governance now
the hidden challenge of leadership

If we are to have an enriching and successful creative economy, we must have excellent leadership of it. There has probably been no more relevant a time than the present to discuss what good governance means. As we watch large corporate institutions fall apart around us in the current economic crisis, it is important that we in the creative and cultural sector take stock. More efficient and astute governance is essential if we are to develop and secure our future.

To govern a cultural organisation well, the board and chief executive have to make decisions that strike a fine balance between safeguarding the organisation's financial and organisational welfare and taking the risks that allow artistic developments to flourish and have impact. These decisions play a pivotal role in shaping the future and output of an organisation. With risk-taking so central to the effective governance of these organisations, a strong relationship, shared vision and clear rules of engagement between the board and chief executive are absolutely crucial.

Governance is a key development priority for the Cultural Leadership Programme. It is the theme of a suite of the Programme's activities that focus on developing good signposting; strengthening organisations' understanding and knowledge of legal frameworks; the development of business and risk assessment skills; and offering customised opportunities for the boards and senior executives of individual organisations to review the effectiveness of their governance. In March 2009 the Cultural Leadership Programme organised *Governance Now: the hidden challenge of leadership*, a conference which brought together a stellar cast of speakers and created an opportunity for one hundred chairs and chief executives from cultural organisations around the UK to grapple with the challenges of running cultural organisations today.

For the conference and this publication the Cultural Leadership Programme commissioned a series of papers on the theme of governance in the cultural and creative sector. I hope it will stimulate a debate about governance as well as offer practical recommendations and tools for the development of a high-performing board and advice about what to do when things go wrong. The Cultural Leadership Programme is investing in leadership in a sector that is vital to the UK's economic and social development. The promotion of good governance is a key part of our work.

David Kershaw
Chair, Cultural Leadership Programme

When I was first asked to join the board of an arts organisation it was both thrilling and intimidating. Even though I had by that time racked up fifteen years of experience working in theatre, including reporting directly to boards, the prospect of taking on a non-executive role for a company I knew only as an audience member presented a significant new challenge. Did I understand the role? What duties and responsibilities did it carry? What particular contribution could I make?

Back then I'm not sure I could have answered any of those questions confidently and I certainly have little idea what my new colleagues thought they were getting. There was no selection or induction process, I just started going to meetings and picked things up as I went along. Twenty years on from that first invitation I can look back not only on the board I joined then, where I stayed for nine years, but also on quite a number of others. All of them have been made up of people voluntarily giving their time and often their money out of genuine enthusiasm for the work of their organisation, whether it be large or small, successful or struggling.

This commitment is part of what keeps our cultural sector alive and we must do nothing to discourage it, but we have also to recognise that the non-executive role has become increasingly complex, particularly in organisations which receive public money. It should not be undertaken lightly. The responsibilities of any company director are serious at the best of times, especially if the company is also a charity, as so many arts bodies are. However, the real test of a good board is how it performs when things don't go so well. At such times enthusiasm, even when allied to deep pockets, is not always enough. A clear grasp of the business, a proper understanding of the difference between executive and non-executive roles and an ability to provide steady, informed support to an executive team is far more valuable. This can only come from a board that thinks creatively about its function and reviews its own membership and performance as candidly as it appraises the work of its officers.

Listening to the many fascinating contributions at the Cultural Leadership Programme's governance conference made me realise that we've come a long way in the past twenty years. I heard thoughtful, imaginative reflection on the difficult issues of governance coming both from people with years of experience, and from people with the energy of youth. There were enlightening international perspectives and a variety of different operating models. Above all there was an overwhelming wish to do things better, to ensure that the old stereotypes of board membership – the 'great and the good', the white, the middle-class, the middle-aged – do not prevent a richer, more diverse culture of governance from emerging. It was a tremendously encouraging day and I salute the work of all those who made it happen and have contributed to the papers which follow. I came away feeling like a real old lag – but in a good way.

Genista McIntosh, Baroness McIntosh of Hudnall
Chair, Governance Now conference

contents

1 prologue

Kim Evans OBE

8.55am, Friday 27 March 2009. The last item on the *Today* programme begins: 'Look around at the board of our arts organisations and according to Roy Clare, head of our Museums Libraries and Archives Council, you will find that they are male, pale and stale. On the day of a major arts conference, he says a breath of fresh air needs to blow through the corridors of power in the arts.'

As Roy Clare, Sir Christopher Frayling and James Naughtie debate on Radio Four the monocultural make up of our arts boards, I put on my lipstick and head off to that major arts conference – the Cultural Leadership Programme's *Governance Now* event.

