactions between business entities. Early business entities took on the form of sole traders and partnerships. Gradually, business entities evolved to the organizational form of companies or associations of persons. Some companies can trace their history to hundreds of years. For example, trading opportunities with the East Indies gave rise to the well known historic organizations of the East India Companies in the 17<sup>th</sup> Century. The Japanese firm Kongo Gumi, which was founded in the year 578, had been the oldest continuing-operating business in existence until it was liquidated in early 2006 ([http://en.wikipedia.org/wiki/Kongo\\_Gumi](http://en.wikipedia.org/wiki/Kongo_Gumi)).

Business in the corporate form began to develop in the Middle Ages, prevalent among ecclesiastical orders, universities and town governments. The principle of limited liability was recognized in the 15<sup>th</sup> Century by the courts of England (The New Encyclopaedia Britannica, 1989: Vol 15 412) but did not start to promulgate until the mid-19<sup>th</sup> Century, after the British act of 1855 that limited the liability of shareholders. Since then, the limited-liability company has become the most popular business vehicle and a prime mover of economic activities. In a limited company, shareholders undertake the responsibility of investment with limited liability and are not obliged to manage the business themselves. They delegate the management of their investment in the company to a board of directors, who upon being entrusted assumes the fiduciary duty of the company.

The operation of the corporate form under statute started in the 19<sup>th</sup> Century under British company law, which has since exercised influence around the world as the basis of company law in places such as Australia, Canada, Hong Kong, India, New Zealand, Singapore and South Africa. The linkage of the company law of various places to that of the UK remains but various jurisdictions have made customization – with the UK company law running to about 700 pages, Hong Kong to about 400, Singapore to about 600 and tax haven British Virgin Islands to 100 (Tricker, 1996: 27).

### **1.2.2 Directing and the Director**

The term “direct” originates from the Latin word *directus*, carrying the meaning of, *inter alia*, “guiding”, “instructing”, “keeping in proper order”, “controlling” and “governing the actions or movements of”, in the context of a company (The New Shorter Oxford English Dictionary on Historical Principles, 1992: Vol I 679).

Derived from “direct”, a “director” in the context of a member of the board therefore carries the meaning of a person who directs, governs or guides. The title of “director” is sometimes used in a senior corporate position which holds the strategic responsibility of a portfolio within the company, eg marketing director, administration director, associate director. However, in international studies of corporate governance, a director refers to a member of the board, which is the highest in the hierarchy of a company. A member of the board of directors is “formally nominated and appointed by the members of the company at a properly convened meeting in accordance with the Articles of Association of the company” (Tricker, 1996: 82).

There is a variety of “director types”, notably executive director, non-executive director, independent non-executive director, nominee director (eg nominated by a major shareholder), representative director (eg representing a trade union), alternate director. Regardless of their titles, these different categories of directors carry equal votes and responsibilities on the board (Lau, 2006). While the board is collectively responsible for its decisions, the directors are individually responsible for their own conduct.

**Commentary:** As the board of directors is delegated by the shareholders to govern the company, relationships among the shareholders, the directors and the company must be *defined and managed*. This falls within the framework of corporate governance, the consequential area of address in the research project.

### **1.2.3 Definitions of Corporate Governance**

There are various definitions of the term “corporate governance”, highlighting different perspectives to different stakeholders, but there is no conflict or contradiction among the various versions.

The genesis of “governance”, according to Sir Adrian Cadbury, can be traced to Chaucer, with the connotation wise and responsible, based on its Latin root *glubernate* meaning “to steer” and conveying the action or method of governing when associated with companies. Sir Adrian further observes that the corporate governance of the East India Company of the 17<sup>th</sup> Century, with its structure of Court of Proprietors and Court of Directors, was no different from the corporate governance of today in structure and issues (Cadbury, 2002: 1-6). The seeds of modern corporate governance were probably sown as a result of the Watergate scandal in the United States, which drew public attention to control failures that allowed several major companies to make illegal political contributions and to bribe government officials. This led to US legal and regulatory reforms in the late 1970s.

According to economist and Nobel laureate Milton Friedman, corporate objective is to conduct the business in accordance with owner or shareholders’ desires, which are in line with increasing wealth and conforming to rules of law and local customs (Friedman, 1970). Over time, this scope of relationship between company and shareholders has broadened to cover the interests of not only shareholders but also stakeholders.

Prof Bob Tricker states that corporate governance addresses “the way power is exercised over a corporate entity” and the issues facing a board of directors, such as the interaction with top management, and relationships with the owners and others interested in the affairs of the company (Tricker, 1996: 78).

Following a series of corporate scandal in the UK and the USA, the UK Committee on the Financial Aspects of Corporate Governance under the chairmanship of Sir Adrian Cadbury published its Report and Code of Best Practice in December 1992. The Cadbury Report defined corporate governance in key words: “the system by which business corporations are directed and controlled.”

*The OECD Principles of Corporate Governance 1999* defines corporate governance as the institutionalization of “a set of relationships between a company’s management, its board, its shareholders and other stakeholders”. The 2004 revised edition of the *Principles* points out that interest in corporate governance goes beyond shareholders in the performing of the

individual companies. Owing to the impact of companies in generating income and savings for society at large, OECD states that corporate governance is of public concern.

Sir Adrian Cadbury explains very clearly that corporate governance addresses private and public concerns, because it is about “holding the balance between economic and social goals and between individual and communal goals”, with the aim of “aligning as nearly as possible the interests of individuals, of corporations and of society” (Claessens, 2003: Foreword).

The above authorities have defined corporate governance in macro views from various perspectives, invariably covering how a company is governed and the relationships between its board and other parties. A number of theories have evolved. Prof Bob Tricker summarized them into five (Tricker, 1996: 30-32):-

- (i) Stewardship theory, which highlights the trust bestowed upon directors by shareholders to undertake the fiduciary duty of a company.
- (ii) Organization theory, which expands the organization chart that used to peak with the CEO by the superimposition of the board of directors.
- (iii) Stakeholder theory, which raises corporate governance to a societal level beyond shareholders as those interested in the affairs of a company, prevalent in the environmentally concerned world of the 1990s.
- (iv) Agency theory, on the basis of the human nature of self-interest presenting the relationship between the directors and the shareholders as a contract.
- (v) Theory of the firm, which as a significant element of financial economics is built with important components in the agency theory and its related transaction-cost economics.

**Commentary:** Corporate governance bears impact on the people directly involved in it and society at large. Such significance calls for study and mastering, which is the driving principle of the research project.

#### **1.2.4 On-going Development of Corporate Governance Principles**

The 1992 Cadbury Report of the UK states the duties of the board of directors and board practices with the provision that, *inter alia*, directors should report on the effectiveness of a

company's system of internal control. In follow-up of the Cadbury Report, a number of studies took place to advance corporate governance principles with significant releases. The 1995 Greenbury Report addresses directors' remuneration. The 1998 Hampel Report assesses the impact of Cadbury and presents progressive elements, extending directors' responsibilities to risk assessment and management. The Combined Code appended to the Listing Rules of the London Stock Exchange has extensive coverage on the boards' responsibilities in internal control and accountability of controls to shareholders. The 1999 Turnbull Guidance on corporate governance stipulates the board's on-going responsibility in risk management. The 2003 Higgs Report addresses the role of independent non-executive directors in great depth presenting some controversial issues. The New Combined Code of 2003 implements some of the major recommendations of the Higgs Report.

Other major reviews indicated the international trend of putting the study of corporate governance in spot-light. They included the 1993 Hilmer Report and Bosch Report of Australia, the 1993 Code of Best Practice of the Stock Exchange of Hong Kong ("SEHK"), the 1994 American Law Institute Report, the 1994 King Committee Report of South Africa, the 1994 Toronto Stock Exchange Report, the 1995 International Capital Markets Group Report, the 1996 Hong Kong Society of Accountants Report, the 1996 CalPERS Report, the 1997 Corporate Governance Forum of Japan, the 1998 APEC Symposium Report, the annual OECD Roundtables on Corporate Governance, the 2002 Sarbanes-Oxley Act in the wake of major scandals, the 2005 new Listing Rules and Code on Corporate Governance Practices of SEHK, etc.

The above are, however, ethnocentric with Western philosophy as the underlying ideological paradigms. In the Eastern world, specific cultures come into the scene, although the Western practices of corporate governance exerts significant influence over the Eastern economies, which are vying for capital from the international investment markets. For example, Chinese corporate governance has developed with some Western principles and is characterized by multiple lines of control, a Supervisory Board structure different from the European two-tier board, and power probably residing with top management and officialdom (Tricker, 2003: 51-52; Lau, 2006). (Note that in this project report, China refers to Mainland China, which excludes Hong Kong, Macau and Taiwan.) Another example of cultural differences is Japanese corporate governance, characterized by large board sizes, interlocking directorships

and cross-holdings, traditional path of promotion to the board and minimum intervention from the outside (Tricker, 2003: 126-128).

Recent cases of scandals such as Enron and WorldCom drew alarming attention to corporate governance among not just practitioners and investors but also people of different walks. The modern-day demand for transparency, aided by the power of the media, contributes towards directly enlightening the mass public on corporate governance and gradually and indirectly educating the individual investors *caveat emptor*.

The world is dynamically changing. With the changing nature of the expectations that boards have to meet, concepts and practices in corporate governance evolve and develop with time. Sir Adrian Cadbury sums it up very well by saying “corporate governance is a process, not a state” (Claessens, 2003: Foreword).

**Commentary:** The dynamic evolution of thinking and practice in corporate governance calls for **ongoing updating** of knowledge, the key appeal message in the research project.

### **1.2.5 Good Corporate Governance Pays**

The benefits of good corporate governance were primarily identified as associated with the well-being of a company. Anne Simpson, former Head of Secretariat at the Global Corporate Governance Forum founded by the World Bank and OECD, commented that getting the basic principles of corporate governance right is “key to a company’s integrity, efficiency, long-term growth and profitability” (IoD, 2005: Foreword).

The benefits of good corporate governance from the micro perspective of the company to the macro perspective of the economy are well summarized by Prof Stijn Claessens into five areas (Claessens, 2003: 14-24):-

- (i) Increased access to external financing for companies, leading to larger investment, growth and employment.
- (ii) Lowering cost of capital, again leading to larger investment, growth and employment.
- (iii) Better allocation of resources and better management, leading to wealth creation.

- (iv) Reduced risk of financial crises, leading to reduced risk of large economic and social costs.
- (v) Better relationships with all stakeholders, leading to improved social and labour relationships and aspects such as environmental protection.

Institutional investors worldwide are prepared to pay a premium when investing in companies with good corporate governance. According to the McKinsey Global Investor Opinion Survey of July 2002, there is a definite link between good corporate governance and investment, as evidenced by the average premiums that institutional investors were willing to pay for good corporate governance at 12%-14% in North America and Western Europe and 20%-25% in Asia.

Following the above trend, rating systems have been developed to score the corporate governance practices of companies. The Standard & Poor's Corporate Governance Scores are based on the four key criteria of (i) ownership structure and influence, (ii) financial stakeholder relations, (iii) financial transparency and information disclosure and (iv) board structure and process (Standard & Poor's, 2002). CLSA teams up with Asian Corporate Governance Association in an annual study to rate countries/territories on corporate governance performance, using a rigorous survey methodology based on factors including, *inter alia*, rules and regulations, enforcement, political and regulatory environment, international accounting and auditing standards and corporate governance culture (CLSA, 2005).

**Commentary:** The market ratings help to highlight where credits are due and guide investment. They are also useful references in the promotion of corporate governance to companies and directors, who may be driven by self interest rather than societal benefits. Hence, the research project is appropriately armed with sufficient incentive to promote corporate governance among directors.

### **1.2.6 Participants and Forces in Corporate Governance**

A diverse group of persons takes part in corporate governance. A number of forces are at work to push for good corporate governance.

Accountants, auditors, investment bankers, legal advisers and company secretaries all have a role in corporate governance. They approach corporate governance from the perspectives of professional advisers particularly in the fulfillment of compliance.

The Cadbury Report 1992 outlines the *ultimate* responsibility of corporate governance as follows: “Boards of directors are responsible for the governance of their companies. The shareholders’ role in governance is to appoint the directors and the auditors to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company’s strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship.” *The OECD Principles of Corporate Governance* states that the board is the main mechanism in the corporate governance framework charged with “the strategic guidance of the company, the effective monitoring of management ..... accountability to the company and the shareholders.”

Four forces are identified to be at work in shaping boardroom reforms in corporate governance. They are (i) market discipline, (ii) regulatory discipline, (iii) corporate discipline and (iv) professional discipline.

Market discipline and regulatory discipline come from forces external of a company. Market forces include institutional investors, individual investors, financial institutions such as banks and life insurers, pension funds, government as equity holders, corporate governance rating agencies, fund managers, stock analysts, the media, shareholders activism, international and regional comparisons. Regulatory discipline covers company laws, listing rules, disclosure requirements, codes on corporate governance, stock exchanges, securities regulatory bodies, other regulatory bodies such as for the banking industry and insurance industry, anti-corruption commissions, etc.

Corporate and professional disciplines are primarily self-discipline from within the company and among practitioners. Among the vast number of companies in existence, there are inevitably pioneers, followers, ostriches and dodgers with regard to corporate governance. Factors contributing to corporate self-discipline are the interplay of market and regulatory

forces, corporate board self-enlightenment, director training and education and certain directors functioning as catalysts. Professional self-discipline primarily comes from the professionals serving as corporate advisers such as the accountants, auditors, lawyers and company secretaries in terms of compliance. These professionals are backed and driven by their respective professional bodies and associated codes of conduct.

A recent force has emerged from the institutes of directors (“IoDs”), with its advocacy, facilitation and networking platforms for directors – a silent revolution gradually taking place.

**Commentary:** As directors are ultimately responsible for corporate governance, an opportunity arises in capacity building through education, training and various ways of development in order to empower directors in the fulfillment of their responsibilities. And this is applicable globally. In-keeping with world trends, the research project helps to drive the capacity building action for directors in Hong Kong.

The development modes of corporate governance can be categorized into evolutionary and crisis-driven.

Countries such as the UK, USA and Australia have in the main followed an evolutionary approach in advancing corporate governance with the introduction of legislative and regulatory stipulations as well as change of culture through education, largely private-sector activities. At times crises played a role in prompting reforms, such as the Sarbanes-Oxley Act. Major scandals have all focused public attention and discussions on the conduct and behaviour of directors in discharging their duties.

In Southeast Asian countries, corporate governance was brought about as an awakening action by the financial crisis towards the end of the 20<sup>th</sup> Century. The awakening message to Asian countries is that the long-term healthy development of financial markets depends on sound macro-economic policies at both domestic and international markets as well as good corporate governance practices in building fair, orderly and transparent financial markets. In these countries, the governments and regulators play an active role in legislation, regulation as well as promotion and education.

Taking cognizance of the recent crises, a third mode of development emerged as the fast-track approach that China took, with the introduction of corporate governance as a top-down national initiative, promulgated with the help of the regulatory bodies through establishing and enforcing rules.

The notable phenomenon is that worldwide there is no requirement to license directors, because this is in line with the spirit of free enterprise. The spirit of free entry to economic activities specifies a very low threshold for director qualifications. It is, however, a universal trend for governments and regulators to promote and encourage director training and development.

**Commentary:** With all forces at work pushing for good corporate governance, companies and particularly their boards are faced with the pressure for initiatives of a self-discipline nature. Professional IoDs are the most likely bodies to provide directors with support. HKIoD finds its way in intensifying such a significant role in Hong Kong through the research project.

**Summing up:** Directors assume the pivotal role of corporate governance and accountability to shareholders and stakeholders for the performance and future of the company. They ultimately influence the development of the economy and the world. It is crucial that directors practise state-of-the-art corporate governance, as indeed driven by various market forces. Thinking and practice in corporate governance are in continuing evolution in pace with development of international economics and business. Hence in fulfilling their responsibilities, directors must continually update themselves. IoDs worldwide are assuming an increasingly strong role in driving this initiative. Set against this background, the research project emerged as HKIoD's contribution towards this initiative in the Hong Kong context.

## 1.3 THE HONG KONG CONTEXT

### 1.3.1 Background

As a Special Administrative Region (“SAR”) of the People’s Republic of China and a former British territory, Hong Kong operates under a constitution in the form of the Basic Law, a jurisdiction with a legislature based on British and common law as well as a business environment in synchronization with the developed world. **Table 1** presents key statistics and highlights the vibrancy of the economy of Hong Kong in statistics.

Table 1: Hong Kong in Statistics December 2005. Sources: Census and Statistics Department, The Government of HKSAR; SEHK.

Population:	6,970,800	
Labour Force:	3,586,300	
Per Capita GDP at Current Market Prices:	HK\$199,282	US\$25,549
Per Capita GDP at Constant Market Prices:	HK\$233,698	US\$29,961
Number of Companies on Register:-		
Local Companies:	549,232	
Overseas Companies:	7,488	
Total:	556,720	
Average Number Per Year over the Past 5 Years:-		
Companies Incorporated:	54,755	
Companies Dissolved:	47,191	
Companies Registered in Other Regions:-		
Companies with Regional Headquarters in HK:	1,167	
Companies with Regional Offices in HK:	2,631	
The Stock Exchange of Hong Kong:-		
Number of Listed Companies on the Main Board:	934	
Number of Listed Companies on the GEM Board:	205	
Total Market Capitalization of the Main Board:	HK\$8,113,333M	US\$1,040,171M
Total Market Capitalization of the GEM Board:	HK\$78,910M	US\$10,117M
Average Daily Turnover Value of the Main Board:	HK\$18,974M	US\$2,433M
Average Daily Turnover Value of the GEM Board:	HK\$201M	US\$26M
(Note: “GEM” stands for Growth Enterprise Market – the secondary market in Hong Kong for growth enterprises.)		

Governed under the principle of “one country two systems”, Hong Kong has since the return of sovereignty to China on 1 July 1997 continued to be a free-market economy, characterized by a high degree of internationalism, business-friendly environment, rule of law, free trade and free flow of information, open and fair competition, well-established financial, transport and communication networks, a well-educated workforce complemented by a pool of efficient and energetic entrepreneurs, substantial foreign exchange reserves, a fully convertible and stable currency and a simple tax system with low tax rates.

For the past 12 years, Hong Kong has retained its rating as the freest economy in the world in the *Index of Economic Freedom* released by the Heritage Foundation. The International Monetary Fund classifies Hong Kong as an advanced economy. Other highly regarded institutions have also rated Hong Kong high in terms of competitiveness and performing as a host for foreign direct investments in Asia. (The Government of HKSAR, 2005) In terms of corporate governance, Hong Kong has been ranked among the top two in Asia (CLSA, 2005). Among stock exchanges, SEHK ranks eighth in the world and second in Asia.

**Commentary:** A sophisticated economy like Hong Kong must maintain its international competitiveness and status. The interesting irony is that the freer an economy is, with a *laissez-faire* philosophy of the government, the bigger hardship the private sector is faced with, particularly where culture-driven initiatives are required. Hong Kong companies begin to be hit by competitive challenges when their counterparts in Asian countries receive increasing government aids and support to raise competitive edge. As the Hong Kong government has no intention of changing its *laissez-faire* policy, the private sector has to work harder with its entrepreneurial spirit and creative strategies to militate competition. Opportunities arise for professional bodies and trade associations to facilitate some form of support for the private-sector firms. The research project enables HKIoD to push for private-sector initiatives in director development.

### **1.3.2 Development of Corporate Governance in Hong Kong**

The development of corporate governance in Hong Kong has in the main followed an evolutionary approach similar to that in the UK and USA, with changes for improvement to

meet the dynamic needs of the economy, to observe world trends and, at times, as prompted by crisis.

The economic crash in October 1987 caused by a crisis among deposit-taking companies exposed related-party lending by controlling shareholders and insiders. This resulted in the establishment of Hong Kong Monetary Authority and Securities and Futures Commission (“SFC”) and the reorganization of SEHK with a beefing up of the Listing Rules. In the 1990s, Hong Kong experienced successive legal and regulatory reforms, including changes to the Listing Rules with the release of a Code of Best Practice, enactment of the Securities Disclosure Ordinance and the establishment of an Insider Dealing Tribunal. The Asian financial turmoil ushered in the transition to the 21<sup>st</sup> Century with the hosting of major conferences on corporate governance organized by multilateral agencies such as OECD, World Bank, Asian Development Bank and Asia-Pacific Economic Council.

Into the first five years of the new millennium, Hong Kong experienced further reforms in the Companies Ordinance, the Securities Ordinance and the Listing Rules with its new Code on Corporate Governance Practices. In all these, the philosophy is to strike a balance between international developments and local market needs. Of significance addressing not just the listed companies but **all** companies, the Companies Registry issued a set of *Non-Statutory Guidelines on Directors’ Duties* in 2004.

Government leaders take an active role in the promotion of corporate governance and related director practices. The Hon Donald Tsang, Chief Executive of the Government of Hong Kong SAR, commented: “No one can dispute the importance of the helmsmanship of directors who have corporate governance at heart. Directors play an indispensable role in guarding against corporate malpractice.”

Professional advisers, banks, institutional investors, life insurers, pension funds, the government as holder of equities and foreign direct investments in Hong Kong all contribute as forces inducing high standards of corporate governance. Although they do not aim to directly influence the corporate governance of individual firms, their investment decisions are steered towards companies that adhere to best corporate governance practices. Although their investment may not be substantial enough to warrant a controlling interest in a company, they

do, on occasion, exercise their rights as minority shareholders. (Tsui, 2003)

**Commentary:** Albeit that Hong Kong's overall rating of corporate governance is high, that government leaders take a high-profile approach in promotion and that influencing forces are at work, there is a wide range in corporate governance performance among the 500,000+ companies registered in Hong Kong. Listed companies are obliged to follow stipulations of the SFC and SEHK. But even among the listed companies, qualities of corporate governance vary, as evidenced in findings of the *HKIoD Corporate Governance Score-card 2004*, which rates the top 168 listed companies that are constituent stocks of the Hang Seng Indices, eg from the lowest score of 41.67 to the highest score of 81.67 in the aspect of board responsibilities (HKIoD Score-card, 2004). The great majority of companies (by number, not by market capitalization) constitute the private companies, mostly small and medium enterprises ("SMEs"). These are the companies that need to be nurtured in corporate governance. Some of them may one day be turning to the public for investment via listing. By invoking collective action among HKIoD members, the research project is a major attempt in aligning universal director action across listed, private and public companies in a sub-set of the community at large.

**Summing up:** A leading international financial centre, Hong Kong operates on the principles of a free economy. In the absence of intervening government policies to help fight regional competition, the huge and diverse mass of companies needs to be supported by private-sector professional bodies and trade associations. This need is particularly prominent in director development in addressing the enhancement of corporate governance, not only among listed companies, but also across all types of companies. Through HKIoD's intervention of behaviour of members from listed, private and public companies, the research project demonstrates self-initiative in private-sector support of the enhancement of corporate governance and development of the economy.

## **1.4 THE ORGANIZATION – THE HONG KONG INSTITUTE OF DIRECTORS (“HKIoD”)**

The Hong Kong Branch of the UK Institute of Directors (“IoD”) was set up in 1991. On 1 July 1997, the IoD Hong Kong Branch converted to The Hong Kong Institute of Directors as an independent body while continuing to maintain an affiliation with IoD and to network with equivalent bodies in other territories.

Within nine years, HKIoD has been transformed from a small group of over 100 members consisting largely of expatriates to a major local institute with mission, image and identity of influence representing over 1,000 predominantly local directors. From only a few luncheon gatherings in 1997, the programmes of HKIoD have advanced to many leading-edge activities – structured training programmes for directors, flagship publications of guidelines for directors, standard-setting recognition of outstanding directors, sources of information and views on corporate governance issues to government, the media and directors at large etc. A relatively young, non-mandatory and non-statutory organization, HKIoD has emerged as a recognized body on par with the long-established and statutory societies and one that other Asian equivalent bodies as well as the authority in China refer to on many occasions.

**Appendix 1.1** presents the HKIoD Annual Report 2005 with more background details.

**Commentary:** HKIoD is ready for a breakthrough to enhance its status from a representative, educational and networking organization to a standard-setting professional authority. The research project presents a challenge to organize a big leap forward for HKIoD that not only contributes towards establishing culture in the private sector, but also generates solidarity and boosts morale among members.

## **1.5 USE OF DOCUMENTS / LITERATURE RE BOARD / DIRECTOR COMPETENCE AND DEVELOPMENT**

A number of authors have pointed out the role of the board in conformance as well as performance. This means that the board must “simultaneously be entrepreneurial and drive the business forward whilst keeping it under prudent control” (IoD, 2001: 5). The HKIoD Statement of Definition for Corporate Governance refers to corporate governance as “the system of policies and procedures established by the board of directors to direct and control the company’s performance and behaviour in order to achieve sustainable shareholder value.” Associated with these are the necessary knowledge and skills in strategic direction.

In his treatise on boardroom excellence, Paul Brontas cites a host of qualities, including experience, knowledge, attitudes, personality, ethical values, diplomatic skills, communication skills and the ability to set the right tone. From his observation of best-run public companies, in an excellent board the five “I’s” prevail: Independence, Integrity, Informed, Involved and Initiative. The “Informed” refers to board members being up-to-date with the company’s business, industry, competitors and finances. He also calls for directors’ preparedness for continuing education, to be familiar with both the company’s developments and external developments that affect the company. (Brontas, 2004: 49-58; 148-152) Indeed, the call for continuing learning by directors is prevalent. For example, John Carver states in one of his *CarverGuide* series the strategy of orientation for board members, followed by “continual updating of skills and refurbishing of understanding” (Carver, 1997: 8).

Bob Garratt believes that organizational learning processes are applicable as much to the board as to the rest of the organization. He maintains that directors should be engaged in continuing learning, in reflections, in taking visionary perspectives and in converting thinking from specialists to generalists. With the learning cycle from induction to inclusion, competence, personal development, plateau and transition, he advocates that boards should have the commitment and financial support for a director development programme. (Garratt, 1987: 27-29, 45-55, 124-125) Garratt has derived the model of the learning board, which is the centre and business brain in the four key areas of policy formulation, accountability, strategic thinking and strategic management. (Garratt, 1996: 43-46) In response to

commissioning by the Commonwealth Association for Corporate Governance in 1998, Garratt developed a set of globally applicable fundamental duties for directors and boards. One of the ten duties is “the duty of learning, developing and communicating”. He states that there is the need “not only to train as a director but to undertake regular appraisal and continuing professional development, both as a director and as a total board”. (Garratt, 2003: 82-114)

Angela Vint and Des Gould believe that corporate renewal to bring about change is an ongoing necessity. This means being open-minded and continuing learning, particularly at the board and directors level. They maintain that the challenge of leadership by directors is to renegotiate the leadership contract, an implicit contract between the leaders and followers, secured through a commitment to life-long learning. While they have a comprehensive list of directorial knowledge, skills and attributes, Vint and Gould draw a distinction between training and development for directors. Aiming to improve competence in a particular area, training is task-based and passive. Development focuses on the person and calls for the individual’s conscious efforts from self-understanding to learning new approaches and developing new attitudes. It is through this process of personal development that directors become more proficient in directing. Director development programme, as stated by Vint and Goud, is a necessary ongoing process for individual directors and the board as a team. (Vint et al, 1998: 65, 93-102, 110-116, 144-151)

**Commentary:** With the arguments of the positive values of corporate governance and the ultimate responsibility of the board of directors, it is logical to deduce that boardroom excellence contributes towards good corporate governance and director competence contributes towards board excellence. The above literature confirms that the continuing development of directors helps to widen their horizon and bring about competence in their board roles of corporate governance, the underpinning principle of the research project. The moment of truth is to what extent directors realize that they have to continually develop themselves for the board role and to what extent directors take action on self-development. It remains the mission of the research project to influence and materialize such action on self-development by directors.

## 1.6 PERSONAL CONTEXT

I brought experience and expertise gained from my career of 30+ years in work and public service to the entry point of my DProf study programme in 2002. Since then, I have completed the following study modules:-

- Review of Learning (DPS 4520), which argues for my eligibility for the pursuit of the study programme in visionary plans, skills, learning capacity, pioneering spirit and connections.
- Level-4 RAL in Professional Learning, which demonstrates that I have mastered the director professional knowledge and credentials necessary for implementing the research project.
- Level-4 RAL in R&D Project Capability, which demonstrates my proven capability in implementing large-scale and complex projects with two successful examples.
- Level-5 RAL in Advanced Developments in Professional Practice, which claims the sophisticated learning I have acquired through my leading-edge endeavours and enterprising innovations as CEO that transformed HKIoD from a basic organization to a recognized representative body, going through successive breakthroughs, ready for yet another significant milestone via the research project.
- Research and Development for Professional Practice (DPS 4825), which outlines my choice and rationale of R&D methodology for the research project.
- Programme Planning (DPS 4541), which formalizes my tri-partite learning agreement, outlines the elements of my study programme in a coherent and integrated plan and presents my proposal for the research project.

Subject to presentation to the examination panel, this project report detailing the design and implementation of the research project forms the final component of my overall learning journey on the DProf programme.

**Appendix 1.2** illustrates a summary of my credentials and programme plan, while **Appendix 1.3** is an extract of my Learning Agreement detailing an integrated plan of elements in my study programme.

## **1.7 REFLECTIONS AND PERSONAL LEARNING OUTCOMES**

The world is forever changing and expectations for corporate boards are forever increasing, hence resulting in continuing reforms and educational efforts at the international, national and domestic levels. Major scandals associated with failures in corporate governance continue to be uncovered. These malpractices are due to ignorance in some cases and unethical conducts or greed in some other cases. Malpractice needs to be corrected; the ignorant needs to be enlightened; the unethical needs to be penalized. Education and professional development play a major role in these. Although crooks will always be crooks, continuing promulgation of the proper messages helps to deter some of the unethical conducts. Sustaining the promotion of good corporate governance is the key. The ongoing promotion and enhancement of corporate governance will continue to be multi-prong actions among the public sector and the private sector, involving administration, education and training as well as the enlightening of the public and development of a self-disciplining business culture.

Through the learning of the development of corporate governance, I have gained in-depth appreciation of its impact, from historical times to modern days, from the corporate to the board and to its members, from the global world to Hong Kong, from the entire community to HKIoD as a group and to its members. To add value to Hong Kong, HKIoD must contribute towards the promotion of corporate governance with action that reaches new frontiers and helps Hong Kong to retain its competitiveness. HKIoD also owes a responsibility to its members in helping them to nurture director competence.

From the above conclusion of rationale, I am certain that HKIoD is poised for change and action in generating a proactive director development programme among members.

My personal learning outcomes in this part of the project include:-

- Leading-edge knowledge, in both width and depth, of corporate governance. I am on the pulse of the latest development of various jurisdictions in such issues as Listing Rules, Codes, related compliance, comparative disclosure-based regimes, corporate practices.
- Astute analyses and syntheses of the critical success factors of corporate governance. They include the balance of shareholder and stakeholder interests, accountability to the company and its community, interplay of major forces at work, director commitment and capability in fulfilling corporate governance, conformance and performance.

- Deductive reflections on the needs in the promotion of corporate governance. These address the benefits to company performance, directors in their responsibility and career development and the economy at large to maintain competitiveness.
- Deductive reflections on the hindrances challenging the promotion of director development. They are due to lack of proactive government mandates or incentives and the vast diversity in background and understanding of directors at large.
- Creative evaluation of the way forward to advancing corporate governance in Hong Kong and expanding the horizon for HKIoD. This leads to the search for a breakthrough that mobilizes collective action of members.
- Forceful presentation of the arguments in this chapter for developmental purpose. This enables me to convince my supervisors and peers to work together in seeking the breakthrough.

## **CHAPTER 2**

### **TERMS OF REFERENCE**

## 2.1 INTRODUCTION

### 2.1.1 Project Title and Project Aim

My **Project Title** is:-

Design and Implementation of a Scheme for Accreditation of Company Directors by The Hong Kong Institute of Directors in Advancing Corporate Governance
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My **Project Aim** is:-

“Creation and implementation of a scheme for accreditation of directors effective in 2005 through exercising continuing professional development that is acceptable to and practicable for members of The Hong Kong Institute of Directors so as to establish a culture of self-discipline to facilitate the enhancement of standards of professionalism among directors and of corporate governance in Hong Kong.”
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“Accreditation” refers to the action of gaining belief or influence for or making credible. An accredited person is one who is officially recognized. In professional context, accreditation involves the processes of establishing the competencies of a person in performing the role of a professional, through licensing or other form of recognition, which at times calls for examination and very often proof of going through continuing professional development on an annual basis, as administered by an authorized or recognized professional body. Unlike the professions of lawyers, accountants, medical doctors, engineers, etc, the accreditation of company directors is not yet a universal practice, although there are some isolated examples of regulator-initiated efforts (in China and Malaysia) and private-sector-initiated efforts (IoD in the UK and AICD in Australia etc). The proposed accreditation of directors will be a pioneer in Hong Kong.