Outside King's Place in North London I catch up with the BBC's arts correspondent, Razia Iqbal, who is heading the same way. The media interest in this event is not surprising. Governance is an area of increasing concern in both the private and public sectors. The last few years were dominated by the likes of Enron, Worldcom and Madoff but, with the collapse of British banks, the impact is closer to home. We all use the R word now. The media lens is moving from the financial sector to government and our public bodies. Many in the creative and cultural sector want to make sure their house is in order.

Inside King's Place about a hundred people have gathered to debate the current challenges of leadership in the cultural sector. We come from a wide range of organisations - from small artist-led companies to national institutions. We may not look a monocultural group but we learn from Peter Kyle, deputy chief executive of ACEVO, that the average charity board has poorer diversity than a corporate board.

There is a buzz over coffee. People are here for two reasons, they want to find out about good governance and how to achieve it; and they want to talk about the relationship between boards and executives. The great value of these events is

not just the formal sessions, it's the informal networking. At first people are reticent about their own experiences. Talking about your relationship with your board is a bit like talking about your marriage. It feels disloyal to do it in public. But before long people are swapping stories and offering advice.

We are brought to order by a brace of baronesses: Genista McIntosh and Usha Prashar. Genista guides us expertly through the day, bringing the knowledge of 'an old hand' and the fresh perspective of someone always thinking about the 'why' as much as the 'how'.

Usha Prashar sets the tone for the conference in her keynote address:

> *Complying just with externally driven governance requirements can become a rather formulaic tick box exercise. Internally driven governance means living the values and the mission of the organisation and embracing good practice to achieve excellence.*

On hearing her words the audience visibly relax. This is not going to be a day that just focuses on fiduciary regulation and passive compliance. We are going to be talking about considered action, effective engagement, and above all about communication.

Communication is the thread that runs through the conference. There is much discussion about what it takes to create an environment in which probing questioning, constructive criticism and challenging debate can take place between boards and their executive teams. We are particularly engaged by the session in which two

chair-and-chief-executive teams talk candidly about the way in which they make it work. Charles Mackay and Michael Day from Historic Royal Palaces explain how they use a framework of formal meetings to plan and prepare together for the complex business of running five royal palaces. Wyllie Longmore and John E McGrath talk about building the trust necessary to take Contact theatre through a time of transition and create an environment where artistic risk is both understood and supported.

That question of artistic risk comes up time and again:

> *Boards need to be comfortable managing ambiguity. They need to understand the dynamic of a cultural organisation.*

Michael Day
Chief Executive, Historic Royal Palaces

> *In the arts, risk defines what the organisation is about. The greatest challenge to a cultural board is how you balance the accounts and the risk. The board's job is to ensure the arts organisation is in the best state to deliver on the risk.*

David Kershaw
Chair, Cultural Leadership Programme

As boards come under greater scrutiny, we need to ensure they are given appropriate information, training, and development. And, if we want to recruit people of the right calibre and diversity, we need to ensure they have an interesting job to do. Russell Willis-Taylor, chief executive of National Arts Strategies in Washington DC, reminds us of the challenge:

We've colonised all the interesting stuff for the executive and we've left the boards with two or three boring things…then we want them to stand up for us when things get tough. The job isn't interesting any more.

In the afternoon sessions we explore the advantages of different governance models and processes for reviewing governance structures. We are given the confidence to choose the model that is right for us – and recognise that one-size does not fit all.

At the end of the day most of us feel we have a better understanding of how a cultural organisation's governance practice needs to evolve as the organisation itself changes. Many come away with the commitment to a regular review and some practical information on how to do it.

Both the spirit and the practicality of the *Governance Now* conference are captured in this book. It contains some of the presentations from the conference and edited versions of the papers by Graham Devlin and Nicola Thorold that the Cultural Leadership Programme commissioned to kick start its work on governance. Additional papers on risk, diversity, and things to get right when things go wrong were commissioned from Loretta Tomasi, John E McGrath, Marie Pye and Nick Goss, and Carol Beckford after the conference.

The publication starts by presenting the landscape of governance in the cultural sector; then looks in detail at the axis of leadership – the relationship between board and executive; and provides a range of tools and resources to help us achieve good governance and advice on what to

do when things go wrong. It concludes with the Cultural Leadership Programme's response to some of the issues raised.

In the months since the conference took place, governance has continued to dominate the headlines. The story of MPs expenses rolled from spring into summer only to be replaced by board room bonuses and executive pay in the private and public sectors. Quangos and national organisations are quietly waiting and preparing their books for examination. Sir David Walker's review of the governance of banks and financial institutions recommends reforms to restrict the freedom and the incentives for senior executives to take reckless risks. We are told that the relationship between the board and the executive should become 'less collegiate'.

All this will have an impact on the creative and cultural sector. We are working in a more complicated business environment and a less forgiving public one. Cultural organisations need now, more than ever, to invest in the development of a high-performing board and appropriate governance structures. But let's not improve our governance out of fear. Let's do it so that our cultural organisations have the robust structures and processes that are necessary to ensure that, even in challenging times, the budget balances and they can continue to take artistic risk.

2 governance now: the hidden challenge of leadership

Baroness Prashar of Runnymede CBE

Baroness Usha Prashar gave the keynote address at the Governance Now conference held by the Cultural Leadership Programme in March 2009, setting the tone for the event and the debate that it stimulated. In this edited version of that address, she reminds us why governance matters. Drawing on her extensive experience as chair and board member of organisations in the public and commercial sectors, she sets out the essential elements of good governance and what a high-performing board enables a cultural organisation to achieve.

Public cultural and artistic institutions are hugely important. Arts and culture help us to understand the world around us and enrich our experience of life and our sense of connection with other people. As Marcel Proust said, 'Thanks to art, instead of seeing one world, our own, we see it multiplied and as many original artists there are, so many worlds are at our disposal.'

The glue that binds us together as a society comes, for most part, from our shared values often experienced through our cultural, artistic and public institutions. Our cultural and artistic institutions play a crucial part in upholding, maintaining, revitalising, refining and changing our shared values. Their function is to enrich our lives through artistic and cultural activity and do it in a way that embodies our values and standards of public life. The way they are led, run and managed is, therefore, very important. That is where leadership and good governance come into play.

What is good governance?

Good governance is about how decisions are made and the process by which decisions are implemented. It is about formal and informal structures and processes that have been set in place to arrive at and implement decisions.

Governance is not just about compliance but about advancing the mission of an organisation through active leadership, and effective stewardship. It is about helping an organisation to realise its full potential and enabling it to continuously revitalise itself.

Normally it is thought that governance is about compliance, but there is more to it than just compliance. Compliance is important but it is not enough. Simple compliance is a passive act and a minimal approach to governance. Complying just with externally driven governance requirements can become a rather formulaic tick box exercise. Internally driven governance means living the values and the mission of the organisation and embracing good practice to achieve excellence.

For effective governance we need not only responsible boards but boards which do much more in the way they manage their affairs, boards which are dynamic, and get the most out of their members and help to release the talent available within the organisation.

Paying due attention to fiduciary obligations, approving strategic plans and budgets, regularly reviewing financial statements, fraud and risk policies are fundamental and important but not enough. Over and above these, organisations need board members who are encouraged to give their time, talents, expertise and varied experience in different ways. This means deploying their talents and experience wisely and strategically. Such boards measure their own performance, discuss and debate issues, assess the context within which they are operating and make strategic decisions and connections. It is about thoughtfulness, considered action, effective engagement, strategic deployment of

knowledge, meaningful networking and communication.

All organisations need this but arts organisations more than any one else. Good governance enables them to undertake their task of creativity, innovation and experimentation without hindrance. It enables them to aspire to both excellence and access.

What are the essential elements of good governance?

1 Value based leadership. Values are an important anchor and provide a touch stone for decision making. In a fast changing world they are effective mechanism for making tough decisions in difficult situations.

2 A constructive partnership and relationship between the chief executive and the chairperson is absolutely crucial - a relationship based on trust, candour, respect, and honest communication. The chairperson and the chief executive are interdependent on each other but clear demarcation of roles and responsibilities is crucial.

3 A clear mission which is arrived at through consultation, discussion and deliberation, and is understood and communicated in a compelling manner. But a clear mission is not enough. It should be lived and decisions should be arrived at in congruence with the mission and the core values of the organisation. Agreeing a mission is not a one-off exercise. An organisation's mission and its objectives must be kept in the forefront and should inform discussions, deliberations and decisions.

4 Effective boards which allow time for reflection and strategic thinking. It is important to allocate time for what matters most - that is what is important - and not always to be distracted by what is urgent. Time for strategic thinking helps to hone the direction of the organisation, to align agendas and goals with strategic priorities, to assess the context. It is an opportunity to step back and take an overview.

5 Creating a culture which encourages open discussion, critical but constructive questioning of assumptions and is respectful of different views. This means being hard on issues but soft on people. A culture where diversity of views is encouraged and leads to sound and shared decision making; and discussion and questioning which leads to conclusions and solutions based on analysis. Vedic wisdom is apt which says: 'Let us come together, let us think together, let us combine our intellectual strength; let our collective brilliance shine. Let there be no ill will, and no hidden agenda.'