“Continuing Professional Development” (“CPD”), sometimes referred to as “Continuing Professional Training” (“CPT”) or “Continuing Professional Education” (“CPE”), is the practice whereby a professional undertakes to acquire up-to-date knowledge and skills related to the profession, through formal training or development programmes or self-study, often in compliance with requirement imposed by a professional institute in order to renew a professional membership or a licence to practise.

### **2.1.2 Project Objectives**

The project involves effecting a **change** of knowledge, attitude, belief and practice (“KABP”) of members of HKIoD in the engagement of CPD, thereby proving that the practice of accreditation by CPD requirement among directors is applicable to Hong Kong as in other places, that our members will see the value of CPD and that our members will put CPD into practice. With this change and proof, the project aims to benefit our members, HKIoD and the economy at large as follows:-

- To secure near-term results of:-
  - Enhancing the notion of “ready to learn” among members through mandating CPD.
  - Facilitating members to raise their competence level and spirit of professionalism as directors through the continuing pursuit of learning.
  - Setting examples to other directors through the change of members’ KABP.
  - Enabling HKIoD to reinforce its authoritative status and move towards joining the league of advanced IoDs with a demonstration of high standards required of members.
- To pave the way for generating medium-term benefits of:-
  - Helping to enhance the quality of boards through developing continually learning directors.
  - Helping companies to enhance governance practices, improve corporate image and attract investment through developing boards of directors with updated knowledge.
- To establish the platform for developing longer-term impact of:-
  - Setting an example through proven implementation of CPD to prompt government and regulatory bodies to take progressive action in promoting or even mandating directors’ professional development resulting in higher standards of practice in corporate governance for the economy.
  - Contributing towards enhancing Hong Kong’s attractiveness for investment and Hong Kong’s standards of corporate governance vis-à-vis international markets.

### **2.1.3 Project Time-Span**

This project straddled over an extended period of 46 months from its genesis with the following development:-

**(1) The Long Prelude – from Gestation to Vision:** September 2002 through August 2004, including the following events:-

- Genesis of the project as a result of my discussion with our Chairman.
- Presentation of project idea and options of director accreditation to the HKIoD Council.
- First test of external views.
- Research into the subject of director and professional accreditation.
- Work with the Accreditation Committee to develop components of accreditation.
- First introduction of CPD concept to members.
- Strengthening the infrastructure of director development.
- Planning for implementation.

**(2) The Project - from Vision to Implementation:** September 2004 through June 2006, including the following events:-

- First members' forum to introduce CPD and poll reactions.
- Consultation and development cycles regarding project feasibility and scheme contents, with involved participation from members.
- Soft announcements, formal release to members and public announcement of the HKIoD Membership Accreditation Scheme.
- Ongoing monitoring of progress of implementation.
- Year-end membership renewal with first-time declaration of CPD undertaken by members.
- Evaluation of first-year implementation.

The project duration was congruent with the emergence of signs of upturn, followed by the unexpected shock of downturn and subsequent upturn of the Hong Kong economy. The prelude would have been a shorter period but was prolonged due to the SARS (Severe Acute Respiratory Syndrome) outbreak. For a period of six to nine months, business activities in Hong Kong almost came to a halt. Instead of launching the project at that time, we resolved to spend more time in strengthening the infrastructural support for the project, which was later deemed a right move.

#### **2.1.4 Resources**

In this project, I worked with the following budget, manpower and tools:-

- A limited financial budget to cover no more than the ordinary costs of printing and

stationery, postage, token incentives for responses to questionnaires, a modest amount for PR service and prudent food and beverage costs for guests in forums and interviews.

- A staff of two full-time executives, five part-time executives and two freelance undergraduates.
- Availability of the HKIoD web-site and e-news system for broadcasting of information.

This scope or constraint is a test on the efficiency of resource utilization, appropriate choices of work approaches to assure of effectiveness and minimization of error and activity re-run through planning and preparation.

## **2.2 PROJECT OWNERS**

### **2.2.1 HKIoD**

The promotion of corporate governance and director professionalism has been the focus of work by HKIoD since inception.

HKIoD's strengths include:-

- the credibility of a Council (ie board), consisting of successful business leaders, and the Chief Executive of the Government of HKSAR as Patron,
- a unique niche as the only body representing directors in Hong Kong,
- solid and recognized programmes on director development and corporate governance implemented since 1997,
- a multi-cultural focal point with international perspectives,
- partnerships with numerous local organizations and
- a windows-on-the-world status through the international network of IoDs.

These strengths together with the organizational culture in peer-group meetings, the international trends of professionalism and the encouragement of private-sector initiatives in director training by government and regulators constitute the necessary favourable influences for implementing the project.

### **2.2.2 Members of HKIoD**

Albeit a homogenous "job category" of company directors, the members of HKIoD are from diverse backgrounds and growing steadily in number, from 700+ at the time accreditation was conceived (2002) to 900+ at the commencement of implementation (2004) and 1,000+ currently (2006).

Members' perspectives of corporate governance practices differ depending on whether they serve listed companies or private companies or non-profit distributing organizations and depending on the stage of growth of their respective companies. A majority of them may share some common characteristics – entrepreneurial and enterprising spirit, oriental culture,

family-controlled business etc.

**Table 2** presents a snapshot from the membership database of HKIoD highlighting profiles of membership.

Table 2: HKIoD Membership Profiles. Source: HKIoD Membership Database.

	November 2004	April 2006
Membership Figures by Grades:-		
Fellows	<b>52%</b> 519	<b>54%</b> 592
Members	42% 424	40% 433
Associates	6% 62	6% 70
Total	100% 1,005	100% 1,095
Note: in inverted-pyramid pattern. Fellow: => 10 years as director Member: 3 to <10 years as director Associate: <3 or 0 year as director		
Director Experience:-		
0 Year	6%	1%
1-3 Years	17%	4%
4-10 Years	<b>27%</b>	<b>30%</b>
11-20 Years	<b>32%</b>	<b>45%</b>
>20 Years	17%	20%
Unknown	1%	0%
Genders:-		
Female	15%	16%
Male	85%	84%
Age Group:-		
18-30	1%	2%
31-40	15%	12%
41-50	<b>43%</b>	<b>38%</b>
51-60	<b>31%</b>	<b>34%</b>
61-70	8%	11%
>70	1%	3%
Unknown	1%	0%
Principal Company Category:-		

	November 2004	April 2006
Listed Companies	<b>32%</b>	<b>25%</b>
Private Companies	<b>59%</b>	<b>38%</b>
Non-profit-distributing Organizations	6%	4%
Others	2%	20%
Unknown	1%	13%
<b>Board Size in Principal Company:-</b>		
<5 directors	38%	<b>44%</b>
5-10 directors	<b>39%</b>	<b>29%</b>
>10 directors	<b>21%</b>	20%
Unknown	2%	7%
<b>Company Size in Number of Employees:-</b>		
1-10 employees	14%	14%
11-50 employees	<b>26%</b>	<b>19%</b>
51-100 employees	12%	9%
101-500 employees	<b>20%</b>	16%
501-1,000 employees	7%	8%
>1,000 employees	18%	<b>23%</b>
Unknown	3%	11%
<p>Note: The government's definition of SME is the engagement in Hong Kong of less than 50 employees in a non-manufacturing company and less than 100 employees in a manufacturing company.</p>		

The above indicates a general pattern of dominance in mature age, over 10 years director experience, male gender, non-listed companies, small to medium board size and over half SMEs, an indication clearly of heavy-weight and entrepreneurial experiences. Strategies in consultation were built around these characteristics. For example, as most of our members reached their status of achievement through conscientious self actualization, we had to maintain a broad mix and balance of activities that contribute to learning outcome and to avoid over-emphasis on classroom training (reference 4.2.1 (2) regarding scope of CPD activities).

### 2.2.3 The Council of HKIoD

The Council, equivalent to a board of directors, consists of 32 members (including myself as the CEO), who but for the *ex-officio* Immediate Past Chairman and CEO are appointed to the Council by election at the Institute's AGM.

Council Members represent a cross-section of business and community leaders. The profiles of Council Members, outlined in the HKIoD Annual Report 2005 (pages 48-59) in **Appendix 1.1**, cover experiences in regulating, directorships of major listed companies, entrepreneurial business development, consultancy services, professional practices such as accountancy, law and engineering, service capacities in public committees, authorities and the legislature, frequent speaking and authoring of papers on corporate governance and director practices, winning of awards etc. They were able to produce decisive results from debates on the contents of my proposals after considering perspectives from regulators, listed companies, private companies and stakeholders (reference 4.1.2 regarding choice of accreditation approach). They constitute a huge source of wisdom, support and networking for me.

#### **2.2.4 The Accreditation Committee of HKIoD**

The Accreditation Committee is one of the committees of the Council originally mandated to monitor world trends in accreditation particularly the development of the UK Chartered Director status and to provide long-term planning for a similar programme in Hong Kong. Upon receiving and discussing my preliminary proposal at the commencement of the research project, the Accreditation Committee was tasked by the Council with the responsibilities of strategies for a practical accreditation scheme and became the key committee of the Council that worked closely with me on the project. The Committee collectively met with me regularly to receive and review my project proposals, draft recommendations and progress reports. Discussions at these meetings formulated recommendations on the project to the Council for ratification.

The Committee was the first group that I reported to regarding development of the research project. Collectively, the Committee was a significant sounding board for this project; individually the Committee Members provided me with wise input and editorial insights for fine-tuning my draft documents.

The Committee consists of the following:-

- A F M Conway (Chairman), Past President of Hong Kong Computer Society and Hong Kong Information Technology Federation as well as a Vice President of the Olympic Committee of Hong Kong, China, well experienced in professional practices and accreditation of professional members and sportspersons.
- Kelvin Wong, also our Deputy Council Chairman.
- Paul Kan, also our Chairman of Training Committee.
- Linda Yung, also our Chairman of Membership Committee.
- Stanley Mok, also our Chairman of Communications Committee.
- Edmund Leung, also our Chairman of Directors Of The Year Awards Committee, a Past President of the Hong Kong Institution of Engineers.
- The CEO myself.

This composition provided the necessary synergy and cross-fertilization of ideas in the critique of the project and in helping to drive it ahead. The involvement of the high-level people in this team also added credibility to the project. In all key reports on progress of accreditation due acknowledgement was given to them by naming the individuals who are team members of the Committee.

### **2.2.5 My Role**

I have the multiple roles of CEO of HKIoD, Project Director of the Membership Accreditation Scheme and worker researcher of the project.

I claim the following credentials for implementing the accreditation project:-

- I have acquired considerable knowledge in the areas of director professionalism and professional development, both as an IT professional and policy maker in professional bodies such as the British Computer Society (Hong Kong Section) in my capacity as its Founder Chairman – which form roots for the project.
- My experience in staff management and coaching gave me a good foundation for developing director training programmes – a key supporting element of the project.
- My international exposure in work and service gave me visionary inspiration to promote the status of Hong Kong – a key objective of the project.
- My competencies acquired in 30+ years of corporate management and my former

entrepreneur venture and on-going public service sharpened my sensitivity in client service, public issues and mass motivation – necessary skills in implementing the project.

- My current involvement in the promotion of corporate governance gave me strong background knowledge in corporate governance – important factor of the project.
- My learning outcome from the pursuit of the various study modules in the Work Based Learning Programme of Middlesex University equipped me with systematic methodology for implementing the project.

The above are illustrated in the document of *Profile and Credential of the Candidate* enclosed in **Appendix 1.2**.

I have worked closely with my core critical communities and our members as a target group. I have cultivated good teamwork spirit among my staff. Over time and with proven track records, I have earned their trust and respect.

The pitfall, however, would be to become complacent. To overcome complacency, I set out to engage in reflexivity from time to time and to use privileged information objectively and diplomatically in order to achieve successful results as a researcher. I aimed to make the accreditation scheme believable and to ensure buy-in and alignment by our members, by sharing to inform and create collective discovery, hence generating ownership and sense of benefit among our members. For example, in every step of polling during the consultation of the project, interim findings were all reported back to members in circulars and published on our website. This action kept our members informed and interested and facilitated the next activity (reference 4.3).

#### **2.2.6 Staff of HKIoD**

I did not work alone. It is important to keep my staff enthusiastic about the project and help them to claim ownership of the project as well. I spared no effort in enlightening them on the sensitivity of their worker researcher roles as well.

My small, dedicated and energetic staff team backs me up with the skills of marketing and organizing meetings, events and training programmes, telemarketing to members and hand-holding members on issues requiring sense, sensitivity and persuasive customer care, surveys

and polls among members, editorial and translation of documents, database management and statistical analyses.

My colleagues command a deep understanding of HKIoD's nature and objectives and act in teamwork efficiency with a service attitude. Their average engagement history with HKIoD is 6-7 years.

In order to help my colleagues to develop a sense of ownership of the project, I have spent considerable time in training and coaching them for this project, ensuring that they fully understand its potential values and impact and educating them on the fundamentals of action research. The successful execution of the project relied to a great extent on the effectiveness of work carried out by my colleagues at the interface with the members.

## **2.3 PROJECT STAKEHOLDERS**

### **2.3.1 Directors and Companies at Large**

Directors at large are potential members. When implemented properly, accreditation may be an incentive and if mishandled, accreditation may be a deterrent for them to join HKIoD. Moreover, behaviour of HKIoD members may serve as a trend setter for directors at large, whose behaviour in turn produces an impact on the integrity and prosperity of their companies. After effecting a change in our members' KABP, the accreditation project may exercise influence by example over directors and companies at large, who therefore constitute our project stakeholders.

A guesstimate can be made of the number of company directors in companies registered and operating in Hong Kong. Firstly, of the 1,000+ listed companies, assuming the average board size is 8 persons and assuming 10% people have more than one directorship, the number of directors of listed companies is well over 7,000.

Although SEHK prescribes standards of corporate governance in its Listing Rules and Code on Corporate Governance Practices (HKEx, 2004) with mandatory disclosure of these practices by listed companies, the performance levels of governance among these companies vary. Some of the Main Board listed companies are role models that have received HKIoD's Directors Of The Year Awards, while some are making progress in governance following the new Rules and Code. The GEM Board companies are not known to perform well, both in market prices and in corporate governance; hence the GEM market is not an attraction to international institutional investors. In view of this, SEHK issued in 2006 a consultation document with regard to the future development of the GEM Board, posing options to abolish the GEM Board and to merge it with the Main Board. There is some voice in the market proposing that the GEM Board listed companies should be under extended scrutiny and responsibility of their respective sponsors particularly in terms of guidance in corporate governance – which would be similar to what the AIM Board of London is doing.

Regarding non-listed companies, with 500,000+ companies registered in the Companies Registry, each one having a minimum of two directors, after discounting probably shelf

companies of say 30%, the number of directors may well be over 700,000. The government's estimation is that 300,000+ companies are SMEs. According to the *Survey on Corporate Governance Guidelines for Hong Kong's SMEs* commissioned by HKIoD in March-April 2003 conducted on a sample of 10,500 SMEs, a majority of the companies are small business units with 10 or less staff and highly-centralized management with decision-making vested in a few individuals. In these companies, perception and knowledge of corporate governance concepts is at the most basic level and practices tend to be basic and informal but become sophisticated as they grow in size and complexity. These SMEs' needs in corporate governance would be to address the resolution of internal disputes, preparation of strategic plans, keeping financial statements, encouraging voluntary audit, use of the corporate governance profile as criteria for financing. (HKIoD Survey, 2003: 5)

The colossal population of directors and companies are difficult to penetrate. HKIoD is reaching out to expand gradually through the warm markets of the associates of our 1,000 strong membership. We can aim to reach directors and companies at large through setting exemplary models in the practice of directors' CPD by our members and publicizing by word of mouth, the media and other marketing strategies.

### **2.3.2 Government and Regulators**

Private-sector initiatives complement public policies and regulations through establishing culture. This is prevalent in the Hong Kong community where the laissez-faire government philosophy is to drive free economy and private-sector self-discipline. For example, the listing regime is towards disclosure-based rather than merit-based, whereby listed companies are encouraged to exceed minimum stipulation of disclosure to attract investment. In many public administrative areas, for example health, business development, environment protection, the government has established regulations and set up funds to nurture private-sector responses through education and publicity. The more self-discipline exists in a community, the less stringent rules are required and the lower cost of enforcement is incurred. Enlightened directors contribute towards a culture of good corporate governance in the community. The potential dual results are: (1) complementing government and regulator efforts in upgrading Hong Kong as an international financial centre and (2) prompting government and regulators to roll out complementary incentive programmes in helping more

director development. Hence, government and regulators are also regarded as project stakeholders.

The legal framework of all companies centres on the Companies Ordinance, which is under regular review by the Standing Committee on Company Law Reform (“SCCLR”) for recommendations to the Legislative Council for legislative changes and which is administered and enforced by the Companies Registry. Based on the UK Companies Act, the Companies Ordinance has undergone series of changes. The recommendation of the SCCLR in 2003 covered, *inter alia*, directors’ duties in corporate governance after its Corporate Governance Review. The government promotes awareness and assumption of responsibility among directors but up till now there is no legislative stipulation in this area. The Companies Ordinance is at the threshold of being reviewed comprehensively and rewritten in its entirety to make it more user-friendly and cover up-to-date issues.

The regulatory framework consists of two tiers. In the first tier, the SFC works with authority from the Securities Ordinance in the regulation of four groups, viz (i) dealers, advisers and related service providers, (ii) Hong Kong Exchanges and Clearing (“HKEx”), (iii) listed companies and (iv) all trading participants. In the second tier, HKEx is composed of the Stock Exchange, the Futures Exchange and the Clearing mechanism. SEHK administers a disclosure-based regulation of listing through the Listing Rules and Codes. With regard to director competence, the only stipulations are in the Code on Corporate Governance Practices that mandates new directors to receive proper induction and annual reports to disclose what programmes individual companies have arranged for director development.

The government and regulators have taken some initial and cautious steps. Given time and demonstration of a proven model such as the accreditation project of HKIoD, they can be influenced to take a bigger step in prompting director development. Indeed, from their inquiries of our progress with the project, we can discern that they are interested in some reinforcement from the private sector. While exerting pressure on the implementation of the project, this also stimulated encouragement for the project.

### **2.3.3 The General Public and the Economy**

Seemingly one step further removed as stakeholders, the general public and the economy would stand to indirectly benefit from a successful accreditation scheme of directors. Though not easy to identify, the general public consists of three significant groups, ie (i) the business community, (ii) the mass investors and (iii) the opinion formers.

The business community extends from the directors and companies at large to the entire workforce. Whilst corporate governance is the ultimate responsibility of boards, in a wider sense every working person has a role to play in complying with the governance of his respective company particularly where accountability and ethics are concerned. The project will set a good example to them in inspiring the learning of corporate governance and in the pursuit of continuing learning.

The mass investors may be directly hit by bad corporate governance. The project would benefit the mass investors by providing a yardstick: that competent directors lead good corporate governance, where investment should go.

The opinion formers including scholars and academia, analysts, advisers and the media help to promote corporate governance significantly. They will be provided with an important factor for measuring board competence and corporate governance

An enlightened workforce, wise decision-making of investors and a culture of promoting corporate governance will add to benefit the economy.

#### **2.3.4 The International Platform**

Promoting continuing development among directors is a trend among IoDs worldwide. HKIoD stands to gain with the successful implementation of the project, in joining the league of advanced IoDs in the international network. Moreover, the Hong Kong model will be shared among kindred organizations and help as a reference case for other IoDs in the same pursuit.

Promoting corporate governance is a worldwide cause. Hong Kong stands to gain with the HKIoD model in demonstrating the discipline of professional directors and contributing to

making Hong Kong an attractive investment market.

### **2.3.5 The University**

Middlesex University is an important stakeholder of this project. Admitted by the University's Work Based Learning Programme, working on this project with the guidance of my Supervisor and applying the R&D methods prescribed by the University, I owe it to the University to make this project a successful case of impact at both local and international levels and to contribute towards learning through this programme of study. Ultimately, I hope that the fruitful and enjoyable experience of learning may inspire other directors to undertake the Work Based Learning Programme.

### **2.3.6 Risk Aspect**

One important area of responsibility of the board in corporate governance is risk management. Risks of loss can cover a wide spectrum, not merely financial loss. Risks must be identified, assessed and managed.

In the proposition of meeting the needs stated in Chapter 1, HKIoD has taken a visionary and progressive step forward, not without risk though. The risks lie not only in loss of members who do not accept the project resulting in reduction of membership figure and income, but also in the following:-

- Loss of confidence of the members.
- Reduction of identification of the values of HKIoD.
- Weakening of the impact of accreditation.
- Deterrent to potential members in joining HKIoD.
- Loss of confidence of external supporters, such as the government and regulators, the media and the public.

In general business terms, to mitigate risk, say reducing from high risk to medium risk or from medium risk to low risk, there is the balance of investing into control and implementation processes. Similarly, for a pioneering venture like the accreditation project, we must carefully plan and execute with the calculated risks. It is crucial to enlist as much

buy-in as possible from the members to ensure coverage of the stake. Risk management was exercised by monitoring responses from members in the various interim steps of implementation, reporting to the Accreditation Committee and Council of the responses, and consciously taking approaches that would cover the expectations and acceptance threshold of as many members as possible. I regularly reminded the Accreditation Committee and Council that a small dosage of change at a time introduced with momentum would generate long-term results in setting high standards.

## **2.4 PROJECT DELIVERABLES**

### **2.4.1 Output – Scale of Operations**

Output refers to the measurement of the project scale expressed in quantifiable results. Hence the Key Performance Indicators include the sizes of the target groups in intervention, samples of tests, polling and consultation, interviews and focus groups etc and the response rates to the above.

### **2.4.2 Outcome – Satisfaction of Project Owners**

Outcome is expressed by the satisfaction of project owners with regard to the degree of success of the project. In qualitative terms, the project owners may give assessment views on the project. In addition, two sets of quantitative Key Performance Indicators reflect the outcome: (i) the measurement of CPD fulfillment by members at the end of the year and (ii) the renewal rate of membership post introduction of CPD as a requirement, which will be indicative of how much the members support the accreditation scheme.

### **2.4.3 Impact - Changes for Improvement**

The project seeks to deliver changes expressed in action, with a change for improvement. The final change in action will be the engagement in CPD by our members. Such action should be built on acquiring the necessary **knowledge**, followed by the establishment of **attitude** in acceptance, leading to a strong **belief** which pushes for **practice**. Although practice is the only seen and measurable change, it can only be effected on the foundation of knowledge, attitude and belief. In addition, the practice has to be sustainable because of the continuing nature of professional development.

The knowledge aspect covers multiple issues. The case for CPD is generally accepted and hence it was not difficult to convince members of it. But the understanding of the scope of CPD may differ from person to person. Most people perhaps equate CPD with classroom training, a concept associated with going back to school that some mature directors may reject. Bearing in mind that the development aspect of CPD calls for self-learning and

reflection from a host of activities not just limited to the classroom setting, there is the absolute need to clarify the scope of CPD to members. References can be made to other IoDs and professional bodies as examples of professionalism. To ensure our members master the knowledge, communication skills must be exercised.

Attitude is a function of background, knowledge acquired and peer pressure. Sensitivity to the diverse backgrounds of different groups of members is important and hence the approach of needs from different perspectives would be helpful in bringing about compassion. For example, there may be conflicting views as to whether directors should be considered “professional” and hence whether “professionalism” applies to directors, but no one would dispute the professional spirit that directors should work with. Directors who are already members of another profession have other CPD commitments and synergy can be drawn from both. In addition, organizing collective discovery among a peer group helps to align identification and acceptance of the project.

To move from acceptance to belief means to heighten the thinking to a degree of helping to promulgate the subject principle and prompting eventual practice. Belief stems from solid demonstration of proof, whether from other people’s experiences or from self experience and belief generates passion.

Effecting a change in knowledge, attitude and belief are means to the end of practice, which will ultimately be evidenced. To support and facilitate practice, it is HKIoD’s responsibility to enhance its service and infrastructure, such as organizing substantial professional development programmes and gearing up the inquiry and advisory service for members. Engagement with CPD is the obviously measurable outcome and impact of the project.

## **2.5 USE OF DOCUMENTS / LITERATURE RE ACCREDITATION AND CPD**

Accreditation is not new to the established professions and IoDs in other places. How accreditation has been approached serves as useful references for the project.

Many authors have written about continuing development of directors to cultivate excellence in the boardroom. William A Dimma believes that the accreditation of directors is an imminent trend in order to foster better-prepared directors, with the UK IoD becoming the first developed country to move solidly in this direction. Dimma makes reference to the UK IoD model and defines accreditation to include the components of a pre-test educational programme, an entry-level test, a designation for those who qualify, continuing education, an appropriate disciplinary process to maintain professional standards and address serious infractions, and an administrative machinery.

When he first published these, Dimma was met with a mix of support and opposition. Support, according to Dimma, came from members of other professions, institutional investors, facilitators and intermediaries in securities trading, regulators, providers of director liability insurance and some directors. Directors notably CEOs and the older and more experienced ranged from doubtful to opposed. The arguments against included (i) directorship is not a profession, (ii) it is demeaning to license directors, (iii) though a private-sector initiative, it tempts government to intervene and control at a later stage, (iv) there is no need to superimpose more complication when the reward/risk profile for directors is not attractive. These concerns were directed at mandatory accreditation, whereas the debate on voluntary versus mandatory accreditation has been ongoing. Dimma believes that director accreditation will be best implemented first in a voluntary situation, to be followed in the second stage as a mandatory condition, which would require an authority to mandate it. (Dimma, 2002: 117-121, 215-227)

Worldwide, directors are not required to be licensed. Director training is mandated in two instances, by the Kuala Lumpur Stock Exchange (“KLSE”) and the China Securities Regulatory Commission (“CSRC”). Directors of companies listed on the KLSE must go through the one-off Mandatory Accreditation Programme (“MAP”) of 1.5 days of training and an annual Continuing Education Programme (“CEP”) of CEP points equivalent to 24

hours of training in accordance with prescribed scopes of activities (KLSE website). Independent directors of companies listed in China are required to attend a 5-day training programme organized by the CSRC (CSRC website).

Commenced in 1999, the UK IoD accreditation is a stringent and rigorous system whereby a status separate from its membership has been created as “Chartered Director”, covering the components of study, examination, continuing education of 30 hours per annum, a Code of Conduct, disciplinary mechanism and administration by a dedicated staff (IoD *The Chartered Director series*). Notably, IoD has a system for the Chartered Director separate from its membership, hence a voluntary accreditation status, which is highly regarded in the UK.

The National Association for Corporate Directors (“NACD”) offers to members an optional Certificate of Director Education whereby holders must have completed a nationally recognized 2-day Director Professionalism programme, signed a Code of Conduct and Educational Values Pledge and maintained thereafter 8 credit hours of continuing education per year (NACD 2006). Similar to the IoD, the Institute of Corporate Directors in Canada (“ICD”) offers a stringent programme of awarding a professional certification of ICD.D to members who opt for it, whereby holders must have completed a 12-day Directors Education Programme, a written examination and an oral examination, complied with its Code of Conduct and maintained a minimum of 14 hours of ongoing education per year.

The Australian Institute of Company Directors (“AIC D”) requires its members at the Fellow level of membership grade to carry out 10 hours of CPD per annum (AICD, 2002) whereas its Code of Conduct applies to all members. The Institute of Directors in New Zealand (“IoDNZ”) recently introduced an accreditation system whereby members of IoDNZ who are granted the status of Accredited Director, separate from its membership, must have satisfied the Accreditation Board in interviews and maintained an annual ongoing education of 20 hours in formal CPD and 20 hours in informal CPD.

It seems that most of the above IoDs offer a voluntary accreditation programme separate from their membership status, as evidenced in the IoD’s Chartered Director, IoDNZ’s Accredited Director, NACD’s certificate and ICD’s ICD.D, whereas AICD’s Fellowship grade has a built-in mandatory requirement of CPD. At the same time, it is observed that the complexity

of entry requirements for the accredited status varies from country to country. The common components in these programmes are the renewal requirement of CPD and a Code of Conduct.

The issue of accreditation has long been settled for the licensed professionals of accountants, lawyers, engineers, architects, medical practitioners, etc. I have reviewed the situations of the accountants, the lawyers and the engineers as some local examples. They vary in their entry requirements, but the accreditation elements of these professions invariably meet with the components mentioned by Dimma in the accreditation of directors. To put into perspective, I outline in comparison the CPD requirements of various bodies in **Table 3**.

Table 3: Comparison of Professional Accreditation Sources: various institutes

Institutes and Application	CPD Requirement for Renewal	
	Annual CPD Hours	Administration
<b>Institutes of Directors:-</b>		
Australian Institute of Company Directors: Fellows Retired Fellows Failing min 10 hrs	10 hours Exempted 20 hours next year	Self declaration at membership renewal
(UK) Institute of Directors: Chartered Director	30 hours	Chartered Accreditation Officer monitors 100%
Institute of Directors in New Zealand: Accredited Director	40 hrs	Self declaration
(Canada) Institute of Corporate Directors: ICD.D	14 hours	Self declaration
(US) National Association of Corporate Directors: Certificate of Director Education	8 hours	Self declaration
<b>Hong Kong Professionals:-</b>		
The Hong Kong Institution of Engineers: Before grade of Corporate Membership Grade of Corporate Membership	45 hours 30 hours	Self declaration with validation yet to be implemented
Hong Kong Society of Accountants: Practising members Non-practising members	40 hours - min 15 structured - no min specs	Self declaration with validation by random checking
The Law Society of Hong Kong:	15 hours (max 5	Self declaration with

Practising members	hours in Council or Committee work)	validation by random checking
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Deduced from the above models, of particular relevance are two comparisons: (1) between separating the accreditation status from membership and building mandatory accreditation in membership and (2) the CPD time requirements and scopes of various institutes.

## **2.6 REFLECTIONS AND PERSONAL LEARNING OUTCOMES**

My Council, my Accreditation Committee and I appreciated the potential risk of loss and concluded at an early stage that the reward is worth the risk, but we also agreed that proper methodology is the key to mitigating risk. I believe that the generation of change for improvement is an exercise of motivation, mobilization and aligning interests in an extremely collaborative and participative mode. I also believe that the risk can be minimized with the understanding of the sensitivity and characteristics of the many project owners and project stakeholders involved and with execution by proper research and development methods.

It is interesting to see the diverse approaches of accreditation through CPD taken by the IoDs and various local professional bodies. Though diverse, the approaches all work out, in line with the culture of the respective target groups. The systems of accreditation of professionals have long been recognized by the world community. The UK, Australian, New Zealand, Canadian and US systems of accrediting directors have been in practice and accepted by the respective members for years. The UK Chartered Director status with its stringent requirements is very highly regarded by the business community, as indeed their long history of promoting corporate governance has created a solidly founded culture to respect those who are serious in its pursuit.

CPD is a practice associated with professionals. The modern-day directors, though not licensed as the practitioners of established professions, are approaching the realm of professions, because they have to master the necessary knowledge and discipline in order to fulfill their responsibilities, because there is an essential bond of trust between directors and shareholders as well as other stakeholders, and because their actions and decisions bear impact on society as a whole. This logical inference will not be difficult for directors to accept. The key is to package a scheme of accreditation through CPD that is understandable and manageable by our members.

My learning outcomes from this part of the project include:-

- Insights into the complex and conflicting arguments whether directors are considered “professionals”. I am able to interpret the waiving of licensing of directors stemming from shareholders’ authority and discretion in appointing directors and the trust from

shareholders. But I also understand that there is the call for professional conduct and practice from directors in executing their vital roles.

- In-depth analyses of the project objectives and characteristics of project owners and stakeholders. The layered objectives cover all directly involved and indirectly affected. My understanding of the different backgrounds and interests of the project owners facilitates me to plan for aligning their directions in the project.
- Effective utilization of opportunities in working with my Council and Accreditation Committee. I have successfully turned them into my comrades at work and core critical communities working together to break new grounds.
- Autonomous management of the project with high level of responsibility. I have been able to spearhead the project without the benefit of prior experience myself or of anybody else in Hong Kong. Compared with my other major projects, this project gave me opportunities of managing the highest level of challenges, in terms of the encompassing strategy required to cover the huge size and diverse nature of project owners and stakeholders, skills in treading unexplored grounds and above all, persistence in a long period encountering economic ups and downs and the need to sustain interest of all concerned.

## **CHAPTER 3**

### **METHODOLOGY**

## 3.1 INTRODUCTION

### 3.1.1 Research Aim and Research Paradigm

This project is built on world trends in enhancing director competence. There are strong reference cases on the practice of accreditation by CPD requirement among directors in other territories and among professionals worldwide. The **belief** that CPD is a desirable improvement is the value that informs my research.

The aim of the project is: “Creation and implementation of a scheme for accreditation of directors effective in 2005 through exercising continuing professional development that is acceptable to and practicable by members of The Hong Kong Institute of Directors so as to establish a culture of self-discipline to facilitate the enhancement of standards of professionalism among directors and of corporate governance in Hong Kong.”