6 Independence and independence of mind and always acting in the public interest are paramount. In this context it is important that conflicts of interest are openly managed, with clear policies on conflicts of interest and declarations of interest and the boards are not unduly influenced by status, donors and other irrelevant considerations. Integrity in whatever is done and ensuring that processes are in place for active oversight of waste, fraud and abuse.

7 Creating an ethos where openness, accountability and transparency are encouraged; equal access is promoted; and effective and productive relationships are developed with all key interested parties, and feedback is welcomed and comments are valued. Focus should be on outcomes and results and not just the process. As custodians of public funds, arts organisations must be open to scrutiny.

8 Ensuring sustainability in all types of resources such as finance, people, talent, expertise and networks, and ensuring that activities are realistically financed and that the organisation has the capacity and capability to deliver. Equally important is the question of succession planning for the staff and the board. Revitalisation of boards through planned turnover and thoughtful recruitment is essential as is the need for fresh perspectives and varied views.

9 Processes for continuous evaluation of performance and embedding learning opportunities into the organisation. Flexibility and ability to adapt and respond to change is an asset.

Finally, good governance is about behaviour and conduct, and not just about rules and regulations. Good governance is a means to an end. It is about creating organisations which can aspire to excellence, push the artistic boundaries and take risks with confidence. Leadership provided by boards and chief executives cannot be underestimated. If basic components of good governance are not in place organisations cannot function to their full capacity. In that sense that is the challenge of leadership.

3 the landscape

Governance leadership	Graham Devlin
Could cultural organisations deliver better if they weren't charities?	Graham Devlin and Nicola Thorold
Board diversity	Marie Pye and Nick Goss Roy Clare CBE
Managing risk	Loretta Tomasi John E McGrath

governance leadership

Graham Devlin

When the Cultural Leadership Programme first identified governance as a major strand of its work, it commissioned the cultural strategist, Graham Devlin, to set out the landscape as it related to the creative and cultural sector. His paper reflects on a number of current concerns and challenges around cultural governance and explores some of the ways in which they can be addressed. These issues and priorities are then explored in greater detail in the chapters that follow.

In the private sector the need to address issues of governance has been highlighted by a number of high-profile, high-cost scandals such as Enron, Global Crossing and WorldCom. The voluntary sector has, thankfully, been far less susceptible to such malfeasance. Cultural organisations have been remarkably trouble free in terms of fraudulence, although the recent allegations around the Getty Trust in the United States and Italy demonstrate that complacency in this area is dangerous. Perhaps because of this some cultural organisations are indifferent, if not sceptical, about the need for formal measures of good governance and procedures for ensuring their enforcement.

Many, however, do recognise the importance of this issue and the need for a strengthening of systems. Adrian Babbidge of Egeria Consulting, for example, was quoted in the Museums Journal in February 2006 on the role of trustees which he observed 'remains one of the weakest aspects of modern museum management.......most [trustees] understand their supervisory role in the museum to be conscious of management and accountability. What they aren't always doing is the strategic role, looking forward on behalf of the museum.' While these comments were specifically focused on the museums sector, they were, to a large degree, recognised by those who contributed to the research for this paper as being reflected across the whole cultural landscape.

Most of those interviewed acknowledged that there are some governance deficits in the cultural sector. Overall, the following key deficiencies and challenges were identified:

- The nature of corporate structures.
- Board composition.
- Board and executive relationships and behaviour.

In order to address these and other issues, those interviewed were asked whether they believed there should be a governance code for the cultural sector: a significant majority believed there should. This paper, therefore, considers that question before dealing with the particular issues identified above.

The need for a governance code

Since the Higgs Report[1] in 2003, a large number of reports and codes have been issued across the corporate and not-for profit sector, both in this and other countries. According to one survey of the literature, there are currently some 273 such codes operating.

A review of some of these, across the commercial, voluntary and public sectors, indicates that essentially, they are all very similar. Despite some differences which arise mainly from the specific characteristics of individual industries or spheres of activity and the requirements of the legal or regulatory frameworks which govern them, almost all codes reflect a core of transferable good practice. Under these circumstances, it does not seem desirable for the cultural sector to re-invent the wheel from scratch – especially when existing, very appropriate models are to hand.

The most appropriate of the many models available is probably the one developed by the national Governance Hub[2] and published as the Code of Governance for the Voluntary and Community Sector and endorsed by the Charity Commission. This is a practical and easy-to-use guide to help charities develop good practice. Unfortunately, when this paper was being developed (2007), few cultural organisations seemed aware of this resource, despite its proven applicability in a range of closely-related fields. I would recommend that not-for-profit cultural organisations consider adopt this (or a similar appropriate code), supplementing it as necessary with a cultural annexe to address issues that are uniquely relevant to the cultural sector. The nature of such an annexe is discussed further in *Achieving good governance*, chapter 5 of this publication.