My research paradigm is towards a mixture of the interpretive theory and the critical theory (McNiff, 2000: 201) with the following features:-

- Starting from an understanding of the world at large (Cohen et al, 2000:3) – the world trends of director accreditation and professional accreditation.
- Moving on to an understanding of the world around us – the Hong Kong community and HKIoD membership.
- Actions in educating, promoting, consulting and obtaining mutual understanding with my target group of HKIoD members.
- Address of social equilibrium by balancing members’ views in the practicability of a proposed scheme through a participatory, democratic process concerned with developing practical knowing in the pursuit of the worthwhile purpose (Reason & Bradbury, 2001:1) of promoting learning.
- The change of the KABP of the homogeneous group, of directors, in the membership of HKIoD representing a small-scale intervention in the functioning of the real world.
- The ultimate change for the better (Cohen et al, 2000:28) and bringing about empowerment of directors to raise standards of practices by individuals, corporations, society and the world at large.

### 3.1.2 Research Questions

To achieve the aims of the research project, the following research questions were formulated:-

- (1) Would members of HKIoD accept that directors should embrace professionalism and to what extent? – RQ(1).
- (2) Would members of HKIoD agree that directors should keep up with CPD and to what extent? – RQ(2).
- (3) What does a reasonable and acceptable accreditation scheme through CPD consist of – scope of CPD activities, time of CPD activities, administration system? – RQ(3).
- (4) Would members take action in response to the implementation of a scheme requiring CPD commencing from 2005? – RQ(4).
- (5) How would the implementation of an accreditation scheme be perceived – by members and stakeholders? – RQ(5).

### 3.1.3 Research Families

In aiming to change the KABP of our members in the engagement of CPD, the project consults, promotes concepts, brings to light new characteristics, defines a workable scheme and concludes on implementation. RQ(1) and RQ(2) test the awareness of and attitude towards the subject matter. RQ(3) polls on the design of a framework of compliance. RQ(4) looks at the extent of actual practice. RQ(5) reviews the aftermath effects. The majority of the data collected and analyzed is philosophical, perception-related, action-prompted and non-numeric. Therefore the research is **predominantly qualitative**. It explores the current KABP of members, presents a new framework for the peer group, establishes mutual understanding between HKIoD and members in the new framework and eventually brings about the change. It sets out to achieve both depth and breadth with a qualitative research.

The research also combines **deskwork** and **fieldwork**. Schemes adopted by other professional bodies in Hong Kong and overseas IoDs were scrutinized for references. While our members were extensively and intensely consulted, the fieldwork went beyond HKIoD, in order to obtain views and support from decision-makers such as the government and regulators, opinion formers such as academia and influential groups such as institutional

investors.

### 3.1.4 Research Approach

Built on the **values** that life-long learning is beneficial to mankind and that established professions are required to engage in CPD, this is a situation effecting a change that results in a **more desirable outcome**, particularly as evidenced in the change of attitudes and values (Cohen et al, 2000:226). Our vision for accreditation is future driven, attractive to HKIoD in amassing support for our programmes and attractive to members in enhancing their knowledge, credibility as members and status as directors. There is also the concern of the researcher and practitioners to improve the organization and the community (Coghlan & Brannick, 2005:20). The five Research Questions take the research along step by step with the intention to **help** directors to realize how they can be better equipped and **influence** them to adopt the practice of CPD. Thus the research answers the question of “How do I improve what I am doing?”, helping and influencing other people in turn to commit and be held accountable for their ways of living and working (McNiff, 2002:9-10).

The project approach is distinctively **action research**, which is applied to practical issues in everyday life and conducted among social groups. In nature, the project combines action and research. The change of the KABP of the homogeneous group, of directors, in the membership of HKIoD represents a small-scale intervention in the functioning of the real world and involves a close examination of the effects of such an intervention.

While HKIoD takes action to influence, members have the choice to opt out of membership if they are not convinced of the cause. Where a discourse of power comes into play, both methodological necessity and social impulse call for **participative practice** (McNiff, 2000:113). While the research starts with a personal attempt of a worker researcher, the project involves **collaborative research** in answering the five Research Questions in collective efforts, being participative by me in the beginning in a leading role and by our members subsequently in directing their own change. RQ(1) and RQ(2) lead participants to contemplate their roles as directors and prompt conclusion on their conduct. RQ(3) sets participants to design accreditation. RQ(4) measures the extent of participation. RQ(5) reviews the perceptions on accreditation. The success of my project lies very much in the

recognition of the value of CPD and the identification of ownership of the research by our members, a characteristic of **participative action research** (Blaxter et al, 2001:68).

To convince our members of ownership of the research, it is significant to induce collective discovery and development, following the primary aim of research to create one's own knowledge and to make such claim (McNiff, 2000:21). This calls for carefully planned communication strategies, demonstration of transparency and disclosure in the entire process to inform members of progresses and interim findings. Above all, this also calls for techniques in conveying views and findings in a detached and objective way.

To do action research in and on one's own organization requires a commitment by both the researcher and the system (Coghlan & Brannick, 2005:59). Participative collaboration of the members needs to be supported by a core mandate from the decision-making body of the organization. Hence, the policy to conduct the research and explore feasibility has to be made by the Council of HKIoD.

A goal of participatory research is the production of knowledge (Reason & Bradbury, 2001:82). The action research was planned to orchestrate the collective gaining of **propositional knowledge**, of the benefits generated from the accreditation scheme through answering RQ(1) and RQ(2), and **procedural knowledge**, of designing and implementing a practicable scheme through answering RQ(3), RQ(4) and RQ(5). The emphasis, however, is on practice rather than subject knowledge. Following collective discovery and claim of project ownership, the more important action was to induce practice in compliance. This is supported by the infrastructure built up by HKIoD in programme offerings that are accessible to and affordable by members, reinforced from time to time by marketing activities. The outcome would be **praxis** in relation to the practice of change, taking into account other people's knowledge and inviting commitment in the practice, eventually leading to further knowledge about the practice and developing ourselves as a rational community (Reason & Bradbury, 2001:88).

To enact action research, rounds of consultation with our members on the accreditation scheme were in the project plan, resulting in adjustments and refining of the accreditation scheme, in a **spiral** going through repeated cycles of planning, action, observation and

reflection (Coghlan & Brannick, 2005:24)). RQ(1) through RQ(5) are designed in sequential and consequential order to cater to the serial and spiral action.

### **3.1.5 My Role as a Worker Researcher**

Research is not entirely objective; it is “a social activity powerfully affected by the researcher’s own motivations and values” and influenced by many factors (Blaxter et al, 2001:15). As CEO, I seek ongoing viability of HKIoD as a business with retention and growth of membership. As Project Director, I aim to successfully induce the desired change of KABP among my target group. The two roles put together remind me to achieve the implementation of the project without a big loss in membership. My Council and Accreditation Committee have expressed the same wish but also indicated that HKIoD would prefer to retain only those members who identify with the continuing development of director competence.

These objectives do not necessarily conflict with each other, provided that the project is executed with proper balance of interests and strategies. For the worker researcher, where subjectivity and objectivity interplay, it is necessary that work steps are balanced through engaging in detached reflexivity. I set out with the following measures:-

- Ensuring that our members genuinely understand and have a free choice of my proposal.
- Exercising sensitivity with directors who do not have the exposure and conditioning of a professional discipline.
- Accepting CPD recognition by established professional bodies to accommodate the members who have to comply with the CPD requirements of these bodies.
- Working in close communication with the Council and Accreditation Committee to sustain their support.
- Continuing to monitor and adjust our programme offering to heighten members’ interest and involvement.

### 3.2 THE ACTION RESEARCH CYCLE AND PHASES OF WORK

There are five phases of work, which are mapped into the action research cycle and given time-scales in **Table 4**.

Table 4: A Summary in Time-scales of Project Phases

Serial	Phase	Duration	Schedule
(1)	Definition of Problem	24 months	Sep 2002 – Aug 2004
(2)	Design of Intervention	(overlapping 16 months)	May 2003 – Aug 2004
(3)	Implementation of Intervention	11 months	Sep 2004 – Jul 2005
(4)	Monitoring and Strengthening of Intervention	5 months +	Aug – Dec 2005 and beyond
(5)	Evaluation of Intervention	6 months	Jan – Jun 2006
	Total Project Time	46 months	Sep 2002 – Jun 2006

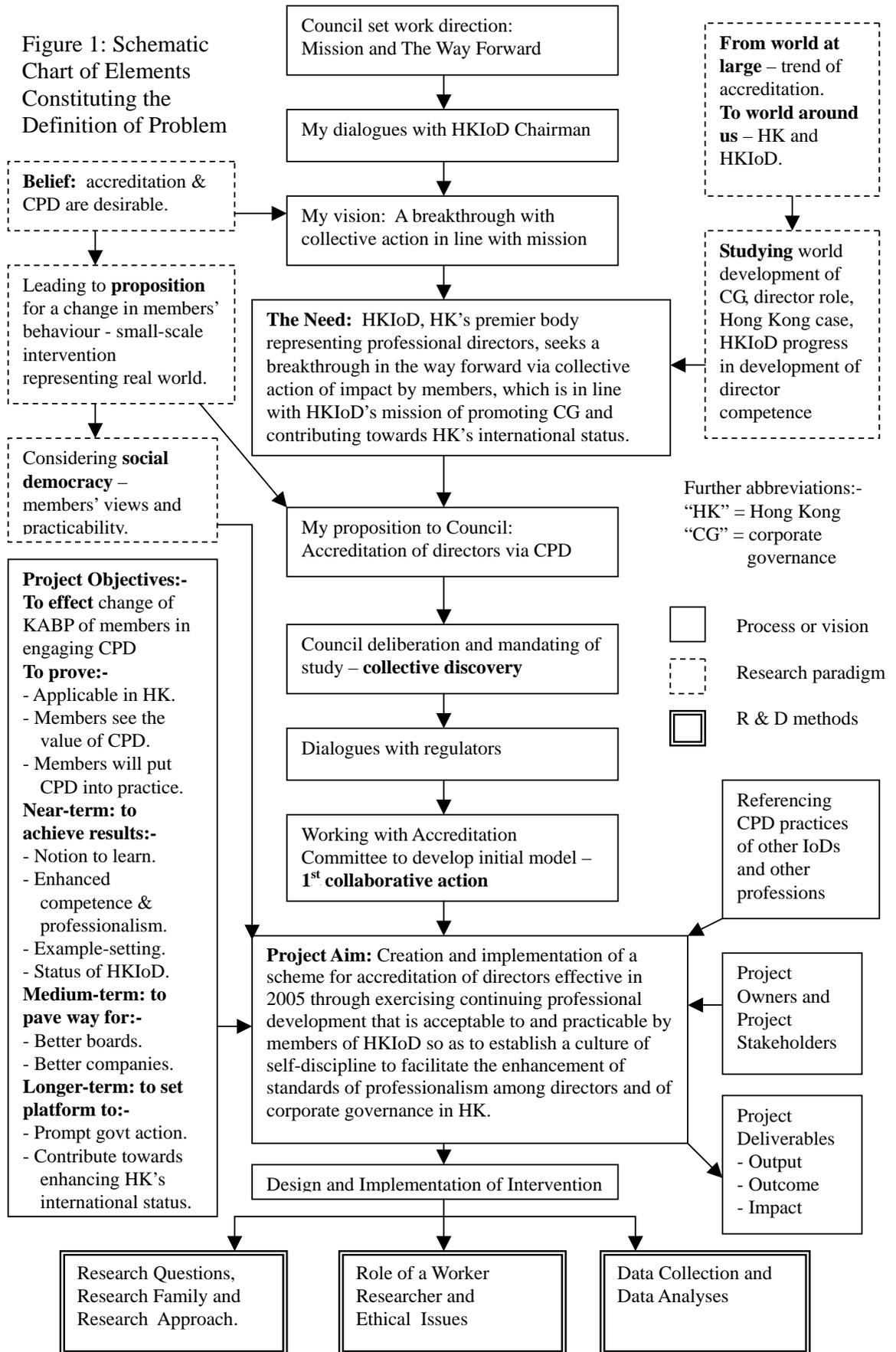
#### 3.2.1 Phase of Definition of Problem (“the Definition Phase”)

**Figure 1** is a schematic chart of the elements constituting the definition of problem. It puts into perspective the issues stated in Chapter 1 regarding the problem of the world at large and around us and Chapter 2 regarding the framework of the research project.

The Definition Phase extended over the gestation period of **September 2002 through August 2004** and is a long process of interplay among:-

- the direction set by the Council of HKIoD.
- my work involving studying the outside world, developing medium-term visions and maintaining dialogues with internal and external key persons.
- my proposition to the Council for deliberation in collective discovery.
- work of the Accreditation Committee in collaborative development of an initial model.
- adoption of research and development methods learned from Middlesex University in planning.

Figure 1: Schematic Chart of Elements Constituting the Definition of Problem



Stemming from a need for HKIoD to take a step of impact forward to strengthen its position and to enhance members' participation and sense of pride and based on the general direction set by my Council, discussions with my Chairman, the research paradigm of referencing from the world at large to the world around us and my study of the issues of corporate governance and director roles, I deduced that this step must be a breakthrough involving collective action of our members in line with our mission.

In the definition of problem, I have worked with my first-line critical communities, internal as well as external influences. Built on my research belief, I presented the proposition of accreditation of directors via CPD to my Council, leading to the Council's collective discovery of essence of the proposition and mandating of further study. Reinforced by the regulators, I worked with the Accreditation Committee as the first collaborative action to develop the initial model, with consideration of social democracy in acceptability and practicability and CPD practices of other IoDs and other professionals. This first model was then articulated into a Project Aim, closely linked to the framework of Project Objectives, Project Owners, Project Stakeholders and Project Deliverables.

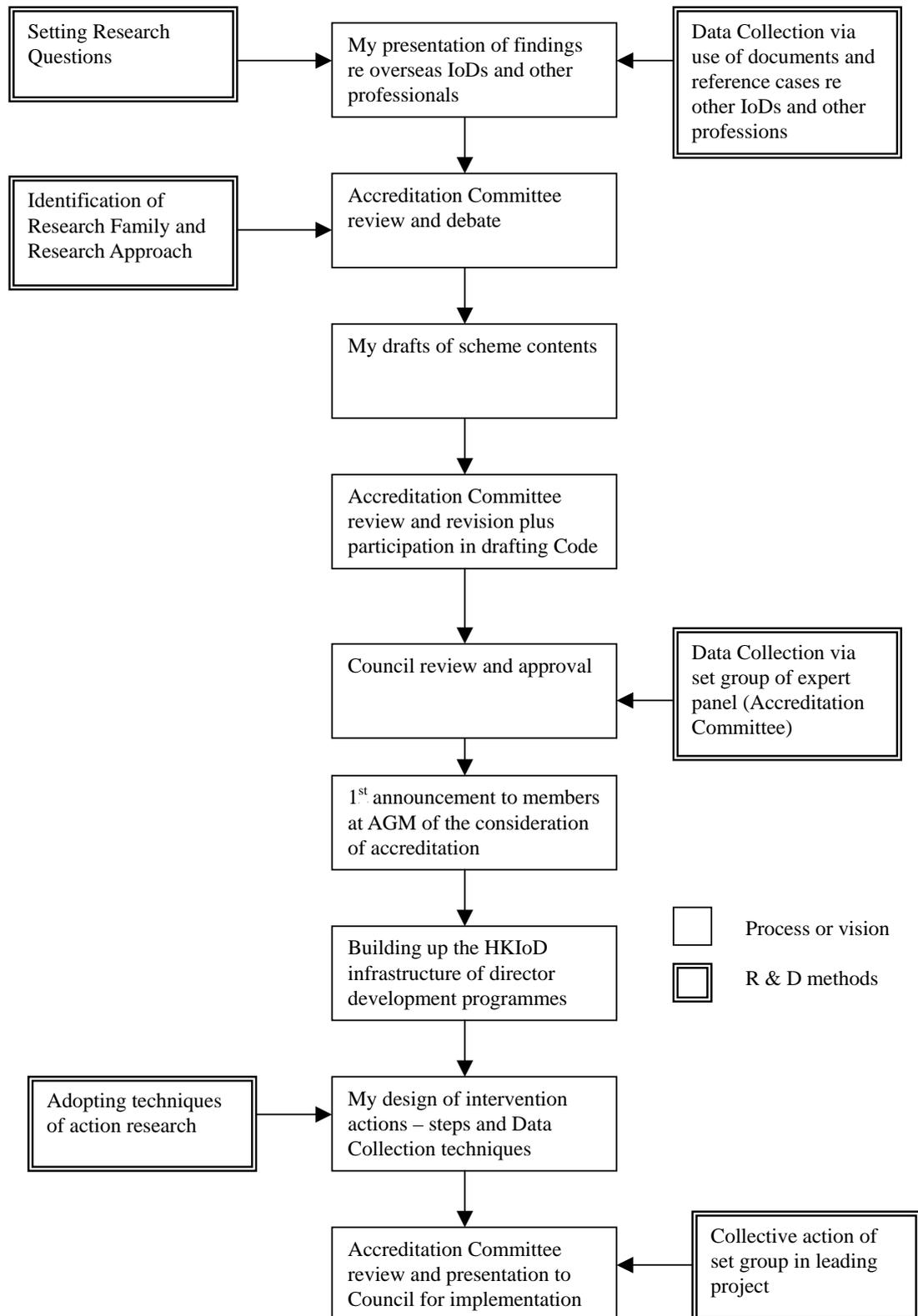
Into the next Phases of Design and Implementation of Intervention, the definition of problem continued in the identification of Research Questions, Research Family, Research Approach, Role of a Worker-researcher, Data Collection and Ethical Considerations.

### **3.2.2 Phase of Design of Intervention (“the Design Phase”)**

**Figure 2** is a schematic chart of elements constituting the design of intervention. It maps the processes or visions developed together with adoption of research and development methods.

The design of intervention overlaps the latter part of the Definition Phase covering the period of **May 2003 through August 2004**.

Figure 2: Schematic Chart of Elements Constituting the Design of Intervention



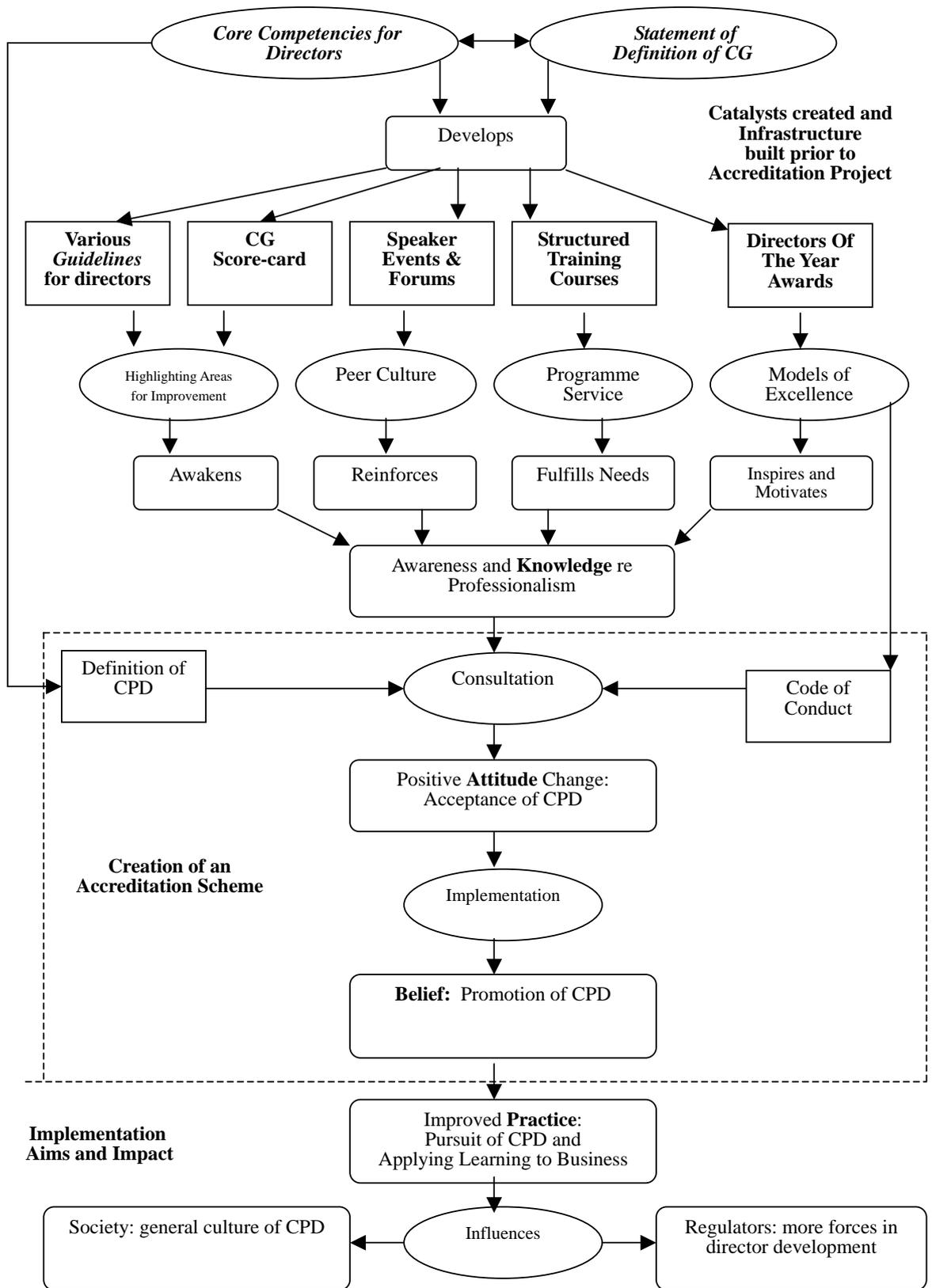
The design of intervention included a conceptual framework of a membership accreditation scheme and the plan of approaching members in the implementation of the intervention. In this Design Phase, I worked closely with the Accreditation Committee and the Council, both serving as my focus group of expert panel, to arrive at a conceptual framework and a plan of action. The Accreditation Committee also took part in drafting an important component of the scheme in the Code of Conduct.

Early in this phase, I identified the Research Family and Research Approach and discussed with the Accreditation Committee their relevance and application in implementation. The Research Questions were put forward in consideration of the factors for a draft scheme. In this phase, use of documents, reference cases of other IoDs and other professions as well as input of the Accreditation Committee as my expert panel all contributed to my Data Collection for the research.

Note that in the Design Phase we made our initial disclosure to members at the 2003 AGM of our consideration of membership accreditation through CPD and of our full intention to consult members extensively. This was the first attempt to test the water. There was an interim step in the Design Phase of beefing up the HKIoD infrastructure of director development. This seems to bear no relation to the project. However, the offering of director development programmes by HKIoD to members serves as catalysts in inspiring and supporting the rationale of continuing director development and hence the eventual accreditation scheme. Without a strong infrastructure of director development programmes, which form a major though not exclusive source of director development, the concept of accreditation via CPD cannot be materialized. Hence, at this stage of development of the project, it was deemed necessary to strengthen our director development programmes.

**Figure 3** illustrates the relationship of the essential elements in creating and implementing the eventual accreditation scheme by tracing the development of HKIoD's infrastructural programmes leading to accreditation and change of behaviour.

Figure 3: Relationship of Essential Elements in Creating and Implementing Accreditation



All HKIoD director development programmes are founded on its definitive concepts of *Core Competencies for Directors* and *Statement of Definition for Corporate Governance*. Developed from these are various guidelines for directors, the Corporate Governance Scorecard, speaker events, structured training courses and the annual Directors Of The Year Awards, which contribute towards awakening, reinforcing, fulfilling and inspiring/motivating the knowledge re director professionalism.

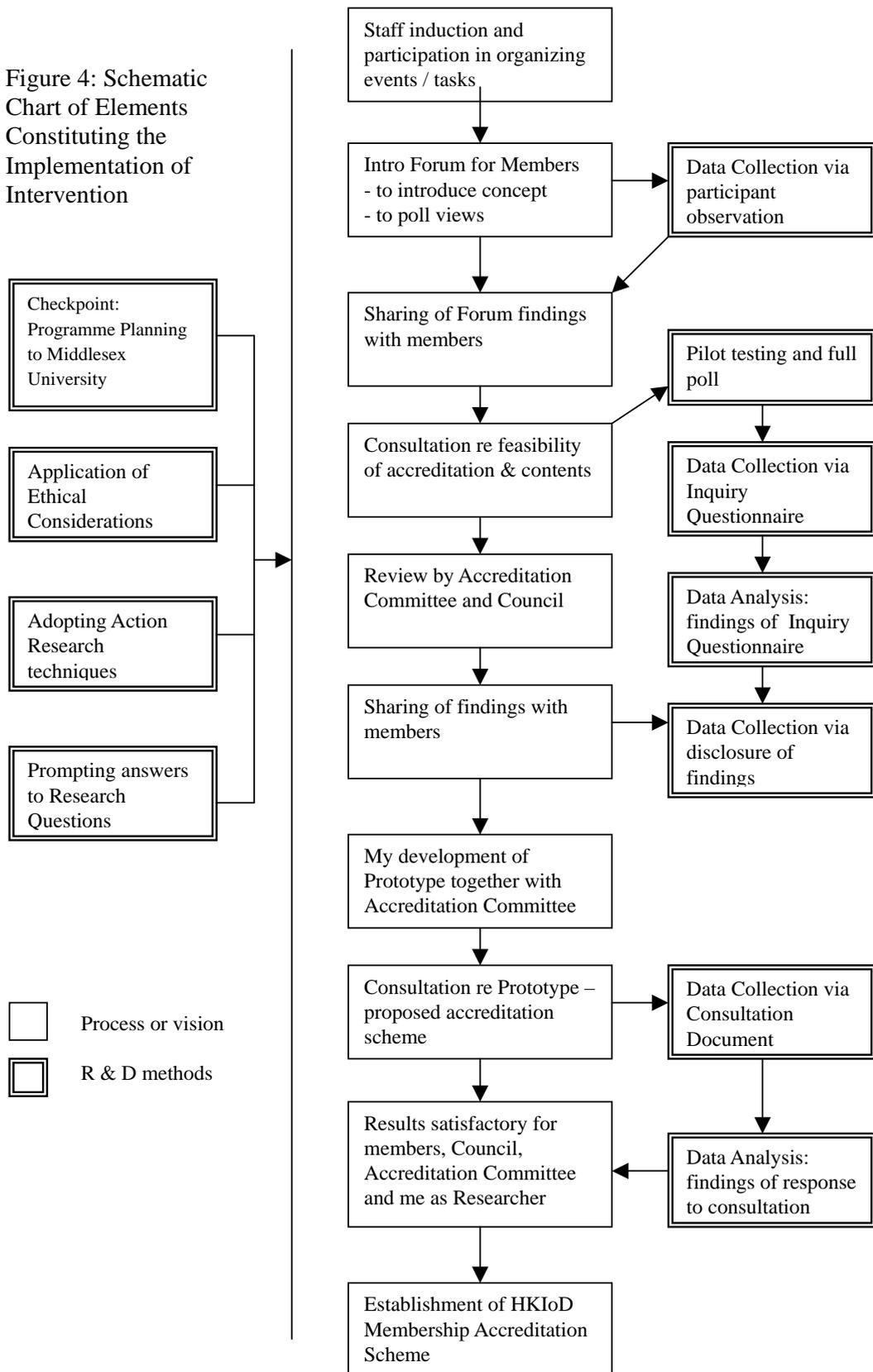
The strengthening of knowledge as above mentioned served as catalysts and infrastructure for the accreditation project and formed a solid base for the consultation that followed and led to attitude change, belief and practice.

### **3.2.3 Phase of Implementation of Intervention (“the Implementation Phase”)**

**Figure 4** is a schematic chart of elements constituting the implementation of intervention. It illustrates the structural plan of actions with step by step Data Collection and Data Analyses, underpinned by research principles.

The Implementation Phase saw extensive consultation with members, from **September 2004 through July 2005**, leading to the establishment of the HKIoD Membership Accreditation Scheme. A significant check-point at the beginning of this phase was my presentation of the Programme Planning Module in my study to the Panel of Work Based Learning of Middlesex University. Following adjustments to fine-tune my plan as advised by the Panel, my research project received confirmation to be on the right track and proceeded in full speed forward.

Figure 4: Schematic Chart of Elements Constituting the Implementation of Intervention



Introduced into the Implementation Phase of the project were:-

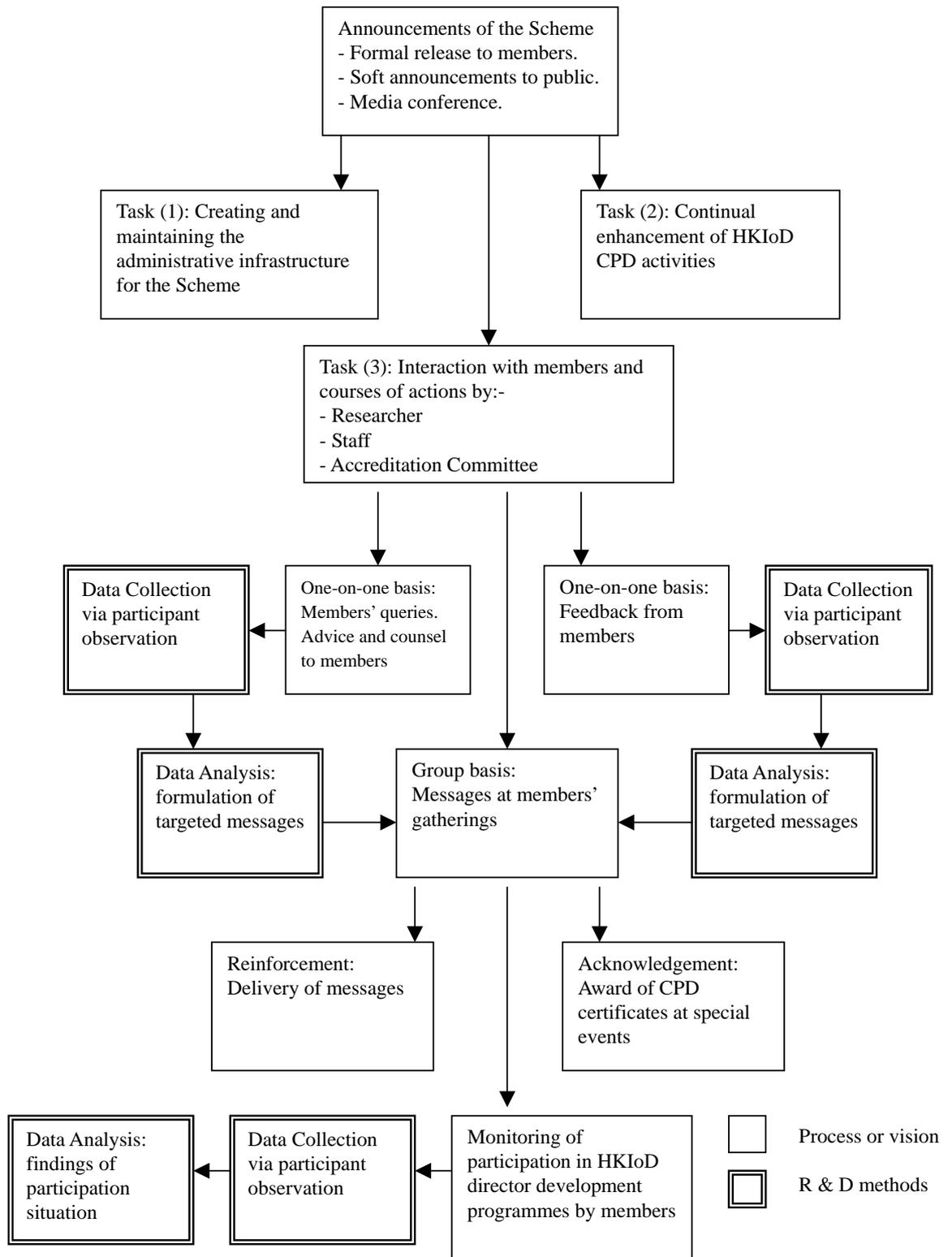
- (1) Various opportunities of interface and working together with our members to develop an accreditation scheme that is acceptable to and practicable by them, including an Introduction Forum for members with discussion of concept, step-by-step polling exercises with all members to obtain their views.
- (2) Engagement of structured Data Collection methods including participant observation of members' interaction and conducting a straw poll in the meeting forum, survey by an Inquiry Questionnaire regarding the feasibility and contents of an accreditation scheme and subsequently by a Consultation Document on a Prototype of a proposed scheme.
- (3) Conducting Data Analyses in each step to derive findings.
- (4) Sharing the findings of each step with members so as to obtain maximum mutual understanding and to generate further responses.
- (5) Adoption of research and development principles in the application of Ethical Considerations when executing each step.
- (6) Utilizing action research techniques in inducing collective discovery of knowledge and collaborative design of action.
- (7) Planning of Data Collection to generate answers to the Research Questions.
- (8) Participation from my colleagues, after induction, in the organization of each event or task in this Phase, so as to involve them from an early stage and prepare them for more participation in the intervention particularly in the next Phase.

#### **3.2.4 Phase of Monitoring and Strengthening of Intervention (“the Monitoring Phase”)**

**Figure 5** is a schematic chart of elements constituting the monitoring and strengthening of intervention. It illustrates the post-launch processes in a structured manner interspersed with feedback and follow-up courses of actions.

The monitoring of intervention commenced immediately after the establishment of the Membership Accreditation Scheme, announced in July 2005 applicable to the entire calendar year of 2005 as the initial year. The actions in monitoring and strengthening of intervention spanned over the period of **August through December 2005 and extended into year 2006 as an ongoing exercise.**

Figure 5:  
Schematic Chart of Elements Constituting the Monitoring and Strengthening of Intervention



Three-pronged tasks followed the announcements: (1) creating and maintaining the administrative infrastructure for the Scheme, (2) continual enhancement of the HKIoD CPD programme offering and (3) interaction with members, by myself as Project Director and researcher as well as by my colleagues in the Executive Office and by members of the Accreditation Committee.

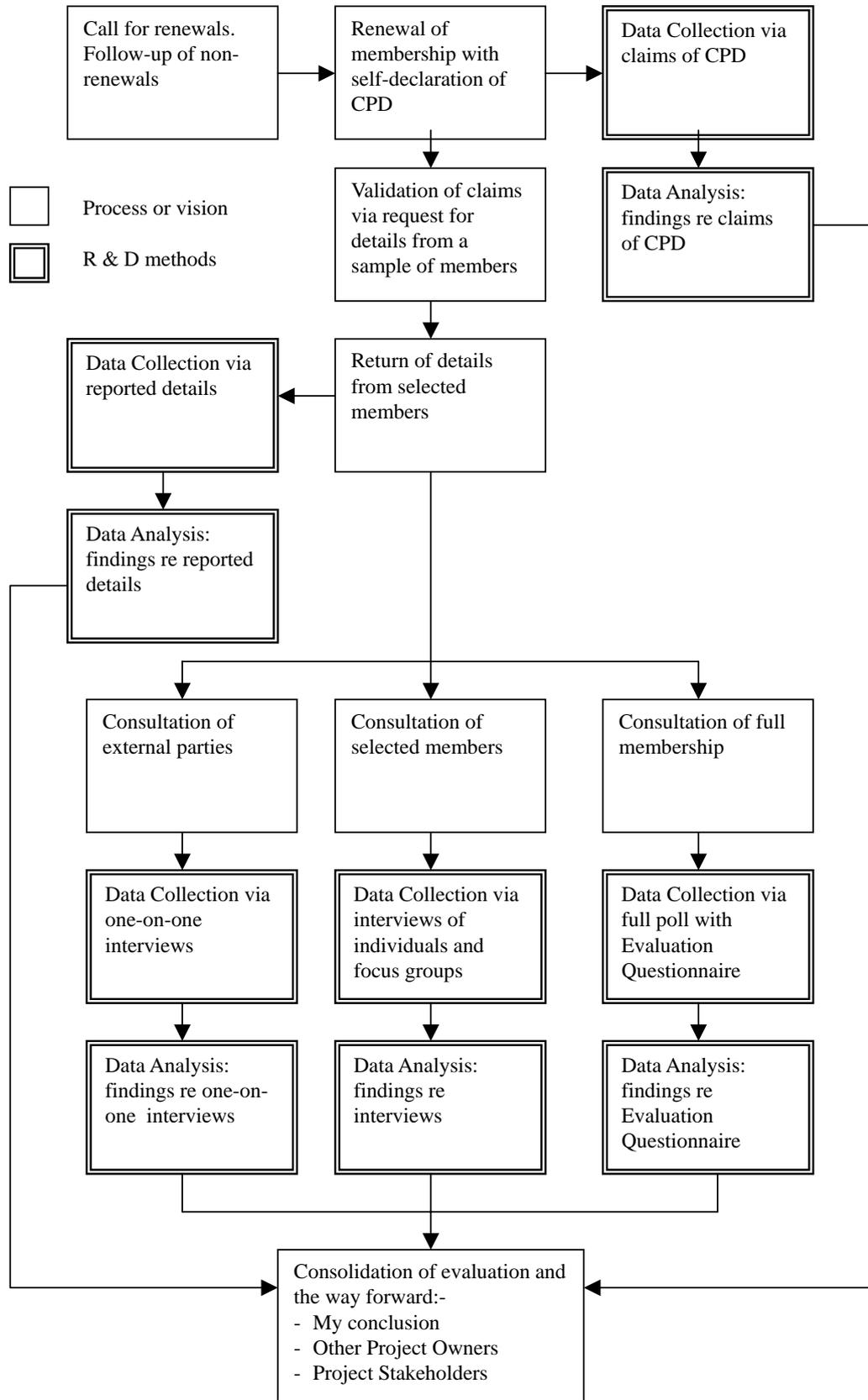
There were numerous opportunities of interaction with members whereby data was collected both from individual cases with members posing queries or seeking advice or offering direct opinions and from group discussions in meetings. The actions included one on one counsel and advice to members and strategic messages at group meetings such as reinforcement of professionalism and award of CPD certificates on special occasions. In addition, the intensity of participation in director development programmes of HKIoD was also closely monitored.

### **3.2.5 Phase of Evaluation of Intervention (“the Evaluation Phase”)**

**Figure 6** is a schematic chart of the elements constituting the evaluation of intervention.

The Evaluation Phase took place in **the first six months of year 2006**, commencing immediately upon renewal of membership for the year.

Figure 6: Schematic Chart of Elements Constituting the Evaluation of Intervention



The measurement of implementation was approached from various perspectives, including actual execution by members and post-implementation views from members, Project Owners and Stakeholders covering external parties in Hong Kong and elsewhere.

The implementation in accordance with specifications of the Membership Accreditation Scheme was measured in a two-step approach, viz self declaration of CPD accumulated in the preceding year by all renewed members and validation of such claims via return of substantiating details from a selected sample.

Multi-party consultations were conducted to obtain assessments of the implementation. They included a survey by an Evaluation Questionnaire among the full membership, interviews of focus groups, interviews of individual members, interviews of external parties.

Taking into account of the above evaluation results, I presented my findings and recommendations to the Accreditation Committee for review and deliberation, which was finally presented to the Council.

### **3.3 DATA COLLECTION AND ANALYSIS**

#### **3.3.1 Multi Approaches in Data Collection**

Various Data Collection methods were adopted in each Phase of research, depending on circumstances and purposes.

##### **(1) Use of Literature and Documents**

Early developments of similar accreditation schemes by other IoDs and professional bodies lend available documentation for review and ready data for comparison. The literature and documents proved to be very useful in providing extensive background information about the world at large and the world around us in the early stages of my research, so as to justify and support arguments, enable comparisons, express matters in a convincing manner and demonstrate due diligence in the subject matter (Bell, 1999:92).

As prior cases may not be universally applicable to all circumstances, I presented the information obtained as starting points for discussions and stimulated my set groups to develop further from them. Literature and documents helped to introduce the concepts of RQ(1) and RQ(2).

##### **(2) Interviews**

Interviewing as a Data Collection method took place both on one-on-one basis and with focus groups.

My focus groups included the Accreditation Committee, which became my expert panel and co-workers or the set group particularly in arriving at the first model and in creating the Prototype, and selected members of diversified backgrounds. One-on-one interviews of members, outside decision-makers and opinion formers, such as government officials, representatives of regulators, institutional investors and academia, were conducted to obtain in-depth perceptions of interviewees. The nature of the social event in interviews creates the opportunity of a learning process, for both interviewer and interviewee and particularly in a

focus group (Blaxter et al, 2001:171). Hence it was a revealing experience for all concerned.

The constraint with interviewing is with time limit. Hence this Data Collection method is applicable to a specific subject matter in search of depth in answer. It is not applicable to drawing general patterns, as the probing discussion may get the focus carried away to a different tangent. This approach was particularly useful when focusing to work with my set groups in repeated sessions, allowing all involved to go into deep thoughts on the specifics of an accreditation scheme posed in RQ(3), and when supplementing or substantiating general findings from polling the entire population of the target group, such as on the perceptions of project evaluation in RQ(5).

### **(3) Questionnaire**

The coverage of all members with a questionnaire enhances the consistency and reliability of results and enables Data Collection to draw general conclusions. As our members are reachable and kept posted with circulars, the conventional postal questionnaire approach is preferred over the electronic questionnaire not only because of the advantages in maximizing response level (Cohen et al, 2000:262), but also because (i) the number and nature of questions polled necessitate a thinking process; (ii) the anonymity option conforms to ethics and puts respondents at ease and (iii) the postal return of the original questionnaire assures non-duplication.

The pitfall with a questionnaire is to pose leading questions which might prejudice the answers. Thus a questionnaire must be carefully structured to enable patterns to be observed and comparisons to be made and written with neutral and clear language for validity checking (Cohen et al, 2000:248).

The disadvantage with questionnaires is that results tend to lack depth. To overcome this, I supplemented each questionnaire with a subsequent step to probe depth or uncover specific aspects or validate results.

The research made use of five exercises of survey by questionnaire or solicitation of feedback in the nature of a questionnaire survey to provide primary answers to Research

Questions in the Implementation Phase and Evaluation Phase:-

- (a) An Inquiry Questionnaire regarding preliminary concepts firstly to a pilot-test sample of members followed by survey of the full membership – presenting the essence of RQ(1), RQ(2) and RQ(3).
- (b) Presentation of a Prototype of accreditation scheme to poll response from the full membership – approaching the specifics of RQ(3).
- (c) Call for renewal of membership with self declaration of fulfillment of CPD – answers to RQ(4).
- (d) Request for details from a sample of membership to substantiate the declaration of fulfillment of CPD – more answers to RQ(4).
- (e) An Evaluation Questionnaire to the full membership regarding evaluation of implementation of membership accreditation – answers to RQ(5).

Exercise (a) generated general patterns whereas exercise (b) conducted a referendum on a Prototype developed from the patterns in order to pinpoint reactions. Exercise (c) triggered off the annual membership renewal by all members with the additional request for CPD claims. Through sample testing, exercise (d) followed up and validated results of as well as explored further the claims of exercise (c). Exercise (e) was supplemented by interviews that probed depth in perceptions.

#### **(4) Observation**

Observation collects data on target reaction or behaviour in a snapshot approach particularly in the process of interim action. It has to be carried out over a substantial period or on repeated occasions in order to generate sufficient data, which in turn have to be objectively analyzed together with trends to alleviate bias.

Participant observation took place in the Implementation Phase and Monitoring Phase. The observation processes were semi-structured with an agenda of issues, enabling my colleagues and I to be open-ended and inductive, to understand the initial reactions to the draft scheme and final scheme, to see things that might be missed and to uncover fresh aspects (Cohen et al, 2000:305). Data were collected from participant observation on occasions of members' meetings, CPD programmes as well as interaction with individual members. In the

Implementation Phase, observation in a forum helped to collect initial reaction regarding accreditation in preliminary answer to RQ(1) and RQ(2). In the Monitoring Phase, observation of members' behaviour and activities provided preliminary answer to RQ(4) and RQ(5). In both cases, they prepared for the development of the full-poll questionnaire.

**Table 5** summarizes the various steps of Data Collection in the research.

Table 5: Summary of Data Collection Methods

<b>Phase / Data Collection Method</b>	<b>Source of Data</b>	<b>Resultant Actions / Findings</b>
<b>Definition Phase</b>		
Use of literature / document on development of director competence - forming a basis for development	Various literature	Initial proposition of accreditation.
Interviews - in-depth discussions on a specific aspect	Regulators	Confirmation of direction.
<b>Design Phase</b>		
Use of literature / document on various CPD schemes - forming a basis for development	IoDs and other professional bodies	Comparative summary of CPD practices
Focus group of expert panel - in-depth discussions	Accreditation Committee	Planned intervention processes. Initial conceptual model.
<b>Implementation Phase</b>		
Participant observation and a straw poll - snapshots of reactions in a large group	Participants at a members' forum	Initial positive response.
Inquiry Questionnaire regarding concepts in two stages:- (1) A pilot test. (2) Full survey. - to obtain findings from the total membership for drawing consensus	(1) A sample of members. (2) Full membership.	Answers to Research Questions. Views as to professionalism, accreditation and CPD practice. Answer to feasibility and contents of an accreditation scheme. Development of a Prototype.
Consultation Document re Prototype (with solicitation of feedback in nature of questionnaire survey)	Full membership	Acceptability of the Prototype. Establishment of the HKIoD Membership Accreditation Scheme.

<b>Phase / Data Collection Method</b>	<b>Source of Data</b>	<b>Resultant Actions / Findings</b>
- a referendum on the Prototype		
<b>Monitoring Phase</b>		
Participant observation conducted by researcher and staff - repeated snapshots of reactions and behaviour over a long period	Individual members	Advice and counsel to members. Further members' opinions. Follow-up courses of actions.
Participant observation conducted by researcher and staff - snapshots of reactions on repeated occasions	Members attending meetings	Group motivation.
Participant observation conducted by researcher and staff - snapshots of behaviour on repeated occasions over a long period of time	Members attending director training programmes	Participation intensity.
<b>Evaluation Phase</b>		
Call for renewal of membership with request of feed-back (in nature of questionnaire survey) - general exercise prompting action of renewal from all	Renewing members	Self declaration of CPD fulfillment.
Request for details of CPD fulfillment with feed-back (in nature of questionnaire survey) - follow-up poll of a selected sample	A sample of renewed members	Substantiating details in CPD fulfillment. Validation of self declaration.
Evaluation Questionnaire regarding perceptions on and assessment of implementation - to obtain findings from the total membership for drawing consensus	Full membership	Evaluation of implementation of Membership Accreditation Scheme.
Focus group interviews - in-depth discussions on impact	Selected segments of membership	In-depth evaluation of implementation of Scheme.
One-on-one interviews	Members	Members' perceptions of Scheme.

Phase / Data Collection Method	Source of Data	Resultant Actions / Findings
- in-depth discussions on impact		
One-on-one interviews - in-depth discussions on impact	Regulators, Opinion formers, Representatives of IoDs	External parties' perceptions of HKIoD's Membership Accreditation Scheme.

### 3.3.2 Data Analyses and Triangulation

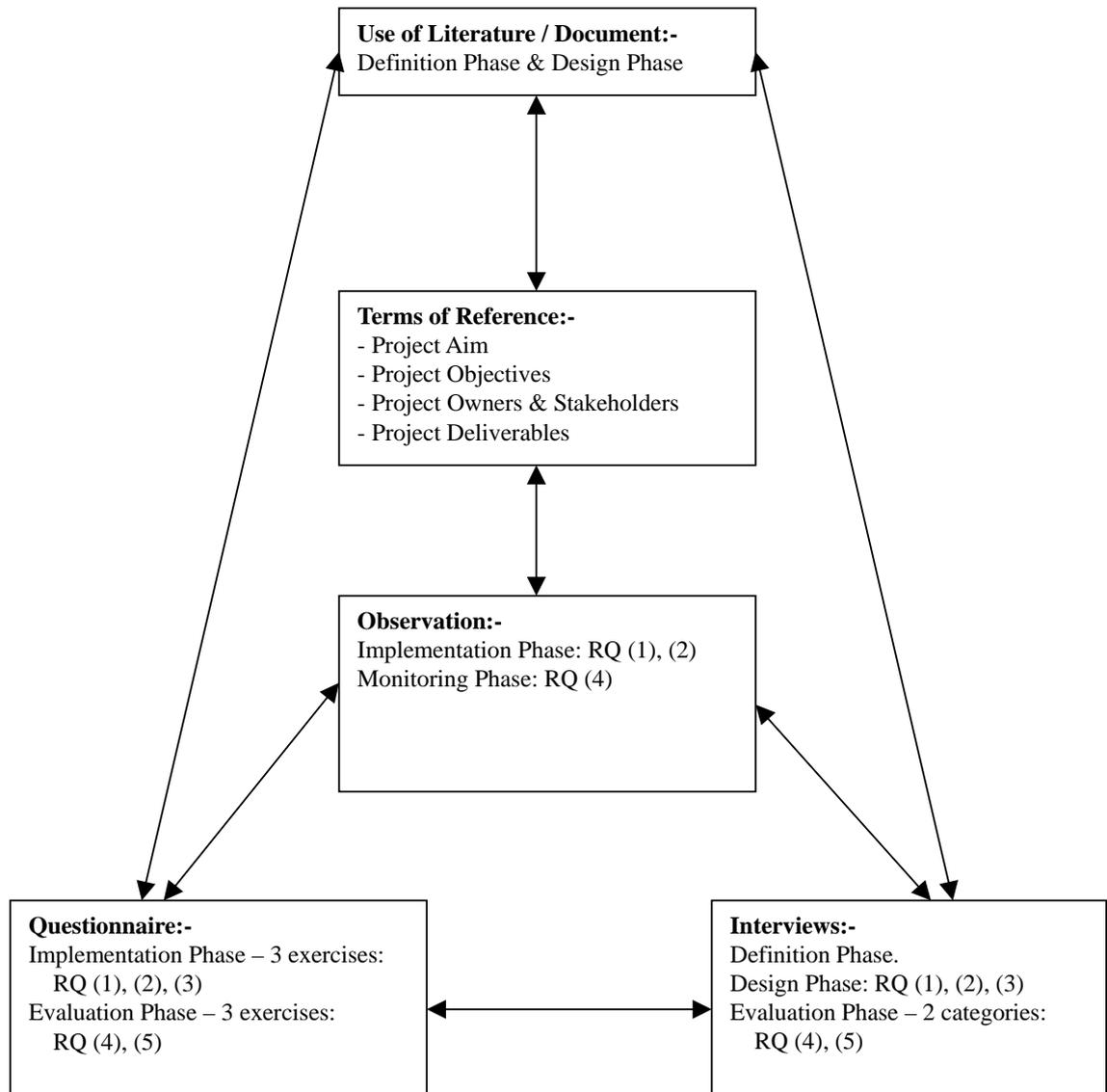
Following each step of Data Collection, Data Analysis took place to provide interim results for reflection and informing further efforts in planning action for the next step, in line with the spiral cycle of action research. The data were collected to facilitate analyses from different perspectives and interpreted with regard to absolute results as well as trends and patterns.

Care was exercised in examining data in answer to the Research Questions. Consistency in Data Collection and Data Analyses was adhered to so as to derive **reliability**.

Throughout the project, **triangulation** was exercised wherever applicable to ensure **validity** of findings.

**Figure 7** presents the cross-relationship of the various steps of Data Analyses with findings to answer Research Questions and the validation of the findings in a triangulation formula.

Figure 7: Triangulation of Data Analyses and Research Questions



Notes on Research Questions (“RQ”)

- (1) Would members of HKIoD accept that directors should embrace professionalism and to what extent?
- (2) Would members of HKIoD agree that directors should keep up with CPD and to what extent?
- (3) What does a reasonable and acceptable accreditation scheme through CPD consist of – scope of CPD activities, time of CPD activities, administration system?
- (4) Would members take action in response to the implementation of a scheme requiring CPD commencing from 2005?
- (5) How would the implementation of an accreditation scheme be perceived – by members and stakeholders?

In the overall picture of the project, data collected and analyzed via literature / document provided the initial basis for project development. The evaluation findings from questionnaire and interviews were consistent with each other in confirming the acceptance and practicability of accreditation via CPD. This result was in turn in line with world trends as indicated from literature / document. From the Design Phase onward, I had at least three occasions of Data Collection whereby the Data Analyses cross-matched each other to lend consistency testing.

In the Design Phase, findings from the following reinforced the mandate to proceed with the project:-

- Use of literature / document.
- Focus group of the Accreditation Committee.
- Focus group of the Council.

In the Implementation Phase, the encouraging results from the following led to the development and launch of the Membership Accreditation Scheme:-

- Observation in the members' forum recording overwhelming acceptance by a group.
- An Inquiry Questionnaire confirming members' acceptance.
- A Consultation Document generating members' votes on a Prototype.

In the Monitoring Phase, findings from the following carried positive signs in the change:-

- Observation from interactions with individual members.
- Observation in group meetings.
- Observation in participation of training courses.

In the Evaluation Phase, members' practice was evidenced and reassured consistently from the following:-

- Renewal of membership with claims of CPD fulfilled.
- Validation of claims by a sample.
- Evaluation Questionnaire polling all members' assessment.
- Interviews of selected members individually and in focus groups and of external parties on their perceptions.

### **3.4 COLLABORATION**

The nature of action research necessitates the statement of the extent of collaboration in this chapter on methodology. To implement the Membership Accreditation Scheme, we have to be sensitive to the need for democratic practices, care and respect for the individuals and the need for disciplined inquiry. We have to make it believable, ensure buy-in and alignment by members. We must approach it by sharing to inform and create collective discovery, hence generating ownership and sense of benefit.

Collaboration was effected in the project in different forms and layers of activities.

#### **3.4.1 Set Groups**

The high-level collaboration was vested with the two set groups, of the Accreditation Committee and the Council.

The Accreditation Committee is the expert panel that served as my focus group when I needed to test the water with questions and my primary set group for the research in being a supportive source, debate team and group of constructive critics. Together, we went through rounds of collective discovery in both propositional knowledge and procedural knowledge for the accreditation scheme as well as analyses of members' reactions.

The Council is my secondary set group, which received and approved the various recommendations from the Accreditation Committee after deliberations. In each process of review and debate, the merits of implementation were weighted against the risk of membership loss to arrive at a conscious decision. The endorsement of the recommendations added credibility and strength in the implementation.

The strong support from the Accreditation Committee and the Council further reinforced the feasibility of the research. Members of both groups have become personal and emotional owners of the project and reached out to other members with pride in the accreditation scheme, hence influencing them in their actions.

When motivated, the set groups provide the blessing and serve as the driving force for the project. The danger is that as they are the leaders of the organization, they may become over-enthusiastic in a top-down approach. Hence they have to be convinced of the necessary democratic process in consulting members and coming up with acceptable parameters.

### **3.4.2 The Participants**

Our members were involved from the beginning of the Implementation Phase and were led step by step in discovery of knowledge. Findings in various stages were disclosed to them. Eventually they assumed ownership of the accreditation scheme and mastered their own actions in compliance with the scheme.

Our members constitute the main group of participants in the action research. Their involvement and commitment are pivotal in developing their spontaneous action. The important issue is to sustain their interest in a long period of implementation. Some may find the project parameters too low; some may find them too high. The key is to find a commonly accepted denominator and to raise its level gradually over time.

### **3.4.3 The Execution Team**

Our staff members of the Executive Office were in the collaboration loop, as they helped to hand-hold members in the Monitoring Phase. My colleagues took part not just in providing service but in working as partners with our members to help them succeed in the change. Eventually my colleagues saw themselves also as Project Owners.

As the execution team forms the front-line workers in interface with members, it is significant to ensure that team members are thoroughly briefed and trained in the principles of action research, the techniques of communicating with members and the sensitivity in reporting on observation for reflexive fine-tuning of action plans. A weak link in this aspect may ruin the project. A well trained team may enhance the project's efficiency and effectiveness.

### **3.5 ETHICAL CONSIDERATIONS**

At the commencement of project, the research was deemed to carry **fitness of purpose** by my Council after the justification of the objectives, desirability and feasibility of the project from referencing similar cases of other IoDs and professional bodies. In the execution of the project, I have been conscious of adopting proper research methods and ethical approaches to the assurance of **fitness for purpose**.

As the worker researcher both leads and participates in the research, the trust bestowed upon him/her and the access of information lend themselves to **ethical issues** around “privacy, informed consent, anonymity, secrecy, being truthful and the desirability of the research” (Blaxter et al, 2001:158). It is my responsibility to exercise care in these issues in the processes of Data Collection, Data Analysis and presentation. Major ethical considerations included the following:-

#### **3.5.1 Fairness and Equality**

As the action research would eventually impose mandatory requirements of membership and change in behaviour of members, fairness was applied to the project, in that eventually individual members would have the option of exit from membership if the accreditation scheme was not acceptable to the individual.

Consistency was maintained throughout the project in that the same set of questions was applied to all target participants in each round of polling. It was not compulsory for everyone to take part in the consultation exercises. The compilation of results was based on all responses to the consultation exercises unfiltered and with origins untraced even though there were respondents who opted to enter their names on questionnaire, hence no one was prejudiced in the Data Collection and Data Analysis processes.

#### **3.5.2 Transparency**

From the commencement of intervention, all members were advised of the objectives of each polling exercise and debriefing of progresses. Communication strategies via postal dispatch,

e-mail and website news were adopted to maximize mutual understanding. There was no hidden agenda with the members.

### **3.5.3 Courtesy of Questions**

I was sensitive to the need for democratic practices and exercised care and respect for the individual and the need for disciplined inquiry.

To ensure no offence to participants, the questions posed in questionnaires, polling documents and interviews were carefully designed to convey courtesy, political correctness and the tact of inviting response. In some cases, in appreciation of time spent in the response, a token was awarded however of a suitable and not excessive value.

### **3.5.4 Option of Anonymity and Privacy**

In the polling via questionnaires and interviews, the option of anonymity in response was offered to participants, whose desire was strictly observed. Meticulous care was exercised in the administrative process of handling returned questionnaires and token acceptance forms in separate streams. The findings from Data Analyses respected the privacy of participants and in no way traced the individual response.

### **3.5.5 Confidentiality and Safe-keeping of Data**

The source data collected from participants are maintained within the safe custody of HKIoD's office premises. All staff members of HKIoD are bound by a pledge in their employment terms to maintain confidentiality of privileged data both during and after employment.

### **3.5.6 Other Issues**

The nature of the project precludes the working with minors, disability and psychometric instruments, which were not issues at all in my project. I believe the above have covered all necessary ethical considerations.

### **3.6 REFLECTIONS AND PERSONAL LEARNING OUTCOMES**

My learning of research and development methods in the Work Based Learning programme was an inspiring process that added confidence for the execution of my project.

With the design of structured approaches of research in my project, each step of execution calls for examination and reflexivity, providing opportunities for cross-checking and counter-checking of findings and interim results. The methodology of structured approaches in action research has enhanced the success probability of my project.

I believe I have adopted the right methodology. If I were to conduct the research again, I might put into the collaboration equation some outside parties, ie other professional bodies, for the accountants, lawyers and engineers etc. If I had their collaboration from the beginning in the form of official mutual recognition of CPD, it would make the proposition more readily acceptable to those of our members who are professionals and relieve their burden when confronted with multiple professional requirements.

My personal learning outcomes from the planning and application of methodology to the project include:-

- Identification and critical selection, combination and use of research and development methods. I was able to put into perspective all essential and strategic elements of action research. I appreciate the significance of collaboration and was able to motivate and mobilize core critical communities in collaboration for planning and launching the project. I am capable of utilizing various instruments for data collection in different circumstances.
- Insight into ethical issues and conflicting values in my project. I have planned the action research in an ethical and fair manner, balancing different interests.
- Management of resources and own learning. I was able to put into planning the professional utilization of time and efforts from collaborated parties.
- Capability to drive an innovative scheme leading the project to explore new frontiers for the organization. The adoption of proper research and development methods enhanced the chance of success for my project.

## **CHAPTER 4**

### **PROJECT ACTIVITY AND INITIAL FINDINGS**

## **4.1 PHASE OF DEFINITION OF PROBLEM (September 2002 – August 2004)**

### **4.1.1 Genesis**

It all began on 3 September 2002, when I as CEO of HKIoD had a discussion session with the 1997-2003 Council Chairman of HKIoD Moses Cheng. In the complementary roles of having the Chairman to manage the board and the CEO to manage the company, it is vital that mutual understanding is maintained between them. Like the Chairman and CEO of any well governed company, we engaged in regular dialogues between board meetings in order to brainstorm on business development. It was in this one of the many meetings in our harmonious relationship that the idea of director accreditation was given birth.

Our observation was that whilst HKIoD has established some credibility and respectable image in the community, we did not yet have a significant membership size, nor did our members take professional director development with serious active participation. This lukewarm climate, we concurred, needed to be addressed in order to strengthen HKIoD's position both as a professional institute representing directors and as a viable ongoing business, though non-profit-distributing in nature. We agreed that the way forward would be the generation of action to fire up the passion of members, enhance our appeal to potential members and intensify the participation in our programmes. We believed that in search of a breakthrough, we needed to drum up collective action of our members and the action should lead to the advancement of our mission in promoting corporate governance and bring about impact of our authoritative status in the community.

The statement of action was at this stage defined: to seek a breakthrough in the way forward via collective action of impact by members, which is in line with HKIoD's mission of promoting corporate governance and contributing towards Hong Kong's international status.

HKIoD's Founder Chairman Moses Cheng is a renowned lawyer with the proven track record in leading the largest local firm of legal practice and a wealth of experience in public service and legislation. His belief is: "The board of directors of a company is ultimately responsible for corporate governance and makes the decisions that determine the company's prosperity and integrity. It is vital that directors approach their duties with professionalism." (official

quote in HKIoD website). He and I both have professional backgrounds, his being legal and mine being engineering (IT). We both saw eye to eye in the requirement of ongoing professional development for directors, but we also visualized that it would be a tall order to impose the requirement on our members of CPD similar to the professionals. To test the preliminary unified thoughts of two minds from professional backgrounds, we agreed that I would prepare a proposal for review and deliberation by our Council, which consists of members of more diverse backgrounds. Thus I embarked on the long journey of research into this area.

#### **4.1.2 First Major Decision**

I proceeded to the preparation of a proposition to our Council: accreditation of directors via CPD.

One month later, I presented my first proposal on the framework of accreditation to our Council at its meeting on 4 October 2002. In my proposal, I traced the evolution to an accreditation system from the long-term vision set by the Council in 1999 to eventually establish a “Professional Director” status that models on the “Chartered Director” status of the IoD in the UK and the mentioning, in the HKIoD’s position paper of May 2002, of CPD as a purpose for producing education and training of directors. I also cited a wish-list of perceived benefits in an accreditation system, which ranges from benefits to our members as individual directors, companies, the public and HKIoD as an institute. The proposal document is enclosed in **Appendix 2.1**.

In this first proposal on accreditation, two options were laid before the Council.

##### **(1) Option I**

**Figure 8** illustrates Option I whereby the HKIoD membership status is separated from an accredited status to be created.

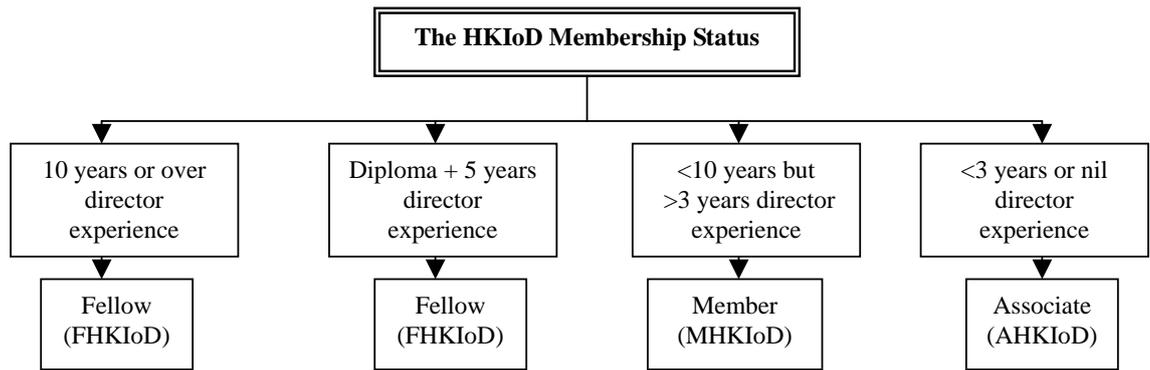
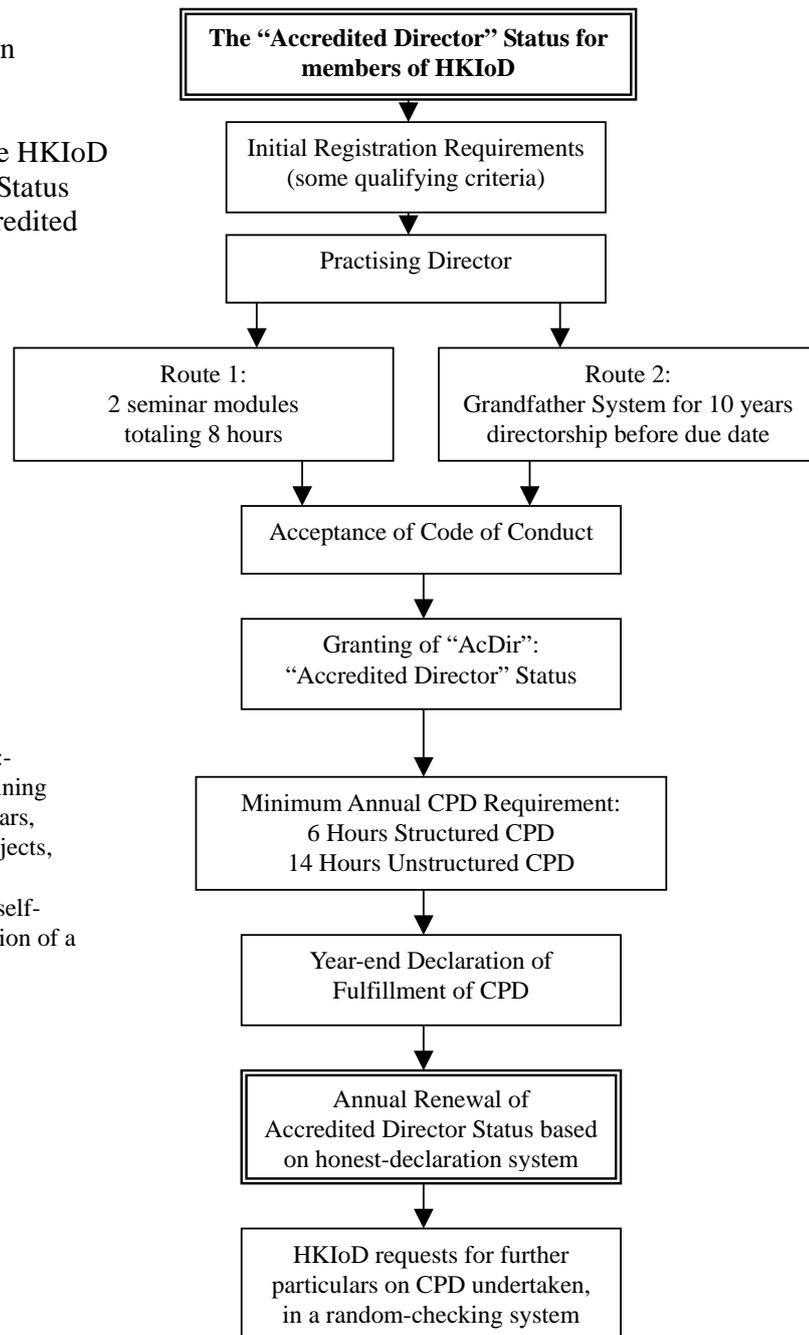


Figure 8:  
1<sup>st</sup> Proposal on Accreditation  
**Option I:**  
Separating the HKIoD Membership Status from the Accredited Status



Notes on CPD:-  
Structured: training courses, seminars, team-work projects, etc.  
Unstructured: self-study, preparation of a paper, etc.