Most not-for-profit cultural organisations are currently constituted as registered charities. For those, the Charity Commission's publication, *The Essential Trustee – what you need to know*[3], remains a very valuable adjunct to the code. However, it should be noted that any code for the cultural sector should, insofar as is practicable, be appropriate for use by both commercial and not-for-profit organisations.

Given this range of organisational types, a one-size-fits-all approach to corporate structures is unlikely to be effective. However, the bulk of the Code of Governance for the Voluntary and Community Sector is applicable to the majority of formally constituted organisations working in the cultural field, whatever the details of their legal structure. For those that operate outside of any regulatory or funding apparatus, such a code

[1] Review of the role and effectiveness of non-executive directors by Derek Higgs, Department of Trade and Industry, 2003.
[2] The Governance Hub programme ran until March 2008. Its resources have now been transferred to the NCVO's website and can be found in the extensive Governance and Leadership section. www.ncvo-vol.org.uk/askncvo/TrusteeGovernance/
[3] www.charity-commission.gov.uk

would be purely voluntary. For those in receipt of funding or belonging to membership associations, it is hoped that making the Code applicable on a 'comply or explain basis', will become a condition of the appropriate funding agreement.

Understanding governance

A number of contributors to this paper believe that many involved in the cultural sector do not really understand what governance is. At one end of the spectrum, boards tend to micro-manage; at the other, some executives seek to use non-executive directors as a rubber stamp. More than one contributor pointed out forcefully that good governance depends on the concept of individual responsibility within a framework of collective authority and that this requires shared understanding and clarity – of purpose, information, procedures and responsibilities.

Perhaps the most fundamental of these requirements is the need for the organisation to have a clarity of purpose (including around its strategic responsibilities and direction) which is informed by and linked to its values and shared by all parts of the corporate body. Several observers commented that this felicitous state does not always exist and that there can be incongruence between theory and practice.

Good governance has two principal constituent parts: ensuring probity and prudence and holding the executive to account; and supporting, carrying forward and advocating for the company's work.

Clearly, the balance between accountability and support is critical for any governing body. This is becoming increasingly important as cash regimes and legal or regulatory requirements tighten. Many, however, believe that, all too often, the balance between these two elements is out of kilter and that too much emphasis is put on the former at the expense of the latter - with the result that a board can act as a brake rather than as a set of gears.

It was also noted that the not-for-profit sector in many ways lags behind the private with governing bodies often being over-large, relationships between them and executives being unclear (and sometimes combative) and decision-making processes and responsibilities being hazy.

The above observations suggest that there is a need for a campaign to ensure that those working in the cultural sector (whether on a paid or voluntary basis) have a clear, shared understanding of the nature and requirements of good governance.

The composition of governing bodies
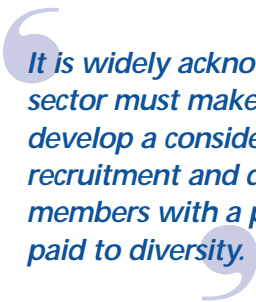
Many contributors to this paper noted that, for a variety of reasons, the composition of governing bodies in the cultural sector is often unsatisfactory.

On the one hand, the governing bodies of small companies are frequently composed of less experienced individuals who have not been properly inducted or trained in the responsibilities of trusteeship. On the other, those of large organisations sometimes contain senior figures from outside the cultural sector who either fail to observe the proper distinction between executive

and non-executive functions or, 'leaving their brains at the door', fail to bring the level of scrutiny and attention to the organisation's business that they would to their day job. Whilst there are undoubtedly many exceptions to these generalisations – and some noted an improvement in the general standard of non-executive directors in recent years – there is a widespread recognition of the need for further board development and trustee training.

The issue of diversity was another deep concern for a majority of those consulted. They noted that 'behaviours are not yet following policies', with one going so far as to say that 'boards are generally class-ridden'. As well as stressing the need for boards to properly reflect a range of ethnic and other backgrounds, contributors highlighted the need to involve more young people in governance and to induct and empower them in their roles; and also the desirability of encouraging 'front-line' cultural practitioners to take on such roles. It was also pointed out that this process would be greatly facilitated by a truthful agreement about the nature and volume of commitment at the outset (rather than 'it's only one meeting a quarter, honest'); regular feedback (particularly positive) during tenure; and an exit strategy which acknowledges members' contributions and smoothes the refreshment process.

Several suggestions were made as to how this situation could be addressed, including (from the museums sector) 'the DCMS should be more active and set targets on age, gender and ethnicity'; an advocacy campaign targeted at under-represented communities; and a more consistent approach to the advertising of board and chairmanship vacancies.