The design of Option I was inspired by the models of other IoDs. For example, the Chartered Director status of the (UK)IoD, the Accredited Director status of IoD in New Zealand, recognition of certificate holders by the (US)NACD and the granting of ICD.D to diploma holders by ICD of Canada are all separate from their respective membership status. In other words, their members have an option to pursue the accredited status, through specified entry point after undergoing prescribed educational programmes and/or passing qualifying examinations and through yearly renewing the status by undergoing CPD.

With Option I, while our membership entry points remain unchanged, with the granting of membership grades in accordance with years of director experience, a new status of Accredited Director will be granted to those members who have either gone through prescribed training or satisfied the minimum requirement of a grandfather system before a set due date. Once granted the status, an Accredited Director will have to keep up with CPD and go through an annual process of renewing the status.

## **(2) Option II**

**Figure 9** illustrates Option II whereby accreditation is an integral element of ongoing HKIoD membership.

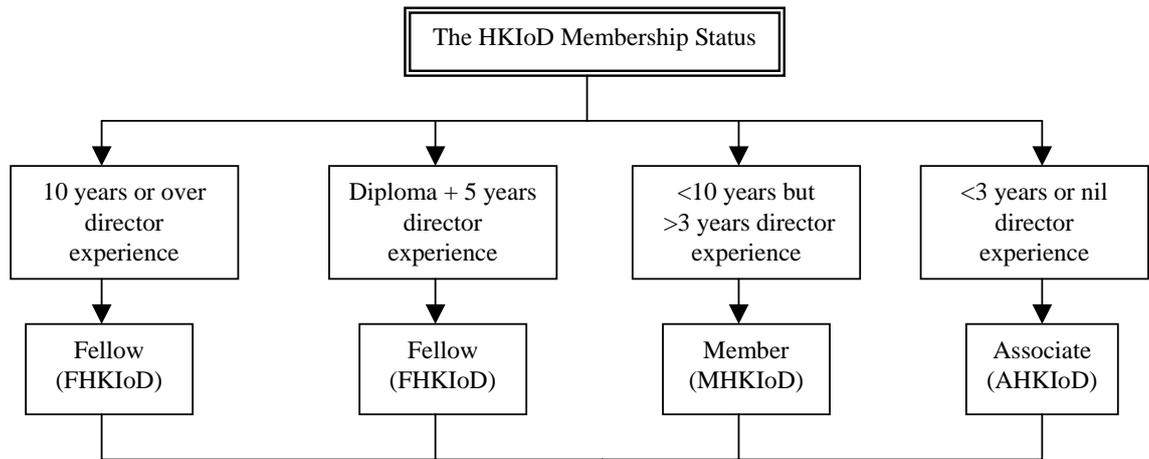
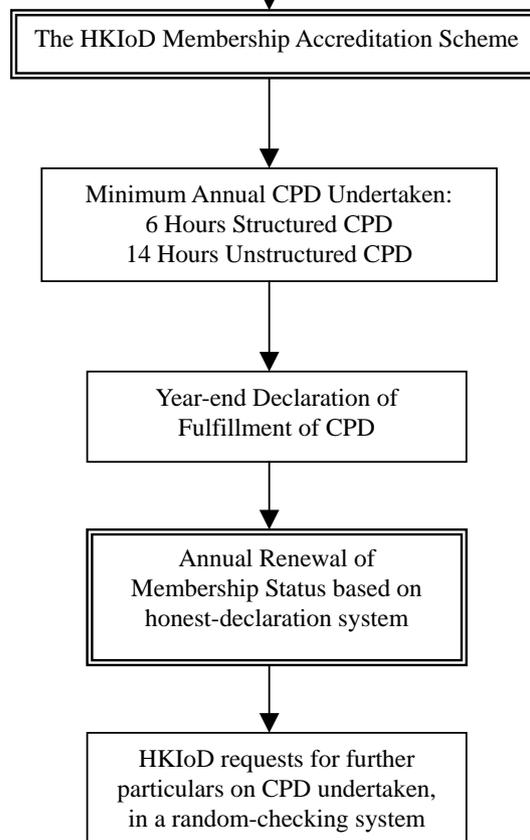


Figure 9:  
1<sup>st</sup> Proposal on Accreditation  
**Option II:**  
The HKIoD Membership Accreditation Scheme



Notes on CPD:-  
Structured: training courses, seminars, team-work projects, etc.  
Unstructured: self-study, preparation of a paper, etc.

The design of Option II has adopted the continuing factor of accreditation by professional bodies and the model of AICD in Australia. In this option, the stringent entry requirement as for professionals and the AICD membership has not been introduced, but once admitted, HKIoD members will be required to undertake CPD and the annual renewal of membership will be conditioned on the fulfillment of CPD.

### **(3) Option I vs Option II**

In both Option I and Option II, the concept of reporting on CPD will be based on an honest self-declaration system, subject to validation by calling a sample of members in a random-selection process for disclosure of further particulars regarding the CPD fulfillment. This has been built into the proposed system after referencing the practices of professional bodies.

Option I would involve the maintenance of two sets of status – HKIoD membership and Accredited Director – which may on one hand be confusing but on the other hand minimizes adverse impact in membership loss, as members will have the choice of not opting to be an Accredited Director while remaining in the membership. But this would weaken the impact of promoting CPD among members.

Option II would make the compliance of annual CPD a requirement for renewal of membership. This would be more simple and straightforward in combining the professional requirement of CPD with membership but would be a more difficult route to take, because if not handled properly it would bring about a loss of membership. This option would also drive the message of CPD among members and indeed directors more forcefully.

After in-depth review and weighing of the merits and demerits of the two options, the Council confirmed that Option II was a more desirable approach, because:-

- It presents uniformity of implementation and relative ease in administration.
- It would drive more forcefully the professionalism objective, as it gets closer to the CPD requirement of many professional bodies.
- Compared with the dual status systems of the (UK)IoD, (New Zealand)IoDNZ, (US)NACD and (Canada)ICD, it is one step forward in progression in making the CPD requirement mandatory for the membership.

- Compared with the system of mandatory CPD for Fellows of (Australia)AICD, the Council prefers to include our membership grades of both Fellows and Members to cover a wider spectrum of membership in our implementation. Hence, it would set a one-step-further example among IoDs.
- Compared with the systems in other IoDs and other professional bodies, it is more relaxed in not imposing any entry examination or education for the time being, so as to make it more acceptable as a starting point and more practicable to focus on the CPD issue.
- It is desirable to promote the value of pursuing CPD to modern-day directors and retain only those members who identify with such value.
- It would project a better image for HKIoD as a self-disciplining organization with all members following the same discipline.
- It presents a challenging opportunity for us to work with our members together in achieving a practicable implementation.

#### **(4) Analysis of the Decision**

It is not surprising that my Council collectively came to the above conclusion. The Council consists of captains of industry and leaders of various sectors of the community. They appreciate the significant role of directors in corporate governance and the need to pursue state-of-the-art knowledge and practices in a competitive world. In our subsequent consultation exercise with members, to offer two options to members would be inviting confusion and problems, with the tendency of a long debate regarding the pros and cons of each option while steering away from the significance of CPD. Being responsible for setting strategic directions of HKIoD, the Council made this key decision on one of the two options as a necessary and wise step, so that later consultation may concentrate on the acceptability of this first model of accreditation and the practical aspects of CPD. Besides, Option I might be kept as a “back-up” step, in the extreme case that Option II was not conceived to be acceptable by the majority of members. The Council has indeed approached the deliberation of the two options with meticulous thoughts and decisiveness.

The other question is whether the Council has arrived at a conclusion with balanced views in the initial stage. The composition of our Council membership, with 29 members at the time, revealed the following profiles:-

- 45% with membership of a profession, including legal, accountancy, engineering and corporate finance.
- 48% with heavy involvement in serving on the boards of listed companies.
- 48% with strong involvement in private companies including SMEs.
- 45% with engagement in service for the education field – including tertiary education institutes and HR consultancy and development.

I believe that the diverse and balanced backgrounds of the Council membership facilitated approaches to the issue from various perspectives. Certainly the broader membership would have to be consulted at a later stage.

I was encouraged by the unprecedented active participation in the discussion of my proposal, the engaging debate over the two options, the endorsement of the concept of accreditation through CPD, the concluded choice of Option II and the blessing for moving forward with implementation. It was a revelation to me that the presentation of options for discussion gets the target group more involved and eventually, after debate, to assume ownership of the conclusion.

The milestone meeting of the Council on 4 October 2002 ended with a mandate for the Accreditation Committee to work with me in developing the **First Model of Accreditation** that was intended for consultation with members.

#### **4.1.3 The Accreditation Committee's Mandate**

The Accreditation Committee and I have worked together on the proposed membership accreditation project since November 2002. The 7-member Accreditation Committee commands the following profiles:-

- 43% with membership of a profession.
- 43% with heavy involvement in serving on the boards of listed companies.
- 57% with strong involvement in private companies including SMEs.
- 71% with engagement in service for the education field.
- 57% with experience in some form of accreditation system for professionals.
- 100% with a portfolio responsibility on the Council of HKIoD (eg chairmanship of a committee in charge of membership, training, communications, Awards, etc), therefore

representative of total commitment to HKIoD.

The above mix of profiles in the Accreditation Committee promises to produce synergy in both cross-fertilization of ideas, team work and passion for HKIoD. Throughout the project, the Committee conducted regular physical meetings and interactive exchanges via email.

In this Definition Phase, I presented my findings from literature and document to the Accreditation Committee. We were able to discuss the context of accreditation with reference to the CPD practices of other IoDs and other professions. We agreed on the terms of reference including the project objectives, owners, stakeholders, the collaborative nature and the general approach.

The Accreditation Committee adopted a mission which later developed into my Project Aim. At this stage, no time schedule was specified yet. As the project developed, the effective time was subsequently set to the year 2005.

#### **4.1.4 Testing External Reactions**

At this early stage of the project, we briefly tossed our vision in accreditation to the regulators. Firstly, in a private meeting in November 2002, Andrew Sheng, the then Chairman of the SFC, indicated that our proposition in mandatory CPD for members would be a laudable act in promoting director training. He further indicated that he was not entirely opposed to mandatory training for directors of listed companies and that to mandate a CPD requirement of **five hours per year** might be worth consideration. The figure of five hours per year was noted as a gauge for directors to begin with. This revelation was encouraging, for the regulators have shown a sign of willingness to change, which, however, may not be easy to effect as it will be a change of attitude and practice among business controllers in a society that has thrived for decades on laissez-faire policies.

In one of our regular meetings with Paul Chow, Chief Executive of Hong Kong Exchanges and Clearing, we revealed our intention to proceed with director accreditation and met with encouragement in this self-discipline initiative to match the work of the Stock Exchange of Hong Kong in promoting directors' roles and responsibilities.

## **4.2 PHASE OF DESIGN OF INTERVENTION (May 2003 – August 2004)**

### **4.2.1 Development of the First Model**

#### **(1) Development Processes**

The development of the First Model of Accreditation for HKIoD members was a process commencing with presentation of drafts by me, followed by review, discussions and collaborative work by the Accreditation Committee, all in accordance with feasibility in answering the Research Questions.

A scheme of accreditation through CPD includes three elements: (a) definition of the scope of CPD activities, (b) setting the minimum CPD time per annum and (c) establishment of an administrative system.

In this Design Phase, the Accreditation Committee gave much consideration to the first three Research Questions:-

RQ(1). Would members of HKIoD accept that directors should embrace professionalism and to what extent?

RQ(2). Would members of HKIoD agree that directors should keep up with CPD and to what extent?

RQ(3). What does a reasonable and acceptable accreditation scheme through CPD consist of – scope of CPD activities, time of CPD activities, administration system?

The answers to these questions depend to a great extent on the design of the proposed scheme and the reasonableness of its contents.

#### **(2) Scope of CPD Activities**

The scope of CPD activities, as concluded by the Accreditation Committee after making reference to the definitive documents of IoDs and other professional bodies presented by me, should be wide enough to cover all activities that produce learning outcome. As most people would immediately perceive CPD as formal training courses, it was considered very important by the Accreditation Committee to define clearly from the outset that CPD

activities are not just limited to activities in a classroom setting. The Committee spent time in meticulous drafting and review of our definition of CPD as an integral component of the accreditation scheme. As it turned out in subsequent processes of implementation, my colleagues and I had to spend time and efforts still in clarifying this concept and correcting misconception among members.

It is impossible to produce an exhaustive list of CPD activities. However, after rounds of discussion and editing on my proposed draft, the Accreditation Committee arrived at a one-page definition intended to convey in simple seen-at-a-glance language to cover the gist of CPD in substance and spirit, as displayed in **Table 6**, which eventually evolved to become an integral part of the final accreditation scheme.

Table 6: The HKIoD Membership Accreditation Scheme Definition of CPD Activities

<b>The HKIoD Membership Accreditation Scheme: Definition of CPD (Continuing Professional Development) Activities</b>	
The scope covers <b>Formal CPD</b> and <b>Informal CPD</b> .	
Activities of Formal CPD may be in the format of participation in a training course or an event or a project or a task, whereas Informal CPD covers self-directed learning and any other form of learning where there is no interaction with other individuals. It is important that a director's CPD reflects a balanced mix of activities.	
<b>Examples</b> of CPD activities may include but are not limited to the following:-	
<b>1. Formal CPD</b>	
1.1	Formal courses / seminars / conferences / forums / group meetings:-
(a)	Attendance of a training course or CPD event organized by HKIoD
(b)	Attendance of a training course or CPD event organized by another organization and recognized by HKIoD.
(c)	Delivery of a talk on a relevant subject, whereby the general principle of 1 hour of talk to 2 hours of preparation time is adopted.
(d)	Organizing a HKIoD training course or CPD event.
(e)	Organizing a training course or CPD event held by another organization and recognized by HKIoD.
1.2	Director work-based activities, on subjects relevant to corporate governance or company direction or board business:-
(a)	Planning and running an in-house training event.
(b)	Leading a new technique or a new discipline.

- (c) Making a presentation after research.
  - (d) Coaching or mentoring.
- 1.3 Personal activities outside work:-
- (a) Committee work of HKIoD
  - (b) Board participation in public duties or voluntary work, eg the board of a school or club or society, charitable trust.
- 2. Informal CPD**
- 2.1 Business knowledge obtained from books, business journals, business press, documentaries, videos, audio materials, distance-learning, e-learning, which is relevant to director development.
- 2.2 Authoring a paper or article or review on a relevant subject.

**(3) Minimum CPD Time**

In terms of CPD time requirement, again references were made to existing examples of minimum stipulation of annual CPD time as follows:-

- (Australia) AICD            10 hours        All Fellows
- (Canada) ICD                14 hours        ICD.D diploma holders
- (New Zealand) IoDNZ    40 hours        Accredited Directors
- (UK) IoD                        30 hours        Chartered Directors
- (US) NACD                    8 hours        Holders of Certificate of Director Education
- (HK) Engineers              45 hours        Before Corporate Membership
- (HK) Engineers              30 hours        Corporate Membership
- (HK) Accountants          40 hours        Practising Members – min 15 hours structured
- (HK) Accountants          40 hours        Non-practising Members
- (HK) Lawyers                15 hours        All qualified members

It was noted that there are two ranges of minimum CPD time stipulation, in the 30-40 hours range among the professionals and some of the special status granted by IoDs and in the 10-hour region set by other IoDs. As HKIoD will take its first step in introducing the scheme and as directors are not addressed as “professionals” per se, it was decided not to set the initial minimum CPD requirement in the high-end stipulation, but to commence with an easy

dosage and to increase gradually over time. After rounds of review, as at August 2004, the Accreditation Committee derived a vision in the stipulation of *minimum* CPD time as follows:-

	Year 1	Year 2	Year 3
• Fellows	Total 10 (Formal 0)	Total 15 (Formal 5)	Total 20 (Formal 10)
• Members	Total 15 (Formal 5)	Total 20 (Formal 10)	Total 20 (Formal 10)
• Associates Option 1	Total 20 (Formal 10)	Total 20 (Formal 10)	Total 20 (Formal 10)
• Associates Option 2	Not mandatory, but recommended best practice to follow.		

#### **(4) Administration System**

With regard to the administration system, the decision was a relatively easy one, because all other institutes have implemented the model of self-declaration by members. With the exception of the IoD's 100% monitoring on Chartered Director, all other bodies administer a sample-checking system. The Accreditation Committee decided to follow the latter *modus operandi*.

#### **(5) Code of Conduct**

Included in the design of an accreditation scheme was a Code of Conduct, which would serve the purposes of providing a common frame of guidelines for members' professional conduct and ethics and demonstrating the upholding of high standards by members of a professional body. The Accreditation Committee made references to the Codes of various institutes and the *Non-Statutory Guidelines on Directors' Duties* published by the Companies Registry and participated in drafting the Code. In the final accreditation scheme, this Code forms an integral part, which also becomes a reinforcing element of the authority of the scheme.

It was resolved to make the Code a one-page reading with "twelve commandments" as essential elements of high standards in directors' conduct, including the stipulation that directors must stay up-to-date with knowledge, skills and best director practices. Accompanying the Code are explanatory notes, which, in line with the article re CPD, go as follows: "A director should keep abreast of both practical and theoretical developments in direction to ensure that he is equipped with best practices. Every member of HKIoD is

obliged to engage in CPD (continuing professional development) through the membership accreditation system of CPD”. **Table 7** outlines the Code articles.

Table 7: Code of Conduct

<b>CODE OF CONDUCT</b>	
A member of The Hong Kong Institute of Directors undertakes to uphold the Institute’s Code of Conduct in fulfilling the roles and responsibilities as a company director with the following commitment:-	
1.	<b>Becoming Conduct:</b> To behave with conduct which becomes a member of the ultimate body that is responsible for corporate governance and hence the prosperity and integrity of the company.
2.	<b>Honesty:</b> To act in good faith in the best interests of the company, exercising powers for their proper purpose.
3.	<b>Legality:</b> To act within the legal framework as conferred on directors by the <i>Companies Ordinance</i> , the company’s <i>Memorandum and Articles of Association</i> and any other relevant documents of authority.
4.	<b>Diligence:</b> To exercise care, skills and due diligence
5.	<b>Accountability:</b> To be accountable to the company and its shareholders.
6.	<b>Integrity:</b> To avoid conflicts of duty and personal interest and to promote ethical director and company conduct.
7.	<b>Justice:</b> To ensure equality of shareholder opportunity and adequate and proper disclosure of information to relevant parties.
8.	<b>Leadership in Enterprise:</b> To enhance shareholder value by steering the company through sound strategic directions, proper internal control and alert risk management.
9.	<b>Participation:</b> To contribute towards a participative board culture as well as enlightened and considered decision-making processes.
10.	<b>Excellence in Contribution:</b> To engage in self-assessment of work performance from time to time so as to align with the goals of the company and enhance personal and board contribution towards the company.
11.	<b>CPD:</b> To pursue continuing professional development programmes for directors so as to master up-to-date knowledge, skills and best director practices.
12.	<b>Discipline:</b> To be subject to review by a disciplinary panel and an appeal panel, if necessary, set up by The Hong Kong Institute of Directors, should any cause for complaint call for such a review.

## **(6) Reflexive Step**

Through relying on the Accreditation Committee as my sounding board, expert panel and focus group, I had collected data necessary to crystallize the initial thoughts on an accreditation model, which are in line with the data collected from literature/document. However, I had to take caution that the scenarios in existence among the various IoDs and professional bodies are results of years of development and that the members of my Accreditation Committee are all enlightened practitioners and converted believers in CPD. Their vision of an initial accreditation model had yet to be tested among our mass members, among whom those without the exposure to a professional accreditation system might not readily grasp the vision, particularly in the time stipulation.

I brought up the above concern with the Accreditation Committee in a diplomatic way not to dampen enthusiasm but to stimulate reflection on the approach of implementation. My colleagues on the Accreditation Committee agreed that the first accreditation model would not be released to members in a cold manner, but rather would be reserved as a **Baseline Model** for developing consultation papers. Hence, the Accreditation Committee proceeded to plan for approaching the members and working together with them in the development of a scheme that is acceptable to and practicable by them. Meanwhile, it was gratifying for the Committee to go through the process of collective learning and creation of an accreditation model. This was reported to the Council and met with the Council's endorsement.

Thus far, collaboration took place among the high-powered group of HKIoD, ie the Council and the Accreditation Committee. The bonding relationship was initially between me as the researcher and the group as the target of action research. Subsequently the group was converted into taking the position of researcher as well to work in the next step in inducing action among the general membership. As agent in the conversion process, I continually posed objective questions to facilitate the group in viewing the potential scheme contents from various perspectives of the general membership drawing their attention to the diverse backgrounds of the membership. Outside of meetings, I generated discussions via email messages with all group members to continue the quest. At suitable times, I reminded the group members of the risk element and hence involved them in reflexivity. In the end, they shared the joy from each step of progress made during the project.

#### **4.2.2 Planning of Intervention Actions**

I put forward my proposal of actions for the next phase to include three rounds of membership interaction: (a) an **Ice-breaking Forum** with participating members whereby a panel of authoritative speakers would be invited to share experiences and thoughts and to stimulate interaction among participants, (b) an **Inquiry Questionnaire** to the entire membership, followed by (c) a **Consultation Document**, again to the entire membership, based on data analyses from the first two rounds. Intervention actions would be triggered off through extending the involvement from the focus group and expert panel in the form of the Accreditation Committee to a larger group of members at the Ice-breaking Forum and would gather momentum when the entire membership would be involved in the polling exercises.

The three rounds of actions were planned to address RQ(1) through RQ(3), whereas the data collected and analyzed would compare with the Baseline Model designed by the Accreditation Committee. Unless the members came up with strong objection to the setting up of an accreditation scheme, steps of fine-tuning of the scheme from the Baseline Model were expected to take place as the intervention actions evolved.

The Accreditation Committee accepted my proposed plan and participated in organizing the polling events.

#### **4.2.3 First Announcement to Members**

A notable event in this phase of design of intervention was the first-time announcement of the intended accreditation to members at HKIoD's AGM on 8 July 2003. At the time, Chairman Moses Cheng made a historic declaration as follows:-

“The Council has approved a preliminary proposal from the Accreditation Committee regarding the accreditation of our membership in continuing professional development. While we have been preaching director professionalism through continuing learning and training, it is time that the Institute considered the implementation of such practice among our members. This accreditation scheme will be developed after serious and thorough reviews and extensive consultation with our membership. We aim to present an eventual scheme to our members' general meeting that will be practical, acceptable to our members, professionally recognized and contributing to enhancing director competence among our

members and the community at large.”

This was echoed by me in the capacity of CEO on the occasion:-

“The project in developing accreditation of membership promises to bring new horizons for the Institute in propagating and reinforcing director professionalism. We are in the processes of drafting proposals for this and plan to consult members extensively.”

The above statements are also documented in the *Highlights of the Year 2002-2003*, enclosed in **Appendix 3.1**.

Such a brief announcement did not meet with any strong reaction on the occasion, nor was there any on-the-spot feedback. Naturally, the Council and the Accreditation Committee did not expect any feedback because the announcement only introduced the notion of a proposal at a preliminary stage. There was no mention of what accreditation involved. The emphasis, however, was on **consultation** and **involvement** of the membership before any decision was made. This set the mind of our members at ease and won their trust in our democratic approach.

Following the AGM, I published a Position Statement on the HKIoD website on 2 August 2003, enclosed in **Appendix 3.2**, and disseminated by email this news release to all members. The one-page Position Statement spelt out the four elements to a proposed accreditation system, ie, scope of CPD activities, CPD time requirement, administration system and Code of Conduct, but with no details, again emphasizing on the forthcoming consultation with members. This is one step further from the announcement, in that the elements of accreditation were disclosed. Both AGM announcement and web-site Position Statement served as teasers for the project.

#### **4.2.4 Enhancement of Infrastructure**

In support of the accreditation scheme and enhancing members’ understanding of CPD, HKIoD poured in boosters of CPD programme offering, commencing from the year 2003 and continuing as an ongoing major thrust.

These included:-

- Publications
  - *Guidelines on Corporate Governance for SMEs in Hong Kong 2003*
  - *Guide for Independent Non-Executive Directors 2<sup>nd</sup> Edition 2003*

Our guidelines series comprise of well-subscribed and well-received guidelines that help to highlight areas of improvement and serve to awaken awareness of director professionalism. The circulation ranges from 2,000 to 5,000 copies per publication.

- The HKIoD Corporate Governance Score-card Project, first launched in 2004 and due to re-run in 2006 – in rating the top 160+ listed companies that are the constituent stocks of the Hang Seng Indices. Again, the score-card results awaken many with regard to the awareness of performance in corporate governance with direct relation to director performance. This project has been widely publicized by the media.
- Speaker meetings, well attended by HKIoD members as both sources of updates and wisdom from authoritative speakers and platforms for peer networking in reinforcing the culture of director professionalism. The programme offering has been on the upward trend as follows:-
  - 2002: 6 events, 650 participants
  - 2003: 9 events, 869 participants
  - 2004: 5 events, 897 participants
- Structured training courses, which directly fulfill the needs for knowledge and skills and assist directors in approaching their duties with professionalism. The programme offering has been on the upward trend as follows:-
  - 2002: 41 sessions, 665 attendees
  - 2003: 39 sessions, 831 attendees
  - 2004: 77 sessions, 1,315 attendees
- Directors Of The Year Awards, an annual project in recognizing outstanding directors and mobilizing community-wide involvement, which has sustained the momentum and increased impact year by year. In addition, the project has also stimulated inspiration among directors to aim for excellence and hence motivated the pursuit of best practices.

All of the above contribute towards enhancing our members' awareness regarding director professionalism and equipping our members with the necessary knowledge. The responses in subscription to our new publications and the increased enrolment to our speaker meetings and

training courses constituted evidence that a culture in the pursuit of CPD has been gradually created and maintained. This paved the way for the consultation in the Phase of Implementation of Intervention.

### **4.3 PHASE OF IMPLEMENTATION OF INTERVENTION (September 2004 – July 2005)**

#### **4.3.1 Staff Induction**

At the beginning of this phase, I took my colleagues of the Executive Office into the picture. In executing the project, I continued the role of a people-manager in the perennial cycle of training – delegation – accountability – monitoring.

My colleagues were briefed in detail as to the project objectives, action plans, events to be organized and monitored and their roles in assisting intervention tasks. Subsequently, they were also given induction as to Data Analysis methods and interface with members in the Monitoring Phase. My coaching for them included the substance and skills in delivery. The substance covers our emphasis on deriving learning outcome from everyday activities, professional spirit and conduct upheld by HKIoD. My colleagues have been continually developed in membership service with a demonstration of helpfulness in customer-care tone. With this project, their skills were extended to persuasiveness with courtesy and positive projection of HKIoD's new initiative.

A standing item has been inserted into the agenda of our regular staff meetings to report on and review members' queries and feedback regarding accreditation. Gradually my colleagues were integrated into the ownership of and involvement in the project. This prepared my staff for collaborative action and converted them into taking the position of a researcher in working with members at a later stage. By taking part in the project, my colleagues have also ventured into new learning.

One of my colleagues remarked: "This is the largest project that HKIoD has ever executed, in terms of period of implementation and impact. The sensitivity issues can either make or break the project."

#### **4.3.2 Ice Breaking: The Introduction Forum**

##### **(1) Forum Proceedings**

On 16 September 2004, a historic dinner meeting took place with the attendance of 80 members (representing 8.5% of the then membership). This was a panel-led forum titled “Director Competence, Professionalism and Continuing Professional Development”. With the objective of introducing the concept of accreditation through CPD, meticulous planning by the joint efforts of the Accreditation Committee and careful organization by the Executive Office, the forum received unprecedented participation in discussions by attendees. **Table 8** outlines the forum agenda and subjects covered by the panel speakers.

Table 8: Forum Agenda

Dinner Forum: <b>Director Competence, Professionalism and Continuing Professional Development</b> Thursday 16 September 2004 The Penthouse, 24/F 83 Des Voeux Road Central, Hong Kong (by courtesy of Hang Seng Bank) Conducted in English, with simultaneous interpretation into Cantonese		
Time Slots	Sessions / Speakers	Subjects
6:00pm-6:30pm	Pre-dinner drinks and chats	
6:30pm-7:20pm	Dinner	
7:20pm-8:20pm	<b>Session I: Driving Forces</b>	
(7-8 min)	Mr Herbert H M Hui Chairman, HKIoD; Deputy Chairman Ocean Grand Holdings Limited	Statement of Objective: Nurturing Excellence in Corporate Governance.
(10 min)	Mr Gordon W Jones Registrar of Companies The Government of HKSAR	Public Expectations of Directors
(10 min)	Mr Paul Chow Chief Executive Hong Kong Exchanges and Clearing Limited	The Roles and Responsibilities of Directors in a Listed Company
(7-8 min)	Mr Peter S H Wong Deputy Chairman, HKIoD; Managing Director & CEO Tai Fook Securities Group Limited	Significance of Director Competence to Investors

(7-8 min)	Mr Kelvin Wong Deputy Chairman, HKIoD; Deputy Managing Director COSCO Pacific Limited	Professional Status, Professional Conduct and Professionalism
(16-19 min)	Q&A	
8:20pm-8:30pm	Break	
8:30pm-9:30pm	<b>Session II: Culture, Practice and Propositions</b>	
(5 min)	Mr A F M Conway Council Member and Chairman of Accreditation Committee, HKIoD; Chairman Great River Corporation Limited	Self-Discipline and Consideration for Accreditation
(5 min)	Mr Alex Au Managing Director Hung Kai Finance Co Ltd	Experience Sharing: Directorship is not just an Honour
(5 min)	Mr Man Mo Leung Council Member, HKIoD; Managing Partner Moore Rowland Mazars	Experience Sharing: The Accountants' Model
(5 min)	Ir Edmund Leung Council Member, HKIoD; Director Parsons Brinckerhoff (Asia) Ltd	Experience Sharing: The Engineers' Model
(5 min)	Ms Carlye Tsui CEO, HKIoD	A Model for Directors
(30 min)	Members' Discussion	
(5 min)	Ms Carlye Tsui CEO, HKIoD	Propositions, Straw Poll of Response, The Way Forward

## (2) From Driving Forces to Professionalism

In the opening address, 2003-2006 Council Chairman Herbert Hui spoke on HKIoD's objective in nurturing excellence in corporate governance, linking the growth of HKIoD to the value proposition to members in promoting corporate governance and our work direction in offering programmes to empower directors. This statement of objective was followed by

an address on public expectations of directors by Gordon Jones, Registrar of Companies, who covered the responsibilities of directors as stipulated by the Companies Ordinance and as perceived by the public and the need for directors' pursuit of best practices in meeting public expectations. Paul Chow, Chief Executive of Hong Kong Exchanges and Clearing Limited, honed in on the crucial roles and responsibilities of directors in a listed company and directors' obligations to continually develop themselves in order to meet challenges and fulfill their roles and responsibilities.