> *It is widely acknowledged that the cultural sector must make strenuous efforts to develop a considered approach to the recruitment and development of board members with a particular attention being paid to diversity.*

Even allowing for a pro-active recruitment campaign, there remains a concern that would-be board members from outside the pool of usual suspects will still face challenging barriers. Some of these are to do with perception and stem from a belief that board membership is worthy but dull, involving a tedious amount of bureaucracy and an understanding of incomprehensible financial data. While it is true – and must be admitted to prospective trustees – that the accountability requirements of governance do involve a certain amount of formal paperwork, it should also be made clear that not every member of the board has to take responsibility for every detail. It should be possible for such technical matters to be dealt with in a sub-committee or other forum, leaving board members from other, complementary, backgrounds to contribute to areas of the company's activities more appropriate to their experience or skill-set.

A further frequently identified barrier is financial. A substantial percentage of the current board-ocracy works in the public sector or in professions where taking time off for public service is tolerated or actively encouraged. By contrast, less affluent, working-class people and those (such as artists) in freelance careers may be discouraged from joining boards because the time demands of membership will inhibit their capacity to earn a living. Currently, almost all board members of not-for-profit cultural organisations are

volunteers. Some observers believe that this convention presents an obstacle for would-be members who are economically disadvantaged (disproportionately from the young, the less well-off and people from marginalised communities). Conversely, others believe that the principle of volunteerism is, in itself, valuable and should not be undermined. Ultimately, some compromise is probably needed if the sector is to make real inroads into the diversity issue.

The issue of trustee remuneration is a thorny one. One approach might be to adapt governing documents (where appropriate, in consultation with the Charity Commission) so as to make it possible for trustees to be remunerated on a discretionary basis at a level comparable, say, to that paid to jurors. Such an arrangement would be unlikely to result in an overwhelming take-up that would place an unwarranted call on the organisation's funds. It would, however, offer compensation to lower-paid people who might otherwise see board membership as a financial drain.

This question is actually related to a broader issue about board composition. Several respondents questioned whether the best operating model for 'public good' was the traditional one of volunteer boards governing senior paid executives. One contributor somewhat acerbically asked why 'a bunch of well-meaning amateurs who have only a vague idea of how the business works should be in charge of experienced professionals who know it backwards'.

While it may not be desirable for third sector companies wholly to embrace the private sector model of a significant number of executive directors on the board, it may be time to adopt a more flexible approach to the possibility of the

most senior two or three having board seats, as has recently occurred at the Royal Shakespeare Company.

The consultation for this paper raised a number of other views about board composition, including:

- A board of about 8 would be more effective than the current norm of 10-12.
- Time-limited working groups would be preferable to standing sub-committees.
- The appropriateness of local authority membership[4] of governing bodies (in particular of museum trusts) was questioned, especially in an increasingly stringent financial environment.
- Issues of 'churn' and refreshment needed to be addressed.
- A clear process needed to be established for succession planning (in particular for chairs and chief executives).
- The possibility of 'customer' representation on boards (cf. schools' parent governors) should be considered.

Board and executive relationships and behaviour

The relationship between executives and their governing bodies – and, in particular that between the chair and the chief executive – is central to good governance. Successful companies have respectful, clear and well understood relationships between the executive and non-executive arms. Most serious internal organisational failures are due, at least in part, to a breakdown in this relationship. One person consulted likened the relationship to playing doubles tennis, where partners are playing on the same side but taking responsibility for different parts of the court. On

[4]   As opposed to attendees with observer status.

occasion, one may move into the other's area but only with permission or, if by unexpected necessity, with a 'sorry, partner'.

As for board and executive relationships in general, so it is for the chair and chief executive in particular. Although chairmanship of a third sector body has no particular legal status (being effectively first among equals on the board), it is almost universally recognised as being of critical importance - as is the centrality of the chair and chief executive relationship. This relationship is explored in some detail in chapter 4 of this publication.

The benefits of good governance

Whatever their constitutional model, cultural organisations and creative businesses are major shapers of the creative life of this country, driven by philosophies that underpin their vision, mission, values and ethos. Through their vision, they inspire others to create and lead audiences and participants to new experiences and understanding. This is a demanding role and good governance has a key role in enabling an organisation to play it well. Not all cultural organisations buy into the conventional wisdom around governance, however. Small companies in particular sometimes see it as a hammer to crack an unimportant nut and begrudge the time and effort that they fear will be involved, especially as the onus falls on the unpaid volunteers who constitute the board.

If the cultural sector is to wholeheartedly adopt and implement a governance code such doubts must be assuaged and the uninterested persuaded that the proposition has intrinsic merit.

There are, of course, powerful arguments that can be deployed to those ends with those about financial probity and prudence probably at the head of the queue. However, good governance produces far more widely applicable benefits than the mere avoidance of hands in the till. It is designed to make businesses – both commercial and non-profit distributing – better run, more efficient and more accountable. Overall, it provides or enables:

• A clear strategic direction.
• Responsible leadership with appropriate skills and experience.
• Transparent processes and clarity of roles.
• An approach to the business that enables and manages risk.
• A culture of equality and diversity.
• Good financial management and controls and
• Systems to avoid wrong-doing and perceived conflicts of interest.

These practical and positive tools translate into a range of more general benefits:

• Making cultural organisations and businesses more reflective.
• Helping them plan successfully.
• Giving them a clear and consistent idea of their target 'audience' and/or the beneficiaries of their activities.
• Generating the tools for better management.
• Enabling confidence and effectiveness.
• Providing accountability and
• Creating better places to work.

In a number of different senses good governance also enables and demonstrates the concept of trust in an organisation. For example, by holding

assets from the past in trust for the present and the future, and in so doing balancing the need to respond to the present with planning for a sustainable future; by working with an ethos that values public benefit above commercial or other considerations; and by ensuring that an organisation is worthy of society's trust by demonstrating integrity.

Conclusion

This paper has argued for adopting good governance and a governance code. It has made the case for a governance code being used across the cultural sector on a 'comply or explain' basis with its efficacy monitored through funding agreements and a process of regular review. The following chapters pick up on a number of the issues highlighted here and extend the analysis through the perspectives of leaders in the industry

could cultural organisations deliver better if they weren't charities?

Graham Devlin and Nicola Thorold

A significant proportion of English not-for-profit arts and cultural organisations have charitable status. In most cases their charitable objectives are for 'the advancement of arts, culture, heritage or science' or for the 'advancement of education'. When the Cultural Leadership Programme commissioned Graham Devlin and Nicola Thorold to undertake a consultation on governance in the cultural sector, a number of individuals and organisations expressed doubts as to whether this dominant constitutional model in the not-for profit cultural sector remained the most appropriate.

We recognise that arts and cultural activities constantly evolve so the organisational models that support them need to respond accordingly. This paper focuses on not-for-profit organisations whose primary aim is to produce art or share cultural experiences of the highest quality with the public. It is based on the underpinning principle that organisations should be constituted in the way that offers maximum benefit to the work with as little hindrance as is consistent with responsible governance and accountability. In that context, we have come to a number of conclusions which it is hoped will provoke reaction and further debate.

The concerns

A number of those consulted raised concerns about the conditions attaching to charitable status. These were seen as limiting certain types of activity and disempowering the executive who are, in many cases, barred from board membership. This frustration was echoed in a Mission, Models, Money (MMM) survey in which 24% of respondents said that they were dissatisfied with the charity model[1].

This concern has been intensified by a number of external factors, notably the auditing requirements for charities becoming increasingly onerous; changes to VAT (the 'cultural exemption'); greater awareness among trustees of their liabilities; and to a lesser extent, the 'public benefit' requirement being debated by the Charity Commission. These are complemented by developments within

cultural organisations themselves. For example, there is a growing recognition that tensions between boards of trustees and executives have destabilised a number of cultural organisations, and many not-for-profits in the cultural sector are showing a growing entrepreneurialism.

The debate has also been focused by the development of new operating models, in particular the Community Interest Company (CIC) which exists for the benefit of a defined community but can, to an extent, distribute 'reasonable' profits[2]. This is seen by some as offering a more attractive alternative.

The main difficulties with the charitable model were identified as:

- Governance
- Payment of trustees
- Entrepreneurialism
- Financial and legal framework

Here we lay out the charge sheet and the case for the defence.

Governance

Possibly the issue that has most divided opinion relates to governance. Charities, which can be established as a Trust, Limited Company, Unincorporated Association or a Royal Charter body, are governed in a unique way. They are led by groups of volunteer trustees (the board) which have overall responsibility for running the organisation and act collectively to make decisions in its interests. This system is designed to provide an additional layer of knowledge, expertise and responsibility; and balance support and accountability functions.

However, many cultural organisations report that tensions between the board and executive or poor leadership from the board has undermined their organisation - and in some cases critically weakened it. There is no doubt that serious issues do exist in this area. However, many charitable boards are excellent; and there are examples of dysfunction in many organisations (both within and outside the cultural sector) that are not charitable.