Following the two regulators, Deputy Council Chairman Peter S H Wong, who is also CEO of a major institutional investor, spoke on the perception of institutional investors, their willingness to pay a premium investing in good corporate governance and how directors should be equipped to add value to companies. Deputy Council Chairman Kelvin Wong, who is also deputy managing director of a large listed company with China investment, addressed the issue of professional status, professional conduct and professionalism of directors, conveying the notion that while directors may not be licensed or categorized as professionals, they should engage in self-discipline and continual learning.

The first session of the forum examined the driving forces for corporate governance leading to director professionalism. This generated active discussions among attendees, who agreed to the significant role of directors in corporate governance. While attendees were not in favour of licensing directors, the consensus was to promote professional spirit and practices, backed by continuing learning to master state-of-the-art knowledge and skills.

### **(3) On Accreditation**

The second session of the forum went into specific treatment of the subject of director accreditation.

Accreditation Committee Chairman A F M Conway spoke on self-discipline and consideration for accreditation, outlining briefly the approach of accreditation in building professionalism in membership, highlighting the role of HKIoD as Hong Kong's premier body representing directors to cultivate self-discipline among members and introducing the concept and essence of a proposed accreditation scheme to benefit directors and their

companies, indirectly benefiting the economy at large. This is followed by the testimonial of Alex Au, managing director of a finance company and a regular attendee of our training programmes, in sharing his experience regarding professional development and conveying the message that directorship is not just an honour but also a commitment in corporate governance.

Two other speakers who are also members of established professions shared experiences in continuing professional development. Council Members Man Mo-Leung and Edmund Leung spoke respectively on the accountants' model and the engineers' model in accreditation, covering qualifying requirement, Code of Conduct, CPD requirement and how each speaker fulfilled this requirement. They both addressed the perceived synergy in their respective professions' CPD requirement and the directors' CPD requirement.

I was the last panel speaker in this session and addressed the forum on a model for directors, disclosing the (UK)IoD model, the (Australian)AICD model, followed by a proposed HKIoD membership requirement in the pursuit of CPD.

In the discussion session, members engaged in enthusiastic deliberations, with sentiments from the outset in agreement of accreditation through the pursuit of CPD to heated debates on the extent of CPD time, mounting to a passion in upholding professional pride through staying up to date with skills and practices. In terms of scope, the attendees advocated as broad as possible, citing many work based examples of projects that account for learning outcome. It was also noted that a number of attendees belong to some established professions and therefore preferred to see mutual recognition of CPD fulfillment between their respective professional institutes and HKIoD. Members present generally felt that the CPD time should be a significant figure in the region of 10-20 hours to be of relevance.

#### **(4) The Straw Poll**

The event came to a climax when I concluded the forum with an announcement of consultation with the full membership in the way forward and conducted a straw poll among the 61 attendees present towards the end of the evening. The results of the straw poll indicated an overwhelming support of the proposed accreditation through CPD, as indicated

in **Table 9**.

Table 9: Forum Straw Poll Results

Dinner Forum:	
<b>Director Competence, Professionalism and Continuing Professional Development</b>	
<b>Thursday 16 September 2004</b>	
<b>Straw Poll Results</b>	
(Total attendance at time of poll: 61. Polling targets excluded the 10 panelists.)	
<b>Q.1: Do you agree that HKIoD's consideration for introducing the compliance of a Code of Conduct is an appropriate move forward?</b>	
Those who agree, please raise your hands.	51
Those who disagree, please raise your hands.	0
Those who are not certain, please raise your hands.	0
<b>Q.2: Do you agree that directors should keep up with professional development in a continuing manner?</b>	
Those who agree, please raise your hands.	51
Those who disagree, please raise your hands.	0
Those who are not certain, please raise your hands.	0
<b>Q.3: Do you agree that HKIoD's consideration for introducing CPD requirement in membership is an appropriate move forward?</b>	
Those who agree, please raise your hands.	50
Those who disagree, please raise your hands.	0
Those who are not certain, please raise your hands.	1

## **(5) Findings**

The forum has provided positive preliminary answers to RQ(1), RQ(2) and RQ(3), regarding members' acceptance of professionalism, directors' obligation to keep up with CPD and contents of an accreditation scheme. The findings matched in principle with the Accreditation Committee's vision of a Baseline Model derived in the Design Phase, in both a broad scope of CPD activities and minimum stipulation of 10-20 CPD hours.

The encouraging poll results paved the way for consultation with the entire membership. The years of preparatory work by the Accreditation Committee, the Executive Office and me as researcher culminated in this very good beginning of the Implementation Phase. The structured forum proved to be able to produce meaningful findings that served as a pilot test on a sample of the membership and fed useful results into the design of the Inquiry Questionnaire. However, I was conscious that although this sample group showed very friendly reaction, I could not assume the same reaction from the general membership.

It was observed that members present genuinely felt that they have collectively contributed towards the development of an accreditation system for HKIoD. Hence collaborative efforts have extended from between the researcher and the researcher-group (of Council and Accreditation Committee) to between the researcher-group and the members.

The 80 attendees who participated in discussions represented a cross-section of the membership, in that there was a fair mix of directors, with 23% being directors of listed companies, 77% being directors of private companies, and 38% belonging to some established professions. But the point to note is that the attendees who made efforts in attendance and participation tended to be either taking an active interest in or inclined to accept the subject matter of the forum. They therefore constituted the “warm-market targets”.

To further enhance transparency, the gist of forum discussions and the straw poll results were published on the HKIoD website and disseminated to all members via e-mail, with an advance notice that a questionnaire would be forthcoming.

### **4.3.3 Consultation with All Members re Feasibility**

#### **(1) The Inquiry Questionnaire**

In October-November 2004, a survey among all members by an Inquiry Questionnaire titled “Self-Discipline & Accreditation – Inquiry into Members’ Commitment” was conducted.

The questionnaire methodology is summarized as follows:-

- Language: In line with HKIoD’s multi-cultural environment, the questionnaire was

bilingual, in Chinese and English. As far as possible, questions were designed in a neutral tone. Wherever suitable, non-quantitative answers such as reasons and specific preferences were polled.

- Polling method: The approach of postal questionnaire enclosing reply-paid envelopes was taken in order to encourage response and to assure non-duplication of response.
- Pilot test: A pilot test was conducted among two groups: (1) 28 members representing 3% of the then membership sampled in the HKIoD Membership Database in proportion to statistics by membership grades and (2) 31 members of the HKIoD Council. The purpose of the pilot exercise was to test the user-friendliness of the questionnaire, such as the time required for completion, clarity of questions and any objectionable questions. Based on the response, the questionnaire was fine-tuned for the full poll that reached all members.
- Anonymity: Respondents had the option of remaining anonymous on the questionnaire. All information supplied was treated in strict confidence, in accordance with ethical disciplines, and used only for tabulating results for statistical analyses. In appreciation of response, a token was offered. We handled the token-claim forms separately from the processing of the questionnaire.
- Structure of questions: The questionnaire was designed to include sub-questions of a variety of question types in order to poll answers that enable analyses by category, multiple choices, scale of sentiments, ranking and open-ended response as applicable.

## **(2) Questions Posed**

The questions posed in the Inquiry Questionnaire were five-fold, relevant to Research Questions RQ(1) through RQ(3) based on the vision in the Baseline Model regarding:-

- Director conduct: values perceived.
- The pursuit of CPD by directors: perception of the scope of CPD.
- The perception of minimum time commitment in CPD by members.
- The administration of annual CPD requirements for members by HKIoD.
- Personal and company profiles for the compilation of overall demographics.

For questions inquiring about agreement to, eg professionalism, keeping up with CPD, Code of Conduct, etc, a scale of answers was posed to measure the degree of agreement or

disagreement. To analyze our members' value perceptions and relative viewpoints, the next sub-question was to pose a selection of reasons for not agreeing or a selection of features as to the extent perceived of a situation, as applicable. For questions probing the "what coverage" and "how to", eg the range of CPD activities, the size of time requirement, the modes of scheme administration, the response in selection of multiple choices formed the foundation of the scheme contents.

The vertical spread of the questions introduced a step-by-step lead-in to the consideration of the components of an accreditation scheme, while the horizontal spread of the questions posed the diversity of each component for consideration.

On 5 October 2004, the pilot-test Inquiry Questionnaire was issued with a preface explaining the rationale of the survey and the invitation to be pilot participants. At the end of the questionnaire, there were questions about the time required to complete the questionnaire and whether there were any unclear and objectionable questions. By the closing date of 12 October 2004, a 34% response was achieved.

25% of the respondents to the pilot-test questionnaire replied that it took up to 20 minutes to complete the questionnaire. A few commented favourably on the design of the questionnaire. One respondent was critical on the questions. In general, the findings on reactions regarding the user-friendliness, clarity and relevance of the questionnaire were satisfactory. Based on the replies of 17% of respondents, the CPD requirement for Associates needed to be reconsidered. The resultant adjustment to the contents for the full-poll Inquiry Questionnaire was the addition of one more sub-question regarding whether Associates should be exempted from CPD requirement.

The questions are summarized in **Table 10**, while the full text (in English and Chinese) of the Pilot-test Inquiry Questionnaire, Full-poll Inquiry Questionnaire and Token-Claim Form are in **Appendices 4.1 (1) through (3)**.

Table 10. Summary of Questions in the Full-poll Inquiry Questionnaire on “Self-Discipline & Accreditation – Inquiry into Members’ Commitment”

Questions	Answers
Cover letter explaining the background to this questionnaire and its objectives, with assurance on ethical issues in conducting the survey.	
Q1. On director conduct	
Q1.1 Do you agree that directors should adhere to a defined set of professional conduct?	Scale of agreement
Q1.2 Do you agree that the introduction of a Code of Conduct for compliance by members is an appropriate move forward for HKIoD?	Scale of agreement
Q1.3 Please select the following values (one or multiple) that should be included in a Code of Conduct for directors:	Multiple choices
Q1.4 If you have ticked (c) or (d) or (e) in Q1.1 or 1.2, please specify reason(s)	Reasons for disagreeing
Q2. On CPD for directors	
Q2.1 Do you agree that keeping up with CPD will help directors to perform better?	Scale of agreement
Q2.2 If you have ticked (c) or (d) or (e) in Q2.1, please specify reason(s).	Reasons for disagreeing
Q3. On the scope of CPD activities for directors - Please select from the following lists the reasonable items (one or multiple) that should be included in the scope of CPD activities for directors.	
Q3.1 Formal CPD	Multiple choices
Q3.2 If you have ticked (c) or (d) to Q3.1, please indicate the reasonable upper limit of % of Formal CPD hours taken up by events of another professional body	Specific choices
Q3.3 Informal CPD	Multiple choices
Q4 On the commitment in CPD practice by directors - Assuming commencement in 2005 and increasing thereafter each year, please select the reasonable annual time requirements (in hours) that HKIoD members in CPD practice should attain	
Q4.1 2005	Multiple choices
Q4.2 2006	Multiple choices
Q4.3 2007	Multiple choices
Q4.4 Do you think that Associates of HKIoD should be exempted from	Yes/No & Reason

CPD requirements?	
Q5 On the implementation of an accreditation scheme with annual CPD requirement	
Q5.1 Would you agree to practise CPD for HKIoD members on an annual basis?	Yes/No & Reason
Q5.2 Would you agree to declare the CPD time taken on an annual basis?	Yes/No & Reason
Q5.3 Would you agree to an administration system whereby year-end CPD declarations by members will be taken on an honest basis but will be subject to sample-checking requests for information by random selection?	Yes/No & Reason
Q5.4 Do you agree that the introduction of CPD as a membership commitment is an appropriate move forward for HKIoD?	Scale of agreement
Q5.5 Do you agree that a commitment to CPD will enhance the quality and status of HKIoD's membership?	Scale of agreement
Q6-14 Profiles	Multiple choices

### (3) Response to the Inquiry Questionnaire

The full-poll Inquiry Questionnaire was issued on 26 October 2004 to **945** members. As at the closing date of 6 November 2004, **189** members responded, representing a **20%** response rate. While the full report to members is in **Appendix 4.1 (4)**, the following constitute an executive summary of the findings:-

- (i) **97%** of the respondents agreed that directors should adhere to a defined set of professional conduct and **93%** of respondents agreed that the introduction of a Code of Conduct for compliance by members is an appropriate move forward for HKIoD.
- (ii) Majority of the respondents agreed that integrity and ethics, legality and compliance and accountability are the main values that should be included in a Code of Conduct for directors.
- (iii) **78%** of the respondents agreed that keeping up with CPD would help directors to perform better.
- (iv) The majority of members selected HKIoD courses, HKIoD speaker forums and training courses of other professional bodies as their preferences that should be included in the scope of CPD activities for directors.

- (v) Summary of preferences of minimum time commitment in CPD practice by members:-

Majority selection:-

Grades:	Fellow		Member		Associate	
CPD Hours:	Min Total	Min Formal	Min Total	Min Formal	Min Total	Min Formal
2005	10	0	15	5	20	10
% response	79%	57%	58%	85%	48%	67%
2006	15	5	20	10	20	10
% response	62%	81%	56%	66%	64%	70%
2007	20	10	20	10	20	10
% response	61%	58%	66%	70%	69%	70%

80% response threshold:-

Grades:	Fellow		Member		Associate	
CPD Hours:	Min Total	Min Formal	Min Total	Min Formal	Min Total	Min Formal
2005	5	0	10	5	0	0
2006	10	5	10	5	0	0
2007	10	5	10	5	0	0

90% response threshold:-

Grades:	Fellow		Member		Associate	
CPD Hours:	Min Total	Min Formal	Min Total	Min Formal	Min Total	Min Formal
2005	5	0	10	0	0	0
2006	5	0	10	0	0	0
2007	5	0	10	0	0	0

- (vi) **88%** of the respondents agreed to the practice of CPD by HKIoD members on an annual basis.
- (vii) **86%** of the respondents agreed to declare the CPD time taken on an annual basis.
- (viii) **79%** of the respondents agreed to an administration system whereby year-end CPD declarations by members will be taken on an honest basis but will be subject to sample-checking requests for information by random selection.
- (ix) **75%** of the respondents agreed that the introduction of CPD as a membership commitment is an appropriate move forward for HKIoD.
- (x) **81%** of the respondents agreed that a commitment to CPD will enhance the quality

and status of HKIoD's membership.

(xi) Demographics of the respondents:-

Ratios of Fellows to Members to Associates	= 48:45:4
Majority of director experience in years	= 4-20 years
Ratio of Female to Male	= 15:85
Majority age group	= 41-60
Majority claim to belong to a profession.	
Principal company categories:-	
Listed company	= 32%
Private company	= 59%
Board size majority	= / < 10

The above demographics generally match the profile of HKIoD's membership,

#### **(4) Findings**

The responses in favour of upholding professional conduct and abiding by a Code of Conduct were overwhelming. The answers in the selection of values to be included in the Code helped in the fine-tuning of the draft Code of Conduct. It was encouraging to see that our members generally shared the same values and ideals of high standards. RQ(1) has been answered to great satisfaction, as our members embrace professionalism. This matched the vision of our Accreditation Committee and the findings observed in the Introduction Forum.

The agreement to the value of CPD and practice of CPD as a membership condition was not exactly overwhelming but still substantial. The respondents' selection of CPD activities focused more on formal training courses and speaker forums than on work based tasks. However, all cited activities have been selected by respondents. Training courses of other professional bodies were also covered by majority of the respondents, as the demographics indicated that a majority belongs to some established professions. The proposed administrative system of self-declaration and sample-checking was met with support. From these findings, there was no obvious obstacle in the definition of scope of activities and implementation of the scheme. RQ(2) has been satisfactorily answered from agreement to keep up CPD by a substantial number of respondents. RQ(3) has been answered partially as indicated by the selection of all CPD activities to certain extent and agreement to the

proposed administration system by a substantial number of respondents. The sentiment of support indicated by the questionnaire is high, though not as universal as that observed in the Introduction Forum.

The key question was the CPD time requirement as perceived by the respondents.

The pattern by majority selection shows some form of progression in the preferred stipulation of minimum CPD hours from 2005 through 2007 for both Fellows and Members but a flat number throughout for Associates. The figures ranged from 10 to 20 in minimum total CPD hours and from 0 to 10 in minimum Formal CPD hours. Here the magnitude of “majority”, in actual fact “plurality”, differed for different grades of membership and different years, ranging from 48% to 81%, averaging 66%.

To widen the net to satisfy 80% of the respondents, the threshold has to be set lower. Hence the 80% threshold pattern indicated from 2005 through 2007 a progression for Fellows from 5 hours to 10 hours and a flat figure of 10 hours for Members and nil for Associates. The stipulation of the minimum number of Formal CPD hours was 0 to 5 for Fellows and a flat 5 for Members.

To further widen the net to satisfy 90% of the respondents, the threshold has to be set lower still. The 90% threshold pattern indicated a flat number of minimum total CPD hours at 5 for Fellows, 10 for Members and nil for Associates, with no stipulation for minimum Formal CPD.

These patterns point to a perception of fewer CPD hours by members or less readiness for members to commit in fulfillment than previous findings. Some cases are perhaps due to the respondents’ perception that CPD hours could be achieved only with formal training programmes. Such findings fall short of the Accreditation Committee’s Baseline Model and the Introduction Forum’s indication. However, the findings provided revelation in answering RQ(3) and very useful references in the setting of minimum CPD hours in order to induct as many members as possible in the final accreditation scheme.

Prior to this exercise, HKIoD has conducted a number of surveys by questionnaire, such as

on value propositions to members and training needs, etc, but the response rate to this Inquiry Questionnaire was the highest ever, which is interpreted as a high degree of collaboration, indicative of members’ interest or concern in a subject of direct impact to them. Once their interest has been aroused, it paved the way for stimulating more participation in subsequent collaborative efforts.

In line with our transparency policy and communication strategy, the report on questionnaire findings was published on our web-site and the executive summary was circulated via e-mail to all members. This publication of results reassured members that they had a major role in collaborating in shaping the future accreditation scheme.

Collaboration by members in discovery of the above level of interest and support produced constructive findings in broad ranges. It became necessary to narrow down to specific contents of a likely accreditation scheme. This evolved to the next stage of development for further consultation with members.

#### **4.3.4 Development of a Prototype and the Scheme Consultation**

After my presentation of the response and interpretation of findings from the Inquiry Questionnaire, the Accreditation Committee worked on fine-tuning the Baseline Model and developed a “Prototype” of an accreditation scheme for release to the entire membership to poll further views. This Prototype consisted of the following elements:-

- A Code of Conduct for members’ compliance. The Code was basically the same as in the Baseline Model, with a set of guidelines developed to explain the Code, fine-tuned on the basis of findings from the Inquiry Questionnaire.
- Definition of scope of CPD activities for members’ reference. The definition remained a broad spectrum, with the highlighting clause that it was a non-exhaustive list and the nature of any activity that produces learning outcome relevant to corporate governance and director practices.
- Stipulation of minimum CPD requirement as follows:-

Grades:	Fellows		Members	
Min CPD Hrs:	Min Total Hrs	Min Formal Hrs	Min Total Hrs	Min Formal Hrs
2005	5	0	10	0

Grades:	Fellows		Members	
Min CPD Hrs:	Min Total Hrs	Min Formal Hrs	Min Total Hrs	Min Formal Hrs
2006	10	5	10	5
2007 (To be fixed after review in 2006)	15	10	15	10

The stipulation of CPD time has been adjusted downward from the Baseline Model taking into consideration the findings from the Inquiry Questionnaire. An exemption mechanism was introduced and would apply to:-

- Associates.
- Those who satisfy the “Rule of 100”, whereby the sum of the member’s age and number of years in experience as a director is not less than 100.

Although not required to comply with the CPD-time requirement, those who qualify for exemption are still encouraged to pursue CPD as a recommended best practice.

- An administration system based on self-declaration and sample-checking. The policy for the administration remains unchanged from the Baseline Model.

With the Accreditation Committee’s endorsement, I developed a document for the Scheme Consultation, titled “Re HKIoD Membership Accreditation – An Invitation to Respond”, which is enclosed in **Appendix 4.2 (1)**. The Consultation Document, written in English and Chinese, consisted of the following gist:-

- (1) Background – commencing from the Introduction Forum through the survey by the Inquiry Questionnaire, inviting response with comments and suggestions and acknowledging the collective collaboration of all members in developing the accreditation scheme to be implemented.
- (2) Nurturing Director Competence – mission of HKIoD and work on enhancing director competence through promoting professional development.
- (3) Accreditation and Self-discipline – definition of accreditation, professionalism - directors versus the professions and HKIoD’s role as promoter, facilitator and service provider.
- (4) The elements of the Proposed Accreditation Scheme.
- (5) Reference cases – citing (UK)IoD and (Australia)AICD.
- (6) The Proposed Code of Conduct.
- (7) The Proposed CPD Stipulation – scope of activities and examples, minimum CPD-time

requirements.

- (8) The Proposed CPD Administration.
- (9) Benefits
- (10) Two appendices: the written Code of Conduct with guidelines and the Executive Summary of the Questionnaire Findings.

Accompanying the booklet of Consultation Document was a response form, specifically polling whether members agree or disagree to the proposed HKIoD Membership Accreditation Scheme plus any other comments.

The Scheme Consultation Document was forwarded to all **961** members on 1 April 2005 inviting response by 30 April 2005. This document in effect put forward the proposal of the Prototype with detailed explanation to members for consultation. **201** members responded, representing **21%** of the membership, with the following summary findings:-

- 3 members disagreed.
- 1 member “partly agreed”. This respondent indicated that she was in favour of the Code of Conduct and Informal CPD but not Formal CPD.
- The rest representing **98%** of the respondents agreed to the proposal.
- 18 members representing 9% of the respondents submitted remarks in addition to casting their votes. The nature of the comments, listed in **Appendix 4.2 (2)**, ranged from:-
  - the anticipation of the launch of a formal recognition through more stringent requirements, to
  - the need for recognizing training from other disciplines or professions or other IoDs
  - the request for organizing more CPD programmes by HKIoD and
  - reinforcing endorsement statements of the proposal.

The findings from the Scheme Consultation were in line with the findings of the Inquiry Questionnaire. The realistic adjustment of the CPD time requirement has invited positive voting among the respondents. RQ(1) through RQ(3) were considered to be answered satisfactorily in this round of exercise. Collaborative efforts have been elevated with the prompting of a decisive voting in favour or otherwise, representing an invoking of direct support.

The Consultation Document was also forwarded to the regulators, including the policy

makers of the Financial Services and the Treasury Bureau of the Government of HKSAR, the Companies Registry of the Government of HKSAR, the SFC and SEHK, for information and reference. Richard Williams, Listing Division Head of SEHK, replied in his letter, “We support the general direction of proposals in seeking to further increase the level of professionalism amongst members of the HKIoD. This initiative will further contribute to our mutual objective of improving corporate governance practices in Hong Kong and Mainland China. We generally support your proposals on Membership Accreditation.”

The letter from SEHK represents the first official support of our membership accreditation and gave a preliminary answer to RQ(5) on the perception by an external party.

#### **4.3.5 Establishment of the Membership Accreditation Scheme**

RQ(1) through RQ(3) have been answered through the step-by-step actions from the small-group Accreditation Committee to the larger-group Introduction Forum and eventually the membership at large. The processes have developed concepts from a Baseline Model to a Prototype. Finally, the Accreditation Committee settled on the final model of an accreditation scheme titled “**The HKIoD Membership Accreditation Scheme**” to be launched, which I presented to the Council and met with endorsement.

In the Membership Accreditation Scheme, the minor variation from the Prototype was that the minimum CPD time requirement was stipulated the same for both Fellows and Members as follows:-

- Calendar year 2005: 5 hours with no minimum stipulation for Formal CPD.
  - Calendar year 2006: 10 hours with a minimum stipulation for Formal CPD being 5 hours.
- All other conditions in the Scheme remain the same as in the Prototype.

We arrived at the stipulation of 5 CPD hours for the first year of implementation, as a coincidence or echo of the predicting impression of 5 CPD hours mentioned by former SFC Chairman Andrew Sheng in November 2002.

The Accreditation Committee also agreed to my recommendation that the requirement for year 2006 would be reviewed together with the evaluation of implementation in the first half

year, but any revision would be adjustment downward rather than upward, ie a relaxation of the defined requirement, based on realistic situation.

#### **4.4 PHASE OF MONITORING AND STRENGTHENING OF INTERVENTION (August – December 2005)**

##### **4.4.1 Launch of the Scheme**

At the AGM of HKIoD on 5 July 2005, 2003-2006 Council Chairman Herbert Hui made the following announcement: “The Institute’s membership figure reached the milestone of 1,000.....A major step was taken towards establishing a membership accreditation scheme. We are most pleased with members’ favourable response to consultation on the implementation of a Code of Conduct and Continuing Professional Development requirements. It will be the Institute’s initiative towards self-discipline and encouragement of professional development, indeed demonstrating to the community the progressive nature of a professional body. The scheme requirements are also deemed practical and practicable by members.”

This was echoed by me, with extract of the *Highlights of the Year 2004-2005* in **Appendix 5.1**: “We worked meticulously on introducing a membership accreditation scheme through extensive consultation and a participative research approach involving members. In so doing, we have been sensitive to our members’ needs, motivating members in collective formulation of the scheme and exploring trends in continuing professional development. The commencement of the membership accreditation scheme marks a new era for the Institute. To facilitate and support the scheme, we continually enhance our programme offerings for the development of directors’ visions and skills and for the advancement of good corporate governance.”

Details on The HKIoD Membership Accreditation Scheme were published in a Membership Accreditation Scheme Kit, set out in **Appendix 5.2**, consisting of a booklet on the Code of Conduct and a set of Guidelines on Membership Accreditation Through CPD enclosed in a high-image folder. This Kit was circulated to all members, heads of various printed and electronic media and the government and regulators.

In a radio interview in July 2005 on the launch of our Directors Of The Year Awards 2005, I mentioned, inter alia, the establishment of membership accreditation and promotion of CPD

among our members as a trend-setting initiative of HKIoD to enhance director competence. Chairman Herbert Hui was also interviewed by the press on our membership accreditation. This series of soft announcements culminated to a media conference held on 3 August 2005 for the publication of our latest guidebook, when I formally introduced the contents of The HKIoD Membership Accreditation Scheme to the media present. This helped to publicize our scheme as well as to sustain the dissemination of information to our members, through the external source of the media.

#### **4.4.2 The Administrative System**

To facilitate the recording by members of CPD activities undertaken, a simple form was designed and released to all members as a recommended recording media. This form is part of the Membership Accreditation Kit. The completed pages of the form may also be used as the reporting media when members are called upon to produce more details in the validation of their CPD activities at a later stage.

The infrastructural support in the Executive Office for recording members' CPD activities was also enhanced. This involved the maintaining of our Membership Database to update individual members' records of participation in training courses, speaker meetings, committee meetings and any other HKIoD events that account for CPD. This would provide counter-checking data for the validation of year-end declaration of CPD fulfillment.

#### **4.4.3 Continual Enhancement of CPD Activities**

Continuing from the 2004 efforts, the 2005 CPD programmes saw a boost of activities and participants, with the following highlights:-

- Increased publications
  - *Guidelines for Directors 2<sup>nd</sup> Edition* 2005
  - *Guide for Remunerating Independent Non-Executive Directors* 2005
  - *Guide for Independent Non-Executive Directors 3<sup>rd</sup> Edition* 2006
- Compared to 2004, the 2005 training programmes expanded from 77 sessions with 1,315 attendees to 94 sessions with 1,800 attendees. We believe that the increase in attendance was due partly to our enhanced marketing campaigns and partly to the new requirement

of CPD fulfillment.

#### **4.4.4 One-on-one Interaction with Members**

In the second half of 2005, my colleagues of the Executive Office who are the front-line officers interacting with members observed further reactions.

55 phone-in inquiries from members related to the Membership Accreditation Scheme were recorded in July-December 2005. The first observation was that the tone was all positive towards the Scheme. Other observation indicated inquiries of the following pattern:-

- 70% of inquiries concerned the clarification of the scope of CPD activities, of which 60% asked whether CPD activities of other professional bodies are recognized by HKIoD.
- 40% of inquiries asked for the HKIoD records of the respective inquirers' CPD activities.
- 20% of inquiries asked about details in filling in the CPD record form provided in the Membership Accreditation Scheme Kit.
- 2% asked if there was any requirement of compliance by Associates.

In accordance with my orientation, my colleagues responded to the phone-in inquirers with meticulous explanation of the wide scope of CPD activities or indeed any activity that produces learning outcome of new knowledge and skills for the learners, the details of the requirements as specified in the Membership Accreditation Scheme and procedures in form filling. Thus collaboration expanded to my staff, who assumed the role of facilitators in the action research.

The pattern of inquiries suggested interest in the subject matter and behaviour corresponding to the responses to the Inquiry Questionnaire and Consultation Document. To a certain extent, it seemingly predicted preliminary answer to Research Question RQ(4) on members' actions in compliance with the membership accreditation scheme and provided reference points for the design of the Evaluation Questionnaire in the next phase.

#### **4.4.5 Interaction with Members in Groups**

From the Data Analyses in participant observation, reinforcement messages were formulated

and conveyed to members in group gatherings. Typically in our Speaker Luncheon Meetings and specifically in our Annual Dinner cum Presentation of Directors Of The Year Awards 2005, Chairman Herbert Hui made a point to include in his opening address the significance of continuing learning to directors and our Membership Accreditation Scheme in maintaining professionalism among directors. CPD certificates were handed out at the end of special events such as for the speaker sessions of the Presentation of Directors Of The Year Awards and the HKIoD Study Tour to Chengdu. It was observed that members and guests were pleased to collect the CPD certificates. Some of them indicated that they could also claim CPD fulfillment in other professional bodies with our certificates. Such gestures were deemed to promote mutual encouragement of learning among peer meetings.

The findings from participant observation of members in groups were consistent with previous Data Collection and analyses regarding members' enthusiasm towards our CPD programmes. It was observed that the recognition of participants' CPD fulfillment served as a morale booster and encouragement of further participation among peers thus further advancing the collaboration. Again, the findings predicted to a certain extent answers to RQ(4) regarding members' actions in CPD fulfillment .

#### **4.5 REFLECTIONS AND PERSONAL LEARNING OUTCOMES**

The project duration from 2002 through 2005 concurred with the downturn and upturn of the Hong Kong economy. At the beginning of the project, the economy showed signs of recovery from the depression of the late 20<sup>th</sup> Century, but the SARS (Severe Acute Respiratory Syndrome) epidemic hit the world and sent our economy down again. In the face of adversity, directors came to realize that the changing world affects our businesses and therefore it is crucial to change in line with change. The final exit from the economic trough and the recovery from socio-economic trauma left the lessons to learn for our members to keep up to date in meeting anticipated competition in better economic times.

My personal learning outcomes from the project activities and initial findings include the following:-

- Effective application of a combination of appropriate research and development methods in the project. I have achieved satisfactory results of (a) cascading effects in serial actions through orchestrating multi-layer collaboration, initially with my Accreditation Committee, subsequently extended to my Council and eventually covering the entire membership and (b) engaging appropriate combinations of Data Collection instruments whereby one set of findings of Data Collection helps to facilitate the next exercise of Data Collection, eg the findings of the Ice-breaking Forum facilitated the development of the Inquiry Questionnaire, the findings of which in turn facilitated the development of the Prototype and Consultation Document.
- Successful implementation of a step-by-step approach in action research. This approach allowed me to meticulously review results and exercise reflexivity and appraisal in order to plan and adjust forward actions.
- Ability to grasp the crux of complex situations. I was able to appreciate the sensitive needs of different segments of members, ranging from the strong believers to those yet to be convinced, and produced win-win solutions with a wide range of scope of CPD activities and a time-stipulation net that covers a vast majority of members.
- Working with and influencing critical communities in effecting the way forward. I have proven capable of motivating and mobilizing their resourceful help, tapping on their wisdom in leading the project and at times influencing them in a change of the course of steering through views conveyed in a diplomatic and convincing way.

- Articulating forceful messages to influence thinking and actions on the project to multiple parties. They included internal decision makers, my subordinates, the membership at large, external parties and the media.
- Autonomy in project execution and the corresponding high level of responsibility to make the project work. My leadership ability was exercised to the fullest in the project activity. To take the project forward, I adopted different approaches. At times, I served as a planner-facilitator to help collaboration in decision-making by providing enlightening information. At times, I was leading without being seen as leading but with orchestrated collaboration resulting in collective action.

**CHAPTER 5**

**EVALUATION OF**

**THE ACTION RESEARCH INTERVENTION**

## 5.1 MEMBERSHIP RENEWAL

### 5.1.1 Self-declaration of Compliance

#### (1) Renewal Status and Progress

The HKIoD yearly cycle is such that notices to all members regarding the renewal of membership for the next year are issued in the preceding December. Past years' pattern revealed that membership renewals took place for the majority in the first quarter but continued through the second, third and even fourth quarters with a tapering rate. Our membership renewal rate in the past has been maintained at 85%, reached towards the end of each year.

The Membership Renewal Notice issued in December 2005 to all 1,018 members at the time, as set out in **Appendix 6.1 (1)**, has been revised to include, in addition to renewal payment data, the claim of CPD fulfillment in number of hours during the year 2005, with a declaration statement as follows:-

“I declare that I completed HKIoD’s CPD requirement in the year 1 January 2005 through 31 December 2005 and that I will produce my record for review in the event that I am selected to do so.”

In the months of December 2005 through March 2006, 61 phone-in inquiries were received seeking clarification or interpretation, again, of the scope of CPD activities. My colleagues provided the inquirers with hand-holding support in the completion of the renewal procedures.

With the understanding that members had to go through the process of filing their CPD claims, it was observed that the renewal rates by month this year were slower than those of previous years. To further invite renewal, the following reminder letters were sent:-

- A general circular to all members on 6 March 2006, as set out in **Appendix 6.1 (2)**, with the purposes of sustaining the momentum of the Membership Accreditation Scheme for year 2006 and highlighting the scope of CPD activities and CPD time requirement for filing renewals.
- A specific letter to those members who have not yet renewed membership on 14 March 2006, as set out in **Appendix 6.1 (3)**, with the purposes of reminding renewal and

facilitating the completion of CPD claims.

Since then, the renewal rate gathered momentum again.

A comparison of renewal progresses is laid out in **Table 11**.

Table 11. Comparison of Renewal Progress

Months	Accumulative Membership Renewal Rate as at month-end	
	2005	2006
January	63%	52%
February	72%	59%
March	76%	70%
April	77%	73%
May	78%	75%

Considering the additional burden of filing CPD compliance, the rate of renewal was deemed satisfactory by the Accreditation Committee, which met with endorsement by the Council in its April meeting.

From our continuing reminder processes in February through the end of May 2006, the following records were made:-

- 121 members were reached in 163 calls.
- 52 members representing 43% of the members reached renewed membership with proper claims of CPD.
- 15 members representing 12% reached needed coaching on the Membership Accreditation Scheme and the related claim procedures.
- 12 members representing 10% reached would not renew membership owing to relocation of business activities to Mainland China.
- 2 members representing 2% reached would not renew owing to retirement.

From the renewal progresses January through May, we can deduce that over half of the membership collaborated in immediate spontaneous action, while an additional one-quarter of the membership followed the action after seeing peer action or being reminded. As at the end of May, three-quarters of the membership were recorded to have joined force.

## (2) Claim of CPD

As at the end of May 2006, the renewal and claim of CPD status as detailed in the report of *CPD Compliance – Response Data 2006* set out in **Appendix 6.1 (4)** are summarized as follows:-

- Renewed members: **760** (75% of 1,018 renewable members).
- All but one (Fellow) signed to declare fulfillment of CPD in 2005.
- Breakdown of claims of CPD hours as follows:-

CPD Hrs Claimed:	Breakdown by Bands of Hours						Total	Highest No. of Hours	2 <sup>nd</sup> Highest No. of Hours
	5	Indicated “>5”/“5+”	Figures 6-10	Figures 11-20	Figures >20	Rule of 100			
Fellows	211 49%	56 13%	50 12%	49 11%	61 14%	5 1%	432 100%	320	100(x3)
Members	163 56%	30 10%	39 14%	23 8%	32 11%	2 1%	289 100%	300	223
Associates	32 82%	1 2.5%	1 2.5%	2 5%	3 8%	0 0%	39 100%	80	40
Total	406 53%	87 11%	90 12%	74 10%	96 13%	7 1%	760 100%	320	300

- Those who filed claims of CPD hours exceeding the stipulated minimum requirement of 5 hours represented:-
  - **50%** of the renewed Fellows.
  - **43%** of the renewed Members.

It seems that the more experienced directors among our members are more conscious of learning.
- Although exempted from compliance, the renewed Associates all filed their claims of CPD in accordance with best practice. The vast majority of the Associates claimed the minimum CPD hours.
- 1% of the renewed Fellows and renewed Members exercised the Rule of 100.

The claims recorded were deemed satisfactory by the Accreditation Committee, particularly

when nearly half of the renewed members have reported on CPD activities exceeding the stipulated minimum and the Associates also followed best practice in declaring CPD.

### **5.1.2 Validation of Compliance**

On 22 March 2006, I forwarded a letter as laid out in **Appendix 6.2 (1)** to a sample size of 60 members extracted from our Membership Database in proportion to the split of membership grades and representing 10% of the then renewed members. The letter requested for more details on the recipients' CPD activities undertaken in conformance with our policy in validation of compliance. To facilitate their returns, we also enclosed a form listing their respective participation in HKIoD CPD activities, leaving to individual members the task of filing additional CPD activities, such as those organized by other bodies and self-study etc.

As at 20 June 2006, all selected members filed details for validation. The 100% return of details generated very satisfactory results in validating the claims of CPD in the renewal exercise.

While samples of filing details for validation are enclosed in **Appendix 6.2 (2)**, the filing findings indicated the following:-

- 1% of the respondents took part in only CPD activities organized by HKIoD.
- 93% of the respondents took part in CPD activities of other bodies as well.
- 26% of the respondents claimed self-study as part or all of their CPD activities.
- 92% of the respondents found the validation system easy to handle.

This validation exercise served the purposes of:-

- Substantiating members' CPD claims in the answer of RQ(4) on members' actions in compliance of the Membership Accreditation Scheme.
- Revealing further details and patterns of CPD engagement in echoing RQ(2) with the extent of response in upholding CPD.
- Confirming the validity of the renewal claims.

The renewal exercise was assessed together with its sequel activity of validation. In this Evaluation Phase, the data collected from membership renewal and declaration of CPD

fulfillment corresponded to the positive results of participant observation in the Implementation Phase and Monitoring Phase. There was intensity of interest and practice among the majority of the Fellows and Members, whereas the Associates were gradually following.

RQ(4) on whether members would take action in response to the implementation of a scheme requiring CPD has been satisfactorily answered. This also echoed previous answers to RQ(2) in members' agreement that directors should keep up with CPD and the extent of putting this into practice with CPD engagement beyond the minimum stipulation.

## 5.2 CONSULTATION OF FULL MEMBERSHIP

### 5.2.1 The Evaluation Questionnaire

In a separate poll reaching all members, an Evaluation Questionnaire was issued to **1,095** members on 1 April 2006 via postal survey. The questions are summarized in **Table 12** while the full text of the Evaluation Questionnaire is in **Appendix 6.3 (1)**.

Table 12. Summary of Questions in the Evaluation Questionnaire

Questions	Answers
Cover letter explaining the background to this questionnaire and its objectives, with assurance on ethical issues in conducting the survey.	
Q1. Are you aware that HKIoD has launched its Membership Accreditation Scheme whereby members are required to pursue CPD (Continuing Professional Development) and declare fulfillment on an annual basis upon renewal of membership?	Yes/No
Q2. Are you aware that CPD can be pursued through a wide scope of activities, which are not just limited to class-room training courses?	Yes/No
Q3. Do you agree that the pursuit of CPD keeps you up-to-date with regard to enhancing knowledge and skills in fulfilling the role of a company director?	Yes/No
Q4. To which of the following do you think that the implementation of Membership Accreditation System with CPD requirement is of positive value?	Multiple choices
Q5. Do you agree that the self-declaration system complemented by filing of more details upon selection is a reasonable approach for administering CPD fulfillment by members?	Yes/No/Neutral
Q6. How did you find the filing of the new membership renewal statement?	Scale of ease
Q7. To your recollection, in which of the following CPD activities have you engaged over the past 12 months?	Multiple choices
Q8. To your recollection, what is your ratio of CPD engagement over the past 12 months?	Specific ratio
Q9. The CPD time requirement for 2005 was 5. Do you think the CPD time requirement for 2006 should be ....	Increased/Same/Neutral

Q10. What do you think the ratio of Formal CPD to Informal CPD for 2006 should be?	Specific ratio/Neutral
Q11. Have you consciously kept a record of your CPD activities for filing to HKIoD?	Yes/No
Q12. If your answer to Question 11 is “no”, would you start to keep a record of your CPD activities in this year?	Yes/No
Q13. Would you actively pursue CPD activities in 2006?	Yes/No
Q14. Would you encourage your fellow members to actively pursue CPD activities?	Yes/No
Q15. Would you publicize that the Membership Accreditation Scheme of The Hong Kong Institute of Directors is an initiative in promoting professional spirit among directors and benefiting the fulfillment of director’s role?	Yes/No
Q16. Please give your expectations or other comments, if any	Comments
Q17-25. Profiles	Multiple choices

### 5.2.2 Response to the Evaluation Questionnaire

As at the closing date of 30 April 2006, **178** members responded representing a **16%** response rate. While the full report to members is in **Appendix 6.3 (2)**, the following constitute an executive summary of the findings:-

- (i) **93%** of the respondents were aware that HKIoD has launched its Membership Accreditation Scheme whereby members are required to pursue CPD and declare fulfillment on an annual basis upon renewal of membership.
- (ii) **91%** of the respondents were aware that CPD can be pursued through a wide scope of activities, which are not just limited to class-room training courses.
- (iii) **98%** of the respondents agreed that the pursuit of CPD keeps one up-to-date with regard to enhancing knowledge and skills in fulfilling the role of a company director.
- (iv) The majority of the respondents agreed that the implementation of Membership Accreditation System with CPD requirement is of positive value to the following:-
  - Members (79%)
  - HKIoD (74%)
  - Hong Kong as a major international financial center (64%)
  - Members’ companies (59%)

- (v) **80%** of the respondents agreed that the self-declaration system complemented by filing of more details upon selection is a reasonable approach for administering CPD fulfillment by members.
- (vi) **63%** of the respondents found the filing of the new membership renewal statement not a problem while **25%** of the respondents found it manageable after a while.
- (vii) Over the past 12 months, the majority of the respondents had engaged in formal CPD activities such as training courses, speaker forums and director work-based learning. Also, they had gained knowledge from reading or audio/video materials or e-learning as Informal CPD activities.
- (viii) In the past 12 months, the majority of the respondents had the ratio of 40% or more in Formal CPD engagement.
- (ix) **55%** of the respondents indicated that the CPD time requirement for 2006 should be maintained the same (that is 5 hours).  
**29%** of the respondents indicated that it should be increased to 10 hours.  
**16%** of the respondents were neutral on the CPD hours to be set for 2006.
- (x) **56%** of the respondents indicated that there should be no specification of the proportion of Formal CPD engagement. The majority of the rest indicated that Formal CPD engagement should be of the ratio of 40% or more.
- (xi) **46%** of the respondents had consciously kept a record of CPD activities for filing to HKIoD. Though the rest of the respondents had not consciously kept a record of CPD activities, **69%** of them indicated that they would keep a record this year.
- (xii) **90%** of the respondents would actively pursue CPD activities in 2006 and **89%** of the respondents would encourage fellow members to actively pursue CPD activities.
- (xiii) **92%** of the respondents would publicize that the HKIoD Membership Accreditation Scheme is an initiative in promoting professional spirit among directors and benefiting the fulfillment of director's roles.
- (xiv) Demographics of the respondents:-
  - Ratios of Fellows to Members to Associates = 56:40:2
  - Majority of director experience in years = 4-20 years
  - Ratio of Female to Male = 15:85
  - Majority age group = 41-60
  - Majority claim to belong to a profession.
  - Principal company categories:-

Listed company	= 37%
Private company	= 57%
Board size majority	= /<10

The above demographics generally match the profile of HKIoD's membership database.

The above findings from respondents indicated an overwhelming support of our approach in developing director professionalism and our advocacy of accreditation through CPD and majority support of engagement in activities producing learning outcome, while the pattern of CPD engagement indicated less than half of the activities as Formal CPD. The knowledge, attitude and belief are positive. The practice tended towards Informal CPD. The future outlook is encouraging with members' willingness to practise and promote CPD.

The practical question of the minimum number of CPD hours for 2006 needs to be reviewed. The majority of respondents preferred to maintain the minimum requirement of 5 CPD hours for 2006. Experience told us to be cautious. While we have to still convert a small % of the members and maintain the interest of those who opted for status quo, we should also satisfy those who agitate for more and show a progressive nature with gradual and steady raising of standards. This calls for an innovative approach in setting the CPD time requirement for 2006, leading to the two-tier approach in the conclusive step of the project.

## 5.3 CONSULTATION OF SELECTED MEMBERS

### 5.2.1 Approaches

Selected members were interviewed either on a one-on-one basis or in a focus group.

The individual members' interviews were conducted over the telephone with simple and time-saving questions to solicit their direct response.

With the purpose of probing answers to RQ(4) on actions and RQ(5) on perceptions, I conducted the interviews with the help of a set of structured questionnaire, set out in **Table 13**.

Table 13. Questions posed in Interviews of Members.

Q1. Introduction.
Q1.1 Do you agree that directors should master up-to-date knowledge and skills in fulfilling their roles and responsibilities of the companies that they serve?
Q1.2 What CPD activities have you undertaken over the past 12 months?
Q2. Perception of impact of the Membership Accreditation Scheme
Q2.1 To HKIoD?
Q2.2 To members?
Q2.3 To members' companies?
Q2.4 To other directors who are not members?
Q2.5 To the government and regulators?
Q2.6 To Hong Kong as a major international financial centre?
Q3. Other comments?

The findings generally indicated very positive response towards raising director professionalism through CPD and actions taken in compliance. Special points noted from the interviews are documented below.

### 5.2.2 Individual Members

#### (1) Case 1 – member with exceptionally high CPD hours

A member who is chairman of a large listed group filed 320 CPD hours in 2005, achieved through attending an EMBA programme and making speeches and presenting papers at a university regarding corporate governance and strategic direction of his group. He commented that the HKIoD Membership Accreditation Scheme promotes learning, helps members to stay up to date and should be encouraged. He is also a past Awardee of HKIoD's Directors Of The Year Awards. An exemplary role model, he is naturally a strong believer in the role of learning in enhancing director competence.

**(2) Case 2 - member with higher CPD hours than minimum requirement**

A member who is a Council Member of a professional body for HR management filed 28 CPD hours, achieved through attending training courses related to corporate governance organized by HKIoD as well as other institutes. Already a believer of CPD, he welcomed the flexibility in the scope of CPD activities and anticipated the broadening of programme offerings by HKIoD to e-learning. He reckoned that the Scheme serves to enhance the credibility and status of HKIoD. He further commended that the development of the Scheme commencing from the Introduction Forum, which he also attended with enthusiastic participation, is a track-record quick time.

**(3) Case 3 – member with 5 CPD hours**

A member who is director and general manager of a large-scale power-supply utility in Hong Kong filed 5 CPD hours. As an engineer, he has to comply with CPD requirement from the Hong Kong Institution of Engineers, through attending conferences and making speeches. He was positive about HKIoD's Scheme and stated that it should be a gradual process to increase the CPD time requirement. He perceived the potential impact of the Scheme in standardization and bridging gaps between large and small companies.

**(4) Case 4 – member who did not sign for compliance of CPD hours**

One member who is executive director of a well-established listed company alleged that he had not engaged in any CPD during the year 2005. Subsequently, when I spoke to this member, I managed to clear his misconception that CPD was acquired only in a classroom

setting. I came to learn that he had to spend a significant amount of time in an additional responsibility of lobbying for community acceptance of his company's new project. As an executive director of the company, he had to devise strategies and mobilize resources in an innovative way in this project. Together, we drew the conclusion that this work based new project produced learning outcome for him that benefits his company and his role as a director. Finally I managed to convert his thinking towards the learning spirit of CPD.

## **(5) Reflection**

We have diverse sentiments and practices in the membership. Fortunately, there are more cases of acceptance than apathy, as revealed in findings from the renewal exercise and the Evaluation Questionnaire. The converted believers indicated that they strongly uphold the spirit of CPD and practise to a great extent. Clearly, they perceive the Membership Accreditation Scheme in a very favourable light. Those who are not yet convinced of the cause can be converted, given more actions with patience and tact in approaching them.

### **5.2.3 Focus Groups**

#### **(1) Group 1**

This was a gathering of 17 SME directors invited from a long list of 30, with 15 members who have previously attended our training courses for SMEs and 2 non-member guests invited by them.

They were positive about director professionalism. Except for one, they were in favour of our Membership Accreditation Scheme and considered it an appropriate move for HKIoD in enhancing the quality of membership and the status of HKIoD. They were consciously keeping up-to-date and engaged in a variety of CPD activities. Majority of them voted on 5-10 hours as minimum CPD hours per year for a director but held that there should be no limit to the ratio of Formal CPD and Informal CPD.

The group jointly persuaded the one "disagreeing" member, posing the argument that CPD helps in the promotion of a learning spirit and the credibility and credentials of HKIoD

membership. Finally upon clarifying that CPD recognized by the Scheme is not limited to only programmes offered by HKIoD, the disagreeing member voted in favour of the Scheme.

The two non-member guests also participated in the discussion with their “outsider” views. After the meeting, they indicated their interest in becoming HKIoD members.

Reflection: This meeting was meaningful and contributing towards reinforcing the perception, attitude and belief of a like-minded group. Those who have participated in our training programmes are convinced of the value of CPD. Hence the promotion of our Scheme and the offer of quality CPD programmes should be ongoing parallel thrusts. SMEs are keen on self-improvement in a competitive world.

## **(2) Group 2**

I set out to gather a focus group of about 10 directors of listed companies from a long list of 30. In the end, Group 2 was a gathering of five members from listed companies and three of them have added membership of other professional bodies.

The group agreed to promoting professional spirit among directors, but was not in favour of “professionalizing” directors with licensing or entry qualifications. They definitely agreed that the present knowledge-based world and the globalization trend require non-stop upgrading of one’s knowledge in order to measure up to the trust with the management of other people’s investment. They believed that the introduction of CPD exercises peer influence among directors as well as influence for potential directors in continual learning. The wide scope of activities was considered a good measure to cover the diversity of the professions and businesses of members.

The group members thought that starting with 5 CPD hours was a mild and suitable beginning and advocated tightening the requirements with longer time requirement as well as differentiating weights between classroom training courses and other types of CPD activities.

They were unanimous on the value of our Membership Accreditation Scheme and its potential impact to the community. They maintained that the Scheme enhances the profile of

HKIoD as a serious professional institute with high standards, is in line with enhancing director skills in corporate governance as well as the promotion of life-long learning, helps members to enjoy upgrading themselves, produces more seasoned directors for companies, lends help to create a society culture (as regulators wish to steer away from a rule-based environment), keeps Hong Kong from being marginalized through maintaining a pool of quality directors, advances Hong Kong's status as a knowledge society and establishes differentiation from Mainland China in the international platform. One of them spoke forcefully in fostering the spirit of CPD to expand networks in the Pearl River Delta region.

With regard to more actions required, they indicated that we should work towards securing recognition and formalization for the Scheme and produce more HKIoD-brand CPD programmes.

Reflection: The attendance rate for Group 2 was not as high as Group 1, members from the SMEs, primarily because listed company directors are seemingly more busily engaged, less consciously interested in self-improvement due perhaps to more complacency in their achievements. However, those who turned up were in favour of moving towards more stringent requirements. It is understandable because they are frequent attendees of HKIoD's CPD programmes, have attained either a diploma or a certificate and therefore harbour perceptions of high value in CPD. This confirmed again that the promotion of quality CPD programmes reinforces the effectiveness of the Scheme.

## 5.4 CONSULTATION OF EXTERNAL PARTIES

### 5.4.1 Approaches

External parties such as policy makers and opinion formers were identified and interviewed individually. With their busy schedules, in most of these cases, the interview time was practically a very short duration. The form of interview was either a direct phone call to the interviewee or a discussion in part of a business meeting. On each occasion, I prefaced with my objective of polling the interviewee's opinion as input for consideration of the way forward with our Membership Accreditation Scheme. Though brief in comment, the interviewees all took my questions seriously and gave precise and concise answers in their official capacities, as they are spokespersons used to making relevant and meaningful comments.

My interviews inevitably followed the flow of questions summarized in **Table 14**.

Table 14. Questions posed in Interviews of External Parties.

<p>Q1. The introduction of the HKIoD Membership Accreditation Scheme and its objectives Are you aware of this Scheme? Brief explanation of the contents of the Scheme and the extent of compliance by members.</p> <p>Q1. Perception of impact of the Membership Accreditation Scheme Touch on the impact to members and HKIoD.</p> <p>Q1.1 To other directors who are not members? Q1.2 To the government and regulators? Q1.3 To the interviewee's field? Q1.4 To Hong Kong as a major international financial centre?</p> <p>Q2. Other comments?</p>
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The highlights of the interviewees' comments are presented in the following sub-section.

### 5.4.2 Government

#### (1) Financial Services and the Treasury Bureau ("FSTB")

Mr Kevin Ho, Permanent Secretary for FSTB, on 19 April 2006: “The Government is in support of private-sector initiatives, particularly the leading role of HKIoD for directors in enhancing director quality. I am aware of HKIoD’s accreditation scheme. It is the beginning of setting benchmarks and future qualifications for directors, ultimately contributing towards Hong Kong’s standards in the international platform. The key is to provide quality training courses in support of such scheme.”

## **(2) Companies Registry**

Mr Gordon Jones, Registrar of Companies, on 20 June 2006: “Nothing can be done yet to mandate director training from statutory/regulatory aspect. To effect change of attitude and practice, HKIoD’s approach through culture and self-discipline is essential. Carry on with the momentum to continually enhance knowledge and skills of members.”

### **5.4.3 Regulators**

#### **(1) Securities and Futures Commission (“SFC”)**

Mr Peter Au-Yang, COO & Executive Director Corporate Finance, SFC, on 2 May 2006: “This accreditation system will help to develop a pool of enlightened directors, who will in turn bring about better corporate governance and enhance Hong Kong’s status in the international financial market.”

#### **(2) The Stock Exchange of Hong Kong (“SEHK”)**

Mr Richard Williams, Head of Listing, SEHK, on 2 May 2006: “This is self-regulation among a critical mass. This initiative will further contribute to our mutual objective of improving corporate governance practices in Hong Kong and Mainland China. The key is to keep on enlarging the critical mass to enhance the influence.”

#### **(3) Hong Kong Monetary Authority (“HKMA”)**

Mr Simon Topping, Executive Director (Banking Policy), HKMA, on 16 March 2006: “In

fulfilling their significant role, directors of banks must be fully aware of their responsibilities. HKIoD's mandatory CPD among members will be a good reference case for HKMA to develop regulatory directions for the imminent consultation paper on corporate governance guidelines for banks."

#### **5.4.4 Institutional Investors**

##### **(1) CLSA Private Equity Ltd ("CLSA PEL")**

Ms Josephine Price, Managing Director, CLSA PEL, on 9 March 2006: "We invest in promising companies. We help to place directors on their boards, who in turn help to nurture the companies. We understand the significance for directors to keep up to date. Our representative directors should enroll in HKIoD."

##### **(2) Hong Kong Venture Capital and Private Equity Association ("HKVCPEA")**

Mr Vincent Chan, Chairman, HKVCPEA, on 8 May 2006: "We welcome this accreditation process by HKIoD. It will certainly produce better directors to govern companies. HKVCPEA welcomes this programme."

#### **5.4.5 Academia**

##### **(1) City University of Hong Kong ("CUHK")**

Prof Stephen Y L Cheung, Professor (Chair) of Finance, CUHK, on 30 June 2006: "Eventually we must have 'licensing' or some form of qualifying directors. Introducing requirement of CPD is a significant first step to pave the way for qualifying. The minimum of 5 hours is not a small dosage and we can take it from there to increase gradually. The scope defined is wide enough. I believe that directors should be encouraged to serve on non-profit boards so as to give them a learning opportunity and to benefit the non-profit organizations with proper corporate governance. Such service should be counted as CPD. All in all, HKIoD's initiative of membership accreditation through CPD raises the status of membership."

## **(2) Hong Kong Polytechnic University (“HKPU”)**

Prof T P Leung, Vice President, HKPU, on 30 June 2006: “While senior members of the Institute are probably alert of the need to keep up-to-date and are practising it somehow through their job fulfillment, talk engagement and public service, younger members need to be conscientious in continuing learning. The introduction of CPD requirement helps to prompt the younger members in this aspect, hence enhancing the overall standards of the Institute as a professional body.”

### **5.4.6 IoDs**

#### **(1) IoD**

Mr Miles Templeman, Director General, IoD, on 27 April 2006: “In IoD, only those with Chartered Director status are required to comply with CPD. The HKIoD’s mandatory requirement for members is laudable. Perhaps IoD should also make reference to the HK example and introduce CPD requirement for all members.”

#### **(2) IoD in South Africa**

Mr Tony Dixon, Director, IoD in South Africa, on 26 April 2006 at the IoD Annual Convention: “It is a remarkable initiative of HKIoD. I would like to be kept informed of progress for our Institute’s reference and consideration to introduce such a programme in future.”

#### **(3) IoD in Nigeria**

Mr Akin Iroko, Director General, IoD in Nigeria, on 26 April 2006 at the IoD Annual Convention: “HKIoD has taken an advanced step. We would like to introduce something similar in due course.”

### **5.4.7 Reflection**

The external parties interviewed represent a high-powered group with decision-making responsibilities for their respective organizations. They were all made aware of HKIoD's introduction of CPD requirement in membership, a good sign that our Membership Accreditation Scheme helps to establish more prominence for HKIoD in the community. Their comments represent different degrees of endorsement for our initiative. The high profile of our Scheme in the community helps to generate stimulation among members in continuing compliance. At the same time it puts pressure on us to drive the Scheme further ahead with sustained effectiveness.

## 5.5 PROJECT KEY PERFORMANCE INDICATORS

### 5.5.1 Output

The first group of Key Performance Indicators measures the **project scale** in quantifiable terms.

The nature of this project involves inducing collective motive and individual action of a large group. Hence the intervention exercises adopted a mass outreach approach, moving from small-group discussions to large-group interactions and eventually full-membership communications. Throughout various phases, the project reached the membership, at times in one-on-one encounters, at times in groups and at strategic points in the entirety of the membership. Through announcements on our website, information is also made available to the public.

In total, the **numbers of action exercises** in reaching out to and interacting with members and the public are summarized in **Table 15**, while the **numbers of persons reached** are summarized in **Table 16**.

Table 15. Summary of Numbers of Action Exercises.

From Sep 2002 to Jul 2006  No. of Action Exercises:	One-on- one with members	Members in Groups	All Members	All Members + the Public	External Parties	Total
Definition Phase	1	1			2	4
Design Phase		2	1	1		4
Implementation Phase		3	6	3	1	13
Monitoring Phase	1	2	1	1	1	6
Evaluation Phase	2	4	5	2	1	14
Total	4	12	13	7	5	41

Table 16. Summary of Numbers of Persons Reached.

Activities	Nos.	Remarks / % of Total
Definition Phase		

Activities	Nos.	Remarks / % of Total
No. of persons/parties reached re concept		
Council (including Accreditation Committee) Members	29	
Representatives of regulators	2	
Representatives of IoDs and professional bodies	8	
<b>Design Phase</b>		
No. of persons reached re design		
Council (including Accreditation Committee) Members	32	
No. of persons reached re concept announcement		
Attendees in 2003 AGM	80	
The entire membership in July 2003	768	
Thru the web	Public	
<b>Implementation Phase</b>		
No. of persons reached re implementation planning		
Council (including Accreditation Committee) Members	32	
Staff of HKIoD Executive Office	6	
No. of persons reached re Introduction Forum in Sep 2004		
Invitation to the entire membership	945	
Participants in Forum	80	8% of membership
Sharing of findings with the entire membership	945	
Sharing of findings thru the web	Public	
No. of persons reached re Inquiry Questionnaire in Oct 2004		
Poll of the entire membership	945	
Response to questionnaire	189	20% of membership
Sharing of findings with the entire membership	995	
Sharing of findings thru the web	Public	
No. of persons reached re Consultation Paper in Apr 2005		
Poll of the entire membership	961	
Response to the consultation	201	21% of membership
Sharing of findings with the entire membership	987	
Sharing of findings thru the web	Public	
<b>Monitoring Phase</b>		
No. of persons reached in the Launch of the Scheme in Jul 2005		
Announcement to members in AGM	55	
Distribution of Scheme Kit to the entire membership	1,012	
Soft announcements and Media Conference	Public	

Activities	Nos.	Remarks / % of Total
No. of persons reached in interactions in Aug-Dec 2005		
One-on-one interactions with members	55	
Group meetings with members	710	
Evaluation Phase		
No. of persons reached in membership renewal for 2006		
Notice for renewal to the entire membership in Dec 2006	1,018	
Renewed members with CPD declaration as at end May 2006	760	75% of renewable
Phone-in inquiries	61	
Reminder circular to the entire membership in Mar 2006	1,085	
Reminder letter to yet-to-renew members in Apr 2006	304	
Request for validation to a sample as at mid Mar 2006	60	10% of renewed then
Return of details in response to validation	60	100% of poll
No. of persons reached in Evaluation Questionnaire in Apr 2006		
Polling of the entire membership	1,095	
Response to questionnaire	178	16% of poll
Sharing of findings with the entire membership	1,116	
Sharing of findings thru the web	Public	
No. of persons reached in Interviews in Mar-Jul 2006		
One-on-one interviews of members	4	
Focus group interviews of members	22	2 Groups
One-on-one interviews of external parties	12	
No. of persons reached in consolidating evaluation and the way forward Jun-Jul 2006		
Council (including Accreditation Committee) Members	32	
Sharing of findings with the entire membership	1,116	
Sharing of findings thru the web	Public	

In terms of output, I believe I have approached my target groups with penetrating strategies and made coverage of a great extent.

### 5.5.2 Outcome

In the measurement of outcome, the first of the two categories of Key Performance Indicators covers the following results in **behaviour signifying satisfaction**:-

- (i) The CPD fulfillment by members, deemed satisfactory as reflected in the claims of

CPD accompanying 2006 membership renewal as overall results with majority complying in actions (53% fulfilling the minimum CPD hours) and approaching half of the members exercising best practice (46% exceeding the minimum) and a remarkable number of members embracing the practice (13% with over 20 CPD hours).

- (ii) Progress of the renewal rate of 2006 membership, deemed satisfactory as reflected in comparison with 2005, with only 3 percentage points behind as at the end of May, owing to a combination of factors of introducing the Membership Accreditation Scheme and the China-centric trend in business activities.

The second category of Key Performance Indicators relates in **explicit expression of satisfaction** by Project Owners, as indicated in the following:-

- (i) An overwhelming percentage of the respondents to the post-implementation Evaluation Questionnaire strongly supporting the values of the Scheme and indicated their willingness to publicize them on behalf of HKIoD.
- (ii) Assessment of the Accreditation Committee, which was endorsed by the Council in its meeting on Thursday 29 June 2006 and extracted in **Table 17**.

Table 17. Extract of Conclusion of the Accreditation Committee on Assessment of the Project.

- The overall results for introducing a change for improvement, ie fostering learning actions among directors, by membership accreditation through CPD are satisfactory. The small step of 5 CPD hours per member in 2005 has demonstrated a major step forward for HKIoD collectively in impact among members and external parties.
- To effect the change, HKIoD has mobilized tremendous resources and support from the Council, the Accreditation Committee, membership at large and the Executive Office, patient step-by-step consultation and motivation of membership actions. The achievement is a result of collective discovery and collaborated actions.
- The membership loss as a downside risk in the mandatory CPD requirement is anticipated to be not an alarming figure and justified in keeping in membership those members who identify with the continuing pursuit of professional development.

- (iii) The smooth manner in which the processes in the various phases generated the anticipated results in inducing better understanding, acceptance, belief and actions by members.
- (iv) My staff's revelation that the project processes fulfilled their objectives of getting closer to the members and delivering better service, in turn generating job satisfaction.

Both groups of Key Performance Indicators point to a very satisfactory outcome.

### **5.5.3 Impact**

The impact of the project was realized in the **change** through collaborative action research. To effect the change, multiple forms of data collection and analyses in triangulation were engaged to answer the following Research Questions (1) through (5):-

*RQ(1) Would members of HKIoD accept that directors should embrace professionalism and to what extent?* Very definitely from the beginning of the Implementation Phase, the reactions in the Introduction Forum indicated the acceptance, matched by findings in the Inquiry Questionnaire and the Consultation Document. The extent was seen in the answer to RQ(2), as some of the respondents found that professionalism should be a self-discipline responsibility with the individuals.

*RQ(2) Would members of HKIoD agree that directors should keep up with CPD and to what extent?* Again, our members agreed to keeping up with CPD, as evidenced in the findings of the Introduction Forum, the Inquiry Questionnaire and the Consultation Document. Moving from the Straw Poll of the Introduction Forum to the Inquiry Questionnaire and the subsequent Consultation Document kept our members more enlightened and more involved in the thinking process hence evolving to answer the extent of RQ(1). The details of questions in the Inquiry Questionnaire and the concrete example laid in the Consultation Document probed our members' commitment in CPD. The answer to RQ(2) is positive in an involved extent.

*RQ(3) What does a reasonable and acceptable accreditation scheme through CPD consist of – scope of CPD activities, time of CPD activities, administration system?* The Baseline Model facilitated the development of the contents of an accreditation scheme via relevant questions on specifics in the Inquiry Questionnaire, which generated findings leading to the Prototype presented in the Consultation Document and eventually the Membership Accreditation Scheme. In the evolution, members have participated actively in shaping the Scheme.

*RQ(4) Would members take action in response to the implementation of a scheme requiring CPD commencing from 2005?* In the Monitoring Phase, service and support for members were enhanced with significant interactions taking place to reinforce the Scheme and induce members' compliance. Hence, we saw signs of members' positive reactions and willingness in taking actions. Ultimately, the actions taken by members were measured in the Evaluation Phase through the renewal exercise, validation of claims and Evaluation Questionnaire. Findings to these were matching in evidencing members' compliance.

*RQ(5) How would the implementation of an accreditation scheme be perceived – by members and stakeholders?* The Evaluation Phase addressed answers to this question, through the Evaluation Questionnaire and various interviews. The findings indicated very positive perceptions among members and external stakeholders of the values of the Scheme, together with encouragement for further development and promising prospects.

In the phased answers to the Research Questions, we saw the **change** among the majority of members, built on the following:-

- Generating **knowledge** for members, from the **propositional concept** with the preliminary announcement in the Design Phase, to the understanding revealed in the Introduction Forum and to considered responses to the Inquiry Questionnaire and the Consultation Document, leading to the formulation of **procedural knowledge**.
- Elevating **attitude**, from general apathy to the announcement of the concept in the Design Phase, to acceptance indicated in the responses of the Implementation Phase and to conversion indicated in the behaviour of the Monitoring Phase.
- Heightening **belief**, through interactions in the Monitoring Phase, so as to induce enthusiasm and actions.

Propositional knowledge is not only evidenced in the response of awareness of the value and benefits of accreditation, but also acknowledged with participation in shaping the contents of the final Scheme. Procedural knowledge was crystallized by collective design of the essential components of an accreditation scheme and became a reality in the form of the Membership Accreditation Scheme whereby members have taken action to comply and been involved in ongoing comments and responses. While propositional knowledge may be clear-cut and

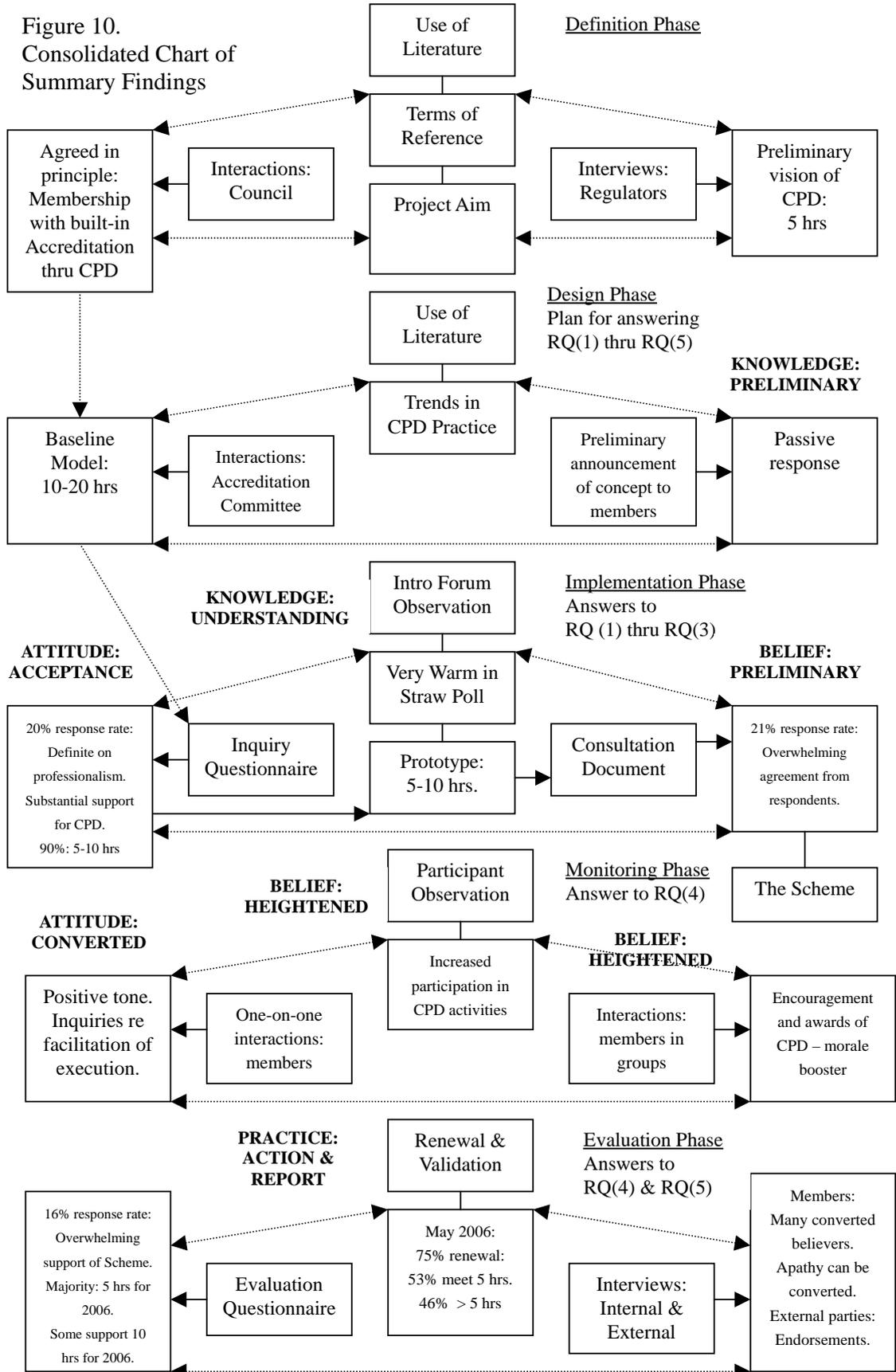
static, procedural knowledge is dynamic and subject to ongoing review.

Eventually, the change of knowledge and attitude heightened into belief and transformed into **practice**, as evidenced in sample action displayed in the Monitoring Phase and report of action by members in the Evaluation Phase. The most noticeable and recordable result was seen in practice, which was founded on the change of knowledge, attitude and belief in the phase-by-phase evolution of action research. The anticipated far-reaching impact of practice can be discerned from the perceptions of the values of the Scheme in responses from both members and external parties expressed in the Evaluation Phase.

I submit that significant impact of the project has been achieved.

Figure 10 consolidates the crucial elements of the project, putting into perspective by phases the relationships of various Data Collection tactics, their functions in answering Research Questions and generating change of KABP.

Figure 10.  
Consolidated Chart of  
Summary Findings



## 5.6 REFLECTIONS AND PERSONAL LEARNING OUTCOMES

In the evaluation process, I seem to have placed much emphasis on tracing a simple path of the development of an acceptable and practicable stipulation of minimum CPD time throughout the various phases. This would not have been made possible without settling on the other elements, including the scope of activities, the Code of Conduct and the administration system, at the early stage of the Implementation Phase. The Code, in particular, is non-controversial and consists of general principles of conduct, which no one would dispute. The scope of CPD activities is broad enough to cover any activity generating learning outcome. It remains a constant process of educating the members and specifically new members in the understanding of this aspect. The administration system is modeled on the proven approach of many other IoDs and professional bodies.

When members responded that they would comply with accreditation, the most significant and sensitive issue was the magnitude expressed in the stipulation of minimum CPD time. Although quite a large number of members have achieved more than the minimum 5 hours, they do not still accept any big increase from the current stipulation. This is perhaps human nature in being reluctant to be bounded by rules. In the way forward, I have resolved to exercise recognition by awarding incentive for exceeding the minimum.

My personal learning outcomes from working on the project findings include the following:-

- Thorough application of different evaluation methods in the project. Report of CPD by members was supplemented by sample validation. An evaluation questionnaire was supplemented by interviews. They put together action and perceptions in perspective.
- Critical study of findings in the evaluation of a huge-scale and complex project. I was capable of analyzing and synthesizing the action, perceptions and measurement of output, outcome and impact of the project.
- Insight into balancing contrasting views regarding CPD time stipulation. I came to realize that to “satisfy all” in the CPD time commitment, there has to be a tiered approach with a built-in motivational factor.
- Timely and persistent intervention to sustain renewal of membership and to educate members on Scheme compliance. I have been able to drive successfully the follow-up exercise.

- Articulating the implementation results of the Scheme to external parties who are policy makers and opinion formers and obtaining their views on the impact. I managed to arouse strong interest in our Scheme and promote the image of HKIoD.

## **CHAPTER 6**

### **CONCLUSIONS AND REFLECTIONS**

## 6.1 CONCLUSIONS

### 6.1.1 Realization of Research Aim, Project Objectives and Benefits

#### (1) Research Aim

My Project Aim was the “Creation and implementation of a scheme for accreditation of directors effective in 2005 through exercising continuing professional development that is acceptable to and practicable for members of The Hong Kong Institute of Directors so as to establish a culture of self-discipline to facilitate the enhancement of standards of professionalism among directors and of corporate governance in Hong Kong”.

The implementation of the CPD requirement is a small step for every member and represents a major collective step for HKIoD. The research has achieved the following:-

- (a) **Answering the timing in the Research Aim:** Our Membership Accreditation Scheme has been created, accepted and implemented collectively by our membership effective in 2005 and with promising continuity and further development.
- (b) **Answering the acceptance and practice by members and culture building aspect of the Research Aim:** In the absence of any legal or regulatory mandate for specific requirement in director development, the stipulation of a practicable CPD scheme accompanied by continual and appropriate promotion by HKIoD resulted in the nurturing of a peer culture of self-discipline among members. This culture has been evidenced by the increased participation in director training and development programmes and reported declaration of CPD practice among our members as effected in the year 2005, thus demonstrating HKIoD as a private-sector organization with self discipline.
- (c) **Answering the resultant achievement of the Research Aim:** The practice is perceived by both members and key external parties as a contributor towards enhancing director professionalism and standards of corporate governance in Hong Kong.

Hence, I submit that my **Research Aim has been satisfied**.

#### (2) Project Objectives

The project has effected a **change of KABP (knowledge, attitude, belief and practice)**

among our members in the engagement of CPD. Our members accept the value of CPD and as demonstrated in their participation in our programmes and self-declaration of fulfillment, they have put CPD into practice. This has proven that the practice of accreditation by CPD requirement among directors is **applicable to Hong Kong** as it has worked in other places.

Regarding the **near-term aims of the Project Objectives**, the following have been achieved:-

- (a) The change has boosted morale among members. One clear indicator of pride instilled was that 92% of the respondents to the Evaluation Questionnaire would **publicize**, on behalf of HKIoD, the Membership Accreditation Scheme as an initiative in promoting professional spirit among directors and benefiting the fulfillment of director's roles (reference Chapter 5 Section 5.2.2). The change has also begun to develop a mutual benchmarking and peer-inspired culture of readiness to learn, as seen in the increased intakes in our professional development programmes continuing from the trend observed in 2005 (reference Chapter 4 Section 4.4.3).
- (b) Through peer pressure, the change has facilitated the raising of members' competence as directors and the creation of professional spirit of directors. The Evaluation Questionnaire and the interviews of members produced findings evidential of this effect (reference Chapter 5 Sections 5.2 and 5.3).
- (c) To the Hong Kong community, we have reinforced our authoritative status representing directors with self-discipline. As seen by government and regulator spokespersons, our roles of setting benchmarks among peers and helping Hong Kong and Mainland China to improve corporate governance practices have become prominent (reference Chapter 5 Sections 5.4.2 and 5.4.3).
- (d) To institutional investors, HKIoD is viewed as a desirable organization for their investee directors to join, as indicated by their representatives (reference Chapter 5 Section 5.4.4).
- (e) Potential members have also been attracted by the HKIoD image of high standards. Prior to joining, they have been introduced to, *inter alia*, the Membership Accreditation Scheme. Positive reactions similar to the two non-member guests who joined HKIoD after taking part in the focus group of SMEs (reference Chapter 5 Section 5.2.3) have been observed.
- (f) The completion of the project carries the significance of a breakthrough for HKIoD into the status of a professional institute. For a long time, HKIoD remained a representative

and networking body and a provider of service in professional development. The project has enabled HKIoD to join the league of institutes with a mandatory requirement for members to pursue updating of knowledge and skills and to abide by a Code of Conduct as befits professionals. Thus the project marks the beginning of elevation of HKIoD's status throughout the business community and investing public of Hong Kong and in other financial centres.

- (g) Our Membership Accreditation Scheme has established a differentiation for HKIoD from other IoDs. Accreditation programmes in most other IoDs (IoD, NACD, ICD, IoDNZ, etc) are separate from their membership status, whereby members may opt to go through qualifying processes followed by complying with annual CPD requirement to retain and maintain the separate qualified status whereas members may opt to remain in membership without having to comply with CPD requirement. The mandatory Membership Accreditation Scheme for HKIoD membership is an innovative step in building CPD into the membership versus part of a separate status, so much so that other IoDs, including the well established IoD, regard the HKIoD breakthrough as an exemplary development.

The groundwork for fulfilling the **medium-term aims of the Project Objectives** has been laid for the following:-

- (a) Over time, our members can benefit from accreditation with increased learning capacity, improved performance in director roles, enhanced career prospects, greater confidence and self-esteem.
- (b) Given sustained project momentum, accreditation will benefit companies through empowering their directors to better fulfill fiduciary duties and bringing about better business performance. Listed companies, in particular, will achieve improved reporting in compliance with the new requirement of Corporate Governance Report whereby directors' development is a mandatory reportable item. Learning directors and a learning board set influences to the rest of the company to become a learning organization. All these will lead to better investor confidence and attraction to investment.

It is anticipated that with continued efforts in promoting accreditation and given expansion of the strength and voice of HKIoD, such influences can be materialized in 3-6 years' time.

The seeds for fulfilling the **longer-term aims of the Project Objectives** have been sown for the following:-

- (a) The HKIoD accreditation project represents a leading-edge private-sector initiative in working towards enhancing director quality in Hong Kong. It has drawn the attention of the government and regulators. Whilst it is not realistic to expect any drastic change to public policy in this regard, our project provides a reference case to facilitate longer-term public-sector strategy in enhancing the quality of directors.
- (b) To the Hong Kong community, for the first time, there is some form of a yardstick for enlightened directors to demonstrate to the world investors that directors in Hong Kong can be better equipped for corporate governance, hence helping to generate confidence in Hong Kong's standards vis-à-vis international financial markets.

To reach the ultimate state of development, it is anticipated to take 5-10 years. A long process of concerted efforts from many parties requires a catalyst and enterprising pioneer such as the HKIoD accreditation project.

### **(3) Benefits in a Win-win Situation**

**The Project Owners have benefitted as follows:-**

- (a) Our members collectively have changed for improvement through conforming to director development as a result of the project.
- (b) Our members have, in addition, gained knowledge by participating to develop the project together. They learned, from peer collaboration, the propositional knowledge of the values of learning and the significance of CPD. They also acquired, through collaborating to design, the procedural knowledge of the accreditation project with its various components that become eventually acceptable and practicable by all.
- (c) The collaboration since September 2004 has strengthened the bonding between HKIoD and its members.
- (d) My Council and specifically the Accreditation Committee have taken pride in successfully creating the HKIoD Membership Accreditation Scheme and mobilizing the membership in implementing it. Council Members are satisfied that they have, together, taken HKIoD forward in a big leap.
- (e) Through facilitating the promotion of professional development to members, my colleagues in the staff have also expressed job satisfaction and pride in their achievement.
- (f) As researcher, I have gained tremendous satisfaction both from implementing the project and sharing the knowledge acquired from the project.

It is too early to poll the satisfaction of the **Project Stakeholders**, but there is every indication that the government, regulators, the media and other IoDs are aware of our accreditation project and to some extent keeping a watching brief on its further development. The completion of the project and submission of this project report to Middlesex University is my sincere attempt to prove to the University, my significant Project Stakeholder, the successful application of the methodology acquired in the course of study.

### **6.1.2 Contribution to Knowledge**

We have established an implementation model for director accreditation in Hong Kong with contribution to knowledge. The contribution to knowledge by the Scheme is two-fold, the propositional knowledge of the value of CPD and the procedural knowledge of implementation. In each case, there are implications to our members as subjects of the research and to researchers of similar projects or themes and indeed individuals and organizations interested in research.

#### **(1) Propositional Knowledge**

(a) **To our members: realization of director professionalism.** In the process of implementation of the research project, our members have consistently responded to questionnaires with agreement to director professionalism. This confirmed the significance of the director role in the ultimate responsibility for corporate governance to shareholders and stakeholders. Director professionalism refers to the professional spirit and manner of discharging director duties in conformance and performance, hence leading the company to achieve success with a properly constituted framework. The achievement of success must bear significance to the long-term development of the company and hence the company must be in pace with the dynamic world, particularly when concepts and practices in corporate governance keep evolving. To our members, the research project has reinforced the sense of professionalism and underlined the linkage of state-of-the-art practices in corporate governance to director professionalism.

(b) **To our members: acknowledging the value of CPD to the fulfillment of director**

**duties.** Through exploring accreditation among them, our members gained understanding of the significance of CPD to the enhancement of their capability in fulfilling director duties. Through consulting them on acceptable and practicable accreditation contents, they gained knowledge of the essential elements of an accreditation scheme. The launch of a well considered scheme to cover the expectations of a wide population of the membership generated positive attitude towards accepting the scheme. Through continually publicizing the HKIoD Membership Accreditation Scheme and promoting the HKIoD programme offerings for director development, our members' belief in the value of CPD was heightened. In collective efforts, from discussing the notion of the value to designing the components of a model and to complying with the practice of the Scheme, our members' knowledge, attitude and belief in the value of CPD has been intensified.

- (c) **To our members: directions in gaining knowledge to help them realize the value of CPD.** Putting the scheme into practice and going through the first formal accreditation exercise have provided our members with a tried and proven framework to guide them to learn. While knowledge can be acquired from books and information channels, it can be cemented only by action. The gaining of propositional knowledge in the project echoes the principle of action research on **practice generating knowledge** and this knowledge is specific to the directions and scopes of areas for our members to acquire learning that facilitates their fulfillment of director roles.
- (d) **To researchers: the critical success factors for the project.** The propositional knowledge bears significance to me as a researcher that the universally applicable value of CPD has been propagated among our members by the project. This has been made possible by a multitude of factors. For a project of this complex nature, magnitude and time scale, the critical success factors are identified as follows:-
- (i) Maintaining persistence in view of the long duration of the project.
  - (ii) Understanding the common sentiments of the target groups, particularly those with advanced business experiences and in leadership positions, while at the same time recognizing the differences of various backgrounds.
  - (iii) Securing top-down support and bottom-up participation in the project.
  - (iv) Motivating alignment of thinking and action by continually generating interest of the target groups in the project.

- (v) Sharing of information, sense of satisfaction and achievement throughout the project.
- (vi) Early identification of potential risks and exercise of risk management.
- (vii) Application of proper action research methodology.

(e) **To researchers: justification of approach in addressing all versus a segment.**

Compared to a “full” accreditation programme of other IoDs and other professionals, our Scheme has waived the stringent entry point of examination or similar qualifications. By so doing, we have upheld the spirit of free entry to economic activities whereby the power and discretion of appointing directors is vested with shareholders. By mandating CPD requirement among our members, we are taking the line that all professionals and indeed tradesmen nowadays have to follow this discipline in recognizing life-long learning, industry advancement and career development. While directors of different industries and companies may carry different backgrounds as suitable to their respective positions, from their own basis of entry to HKIoD they have to pursue CPD in the spirit of professionalism. Bypassing any initial qualifying process of examination or training and taking only the annual CPD requirement of a usual accreditation programme, our Scheme may look like a semi or hybrid system. Whilst initial examination or training as required by IoD will make the status revered by the community, it will serve to create a small group of elitists. I believe the mass population of company directors should be addressed and therefore I believe it is the best approach in turning director accreditation into fruition in Hong Kong by implementing CPD requirement across the board without any heavy burden of initial qualifying process. This “semi” or “hybrid” system serves to change the mentality and practice of our membership, demonstrating the viability of director CPD as an example, hopefully influencing later the behaviour and practice of the mass population of company directors in Hong Kong. Our scheme also serves to demonstrate to other IoDs that it is viable to align the entire membership to comply with mandatory CPD.

(f) **To my readers in general: reinforcement of learning philosophy.** The practice of the belief by our members represents justification of the Project Aim and an absolute favourable answer to conducting the research project. CPD is recognized to be of value to the established professions as well as to directors and director accreditation is practicable worldwide and hence in Hong Kong too. It goes to further reinforce the **philosophy of life-long learning.**

(g) **To society at large: realization of director professionalism.** The propositional knowledge of the scheme to society at large is that directors who keep up to date are responsible and professional. The scheme has not only demonstrated to society that director professionalism is achievable but also educated the public to identify traits of professional directors. The additional message to society is that HKIoD has, through the scheme, contributed in driving for enhancements in director and board practices, corporate governance and economic development for Hong Kong.

## (2) **Procedural Knowledge**

(a) **To our members: scheme contents.** The scheme contents include an authoritative Code of Conduct, definition of the scope of CPD activities, setting the minimum CPD time per annum and establishment of an administrative system, all thoroughly developed with members' collaboration. The development outcome of the components originated from cross-referencing the desirable conduct of directors in fulfilling fiduciary duties with the framework of learning activities in existing institutions, moving on to incorporating members' perceptions, circumstances and readiness to action. The Code of Conduct serves as authoritative terms of reference for all members. While CPD activities can stretch an umbrella of flexibility to cover wide range of activities, the minimum CPD time per annum serves as the demand parameter. The threshold of this minimum has been extensively addressed throughout the project. The administrative system performs the monitoring function for quality assurance. Crystallized after working in a collaborative approach, our members in the end gained the collective procedural knowledge of **an acceptable and practicable accreditation scheme.**

The procedural knowledge in the Scheme was acquired after sufficient consultation and collaboration, true to the democratic principle in action research. Once created and blended, these components constitute a model that was put to test and proven practicable by members in yielding satisfactory results in its first year of implementation. Again, **action reinforced knowledge.**

(b) **To researchers: the introduction and application of a layered approach in**

**collaboration.** It is impossible to mobilize collaboration of a large group of 1,000 in a drastic way. I took a gradual approach of firstly aligning thinking and securing an alliance from a small group, ie the Accreditation Committee and the Council in the Definition and Design Phases. This represents a pilot test of action research. In the Implementation Phase, a further test was conducted with members in group meetings such as the Introduction Forum and the AGM gathering, before reaching out to all members. This led to the drawing of support from the general membership to vote in favour of accreditation and to design collectively the Scheme. After the Scheme was launched, in the Monitoring Phase, I went back to one-on-one and small-group intervention as a hand-holding exercise with our members. In the Evaluation Phase, interactions with individuals, small groups and membership in its entirety were all conducted. The alternating approach ensures penetration. Intervention with individuals and small groups can turn them into agents for the mission.

- (c) **To researchers: the demonstration of multiple methods of Data Collection.** I have adopted multiple methods of Data Collection to generate data for thorough analyses and counter-verification, by me and my co-workers of the Accreditation Committee and my staff. Literature, interviews, questionnaire and observation were all adopted. Literature was the source of data to form basis thinking. Questionnaire was the mainline method of Data Collection, supplemented by interviews in probing depth and observation in exploring exceptions from trends. Interim findings from Data Analyses were fed to plan further action. The careful planning of Data Collection with a foresight is as important as the Data Analysis process in presenting a linkage for the next step.
- (d) **To researchers: exercise of individual and collective reflexivity.** I have exercised reflexivity in each phase of intervention. This scope of reflexivity covered all perspectives in the base terms of reference. I have also induced collaborative reflexivity, involving the Accreditation Committee and my staff. It is important that there is buy-in of the researcher's recommendation. More importantly, I have managed to influence my co-workers to get in the habit of reflexivity, so that we all contributed towards the next strategy and shared its results.
- (e) **To researchers: integrating multi-disciplines.** Apart from the application of action

research methods, the complex sensitivity issues have put **multi-disciplines in integration**. Individual and mass communication techniques have been adopted in one-on-one counseling and collective interaction respectively. In interpretation of collective interactions, methodology of Data Collection and statistical analyses came into play, underpinned by group psychology that traced mentality and conditioning by background. Social democracy was not ignored either. This was achieved through transparency of information, extensive consultation on propositions that were explicitly laid out to be of value to the recipients and offer of options for selection. In the end, this induced spontaneous action by a large population of the membership. Superimposed in the entire project throughout its duration was the involvement of my peers, my subordinates and my superiors with relationships that needed to be managed. I approached our members with client service and customer care while putting forth desirable standards for compliance; I coached my subordinates and helped them to succeed and gain job satisfaction after setting targets for them to meet; I produced clear project plans and progress feedback to my superiors and at the same time inspired and sustained their commitment of leadership and involvement in the project.

- (f) **To researchers: risk management.** The risk of loss with the introduction of CPD requirement implies not just a loss of membership but also weakening of HKIoD's strengths and image. I was very cautious in making the Scheme understood and accepted by the membership. Apart from transparency, sharing information and clear communications, I had to design a Scheme that caters to the wide range of sentiments, from the reluctant conformer to the neutral practitioner, the enthusiastic follower and the passionate leader. Our Council Members and particularly Accreditation Committee Members were naturally the passionate leaders. In view of the risk element, I openly discussed with them and managed to convince them to lower the CPD time requirement to a level that would lend implementation even among the reluctant members, without dampening the warmth of the passionate leaders and the enthusiastic followers. Now that the Scheme has been implemented successfully and with a conclusion by the Council on the way forward, I believe we can enhance the stipulation in the next couple of years. Steering the course of action in view of the risk element was the most challenging single factor for me in the project.

### (3) A Reference Example

I submit that the project will be a reference example of value to IoDs in other countries for implementing a similar project and to other professional bodies for introducing accreditation or a new initiative requiring collective action. However, there may be unique conditions in each case that will have to be analyzed and approached differently. The interesting part of Work Based Learning lies in meeting the multitude of challenges that are often unique to the work environment.

#### 6.1.3 The Way Forward

In its assessment for the way forward, the Accreditation Committee concurred with my recommendation and took a position with optimism and exercise of care. The Committee's conclusion regarding further action as summarized in **Table 18** was endorsed by the Council on Thursday 29 June 2006.

Table 18. Extract of Conclusion of the Accreditation Committee on the Recommended Way Forward

- While some members embrace the Membership Accreditation Scheme, some comply because of peer pressure and some need to be convinced yet. It is essential to be sensitive to the viewpoints of different groups of members.
- Findings from the responses: The knowledge, attitude and belief are positive. The practice tended towards Informal CPD. The future outlook is encouraging with members' willingness to practise and promote CPD. However, the practical question of the number of CPD hours for 2006 needs to be carefully considered. The majority of respondents preferred to maintain the minimum requirement of 5 CPD hours for 2006.
- The way forward includes continuing (1) promotion of CPD, (2) provision of quality CPD programmes and (3) monitoring of receptiveness of the Scheme and outside developments in the trend of CPD by other IoDs and professional bodies.
- **The immediate decision** is the setting of the 2006 CPD requirement. The guidelines released in 2005 cover an indicative figure of 10 hours for 2006. In view of the responses by members, it is recommended to adopt a two-tier approach:-
  - \* **Mandatory minimum requirement: 5 hours**
  - \* **Recommended minimum practice: 10 hours, with an award of an incentive for achieving this minimum practice.** The award will be granted upon validation and possibly for a mix of

Formal CPD and Informal CPD. The award items will consist of:-

- (i) A discount coupon for our chargeable CPD activities, e g a training course, a speaker luncheon meeting, plus
- (ii) A Certificate of Merit in CPD in a grade in accordance with CPD hours achieved.

**In addition, there should be no stipulation of ratio between Formal CPD and Informal CPD and no limit in claims using CPD from other professional bodies yet.** This relaxation is proposed so that members may have more time to adapt to the system before introducing more stringent rules.

I believe that with this gradual approach of moving forward, we can satisfy those members who advocate and practise higher CPD time. To those who are in favour of the status quo, this will meet their requirement but at the same time encourage them to “upgrade” their practice.

The minimum yardstick is expected to be raised gradually. We have to continue to work on promoting the Scheme and indeed the spirit behind it. It remains our vision to develop a professional director status in future. This is highlighted by our newly elected Council Chairman Peter S H Wong in his website message:-

“The Institute being first of its kind has adopted CPD hours to ensure membership quality in 2005 with overwhelming support from its members. Ultimately the Institute shall seek to get “professional director” recognized by competent authorities as a qualification to ensure the establishment of quality directors, boards and the financial market as a whole.”

## 6.2 REFLECTIONS AND PERSONAL LEARNING OUTCOMES

Having gone through the action research with our work partners and members for almost four years, I came to experience the tackling of hardship, satisfaction and joy in the execution of one of the largest projects in my life.

While my learning outcomes by stages have been addressed in the previous chapters, I wish to highlight my overall learning outcomes from the project as follows:-

**6.2.1 Inspiring Opportunities:** I have used the inspiring opportunities provided by the project in:-

- (1) The acquisition of **knowledge**, in depth and breadth, in empowering directors to fulfill responsibilities in corporate governance inspired by leading-edge practices of accrediting professionals in the world and customizing the practice for directors in Hong Kong.
- (2) The effective adoption of **research and development methods** to establish an action research model with multiple layers of approach, from critical communities to larger groups and to the entire population of my organization, in the various phases of intervention, exercising diverse means of Data Collection, to contribute towards the development of practice based research methodology.
- (3) The treatment of **ethical dilemma** between risk of loss of members and instigating mandatory practice of high standards with the offer of complete freedom of choice and balancing influence of the values of practice, after the formulation of solutions in articulate dialogues with my superiors (Council) and my peers (Accreditation Committee).

**6.2.2 Exercise of Skills:** I have maximized opportunities in the project to exercise skills in:-

- (1) **Critically tracing** our members' mentality and behaviour from diverse backgrounds and accordingly **shaping the development** of a large-scale project of a long duration and intense complexity.
- (2) **Generating vision** for myself, my work partners and my organization and putting the vision into reality with continual reflection in each phase of intervention to fine-tune the accreditation approach and improve plans of action in the intervention by myself and others.
- (3) **Carefully and meticulously steering the project**, honing in micro details of execution

and at the same time maintaining the macro directions of the project, working with the help and support of my Council, Accreditation Committee and staff, all of whom have been aligned by me in sharing the common objective of making the project a success, and via this learning achieving new learning for myself and passing on the learning to my superiors (Council), my peers (Accreditation Committee) and my subordinates (staff).

- (4) **Capturing diverse options** in complex situations and exercising judgment in arriving at optimal solutions, particularly evidenced in the establishment of the CPD scope and time requirement.

**6.2.3 Meeting Challenges:** I have met the challenges of the project with:-

- (1) The engagement of **multi-disciplines in integration** in addressing complex situations and political issues, including strategies in promotion and communications, methodology of statistical analyses, the psychology and politics in social democracy and the management of relationships with my peers, subordinates and superiors, resulting in a successful implementation model of a pioneering nature, reaching new frontiers for my organization.
- (2) The countering of scarce **financial resources** with the effective deployment of the rich **manpower resources** of a high-powered group of 1,000+ directors to create a strong impact among members as well as the local and international communities.
- (3) The effective engagement of **communication tactics, interpersonal skills and leadership flair** in working with very senior leaders of the organization and the community and the entire membership of directors from diverse backgrounds, projecting a professional and progressive image among the internal and external parties; and the sharpening of my writing skills, arguments and persuasiveness in preparing this project report.
- (4) The creation and realization of a vision for HKIoD with an **enterprising spirit, executing it with courage and leading** not only my subordinates, but also my peers and my superiors in a collaborative project without appearing to be leading but with inspiring, motivating and mobilizing strategies and underlying push-pull tactics.

This project is the ultimate complement of other modules in my Work Base Learning Programme that benefits both my intellect and my work, to the extent that it equips me better for my life-long learning process. It has provided me with the capability to meet the challenges in reaching the high standards of learning outcomes expected by Middlesex

University.

The introduction of the Scheme by HKIoD meets the learning objective and spirit behind the Middlesex University's Work Based Learning Programme. I see the synergy and the opportunity of promoting this programme to our members in furthering their CPD.

The completion of my project report is also an enjoyable process. My job position calls for my preaching of HKIoD values through media columns and "roadshows", such as speaking engagements in public conferences and community groups. I look forward to sharing my project findings with others on these occasions and other future opportunities.

----- End -----

Total 44,128 words

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