It is not clear to us that these issues arise primarily from constitutional structure. Rather, we believe that instances of poor governance often relate to disjunctions in values and culture within organisations and/or to inappropriate attitudes and behaviour being demonstrated by individuals and institutions. This is manifest in inappropriate values being imported to a charitable company by non-executive directors coming from another field - a commercial one for example; incompatibility between senior board figures (particularly the chair) and senior management (particularly the chief executive); and blurred executive and non-executive roles. As other sections of this document explain, these issues can be addressed without changing the constitutional structure of the organisation.

Payment of trustees

Trustees of charitable companies can only be paid in exceptional circumstances (such as when their founding documents expressly sanction it) and this requires specific permission from the Charity Commission. In general, this is taken to mean that a paid employee of a charitable company cannot sit on its board and that a non-employee cannot be paid for either her/his membership or for

services rendered to the organisation ('except in the case of a trustee professional – for example, a solicitor or an accountant – who may have the power or right to charge the charity for providing their professional services to the charity, or for merely acting as trustee')[3].

There is a view that these strictures are often undesirable and that they limit the range of people that can be invited to be trustees. The restriction on paid staff, who in general cannot sit on the board or have a voting role in determining the company's future, is of great concern to some artists, especially those who have created a company but fear that its charitable incorporation has the potential to marginalise them.

This is not, however, an insuperable difficulty. Some founder members of cultural charities (such as artistic directors of performing arts companies) have always been board members. Although the Charity Commission sees these dual roles as exceptional and wants assurance that executives acting as board members do so because they are 'an exceptional person who brings vital skills to the trustee body', the commissioners have recently agreed in several cases to long-established organisations which feel their chief executive (and, in some cases, other senior staff) should participate fully in the organisation's governance, bringing them onto the board.

It should be noted that the sector holds sharply conflicting views on these issues. Despite considerable support for the arguments above, some respondents believe that it is highly undesirable for staff members, especially artistic directors, to be on boards as this will tend to render them less accountable and too powerful. There is also an argument that many

organisations, especially those with large assets which are held in trust for the nation – for example, museums and some galleries – must take a much longer term view of their responsibilities which is more easily achieved if trustees are removed from day-to-day business. Others are opposed to board payment in any circumstances, cleaving to the principle of it being a social duty.

In the absence of any clear consensus on this issue, we do not see an overwhelming argument for the wholesale abandonment of the charitable model. We would, however, suggest that:

- The principal stakeholders (the Department for Culture, Media and Sport; Arts Council England; and the Museums, Libraries and Archives Council) discuss with the Charity Commissioners ways in which board members could, where appropriate, be recompensed, perhaps on an opt-in basis, by a loss-of-earnings allowance similar to that for jury service.

- Any artist/creative who wishes to operate through an incorporated body with charitable status is strongly advised to ensure that the company's Memorandum and Articles expressly allows her/his membership of the governing body.

- If asked, stakeholders should support any representations to the Charity Commission from existing founding artistic/creative directors who are presently excluded from membership of their organisations' boards that they should be permitted membership on the 'exceptional person' grounds mentioned above.

[3] Charity Commission publication CC11 - Payment of Charity Trustees.

Entrepreneurialism

Innovation and creative risk taking are fundamental to the long-term success and relevance of cultural organisations. The word 'risk' in this context has different connotations from those it carries in many other sectors where the minimising of risk is seen as one of the key roles of the governing body[4].

Commentators[5] have argued that the charitable model is 'inherently too conservative and risk averse' for the mixed economy model that cultural organisations need to develop. Certainly, charities are subject to certain restrictions on what they are permitted to do and how they may expend their resources. As a result, some companies have chosen to avoid the charity structure altogether, feeling that it inhibits entrepreneurialism. But many charities across the voluntary sector deal with this challenge by setting up a wholly-owned trading company to run aspects of their business (for example, catering concessions, or the commercial exploitation of the charity's intellectual property). This approach makes it possible for the trading profits to be transferred to the charity and applied for charitable purposes without incurring tax.

In certain circumstances, the new CIC model can also offer advantages. The Watershed Media Arts centre in Bristol, for instance, operates a group of three companies. The first two – a charitable trust and a trading subsidiary – operate in the traditional way; the third is a CIC with share capital. Currently Watershed is the sole shareholder although that may change. The CIC is allowed to expend its profits on community benefit or, to a limited extent, distribute them to its shareholders (which may include employees). It also has the attraction of enabling transparent joint ventures. While this option seems very well suited to Watershed's particular situation, it may have limited transferability. Nevertheless, it does exist as a mechanism for facilitating entrepreneurial activity.

The more we have discussed this issue, the more we have confirmed our opinion that the principal source of conservatism in cultural organisations is not the charitable model itself but, rather, the mindset of those who work and govern within it. This is perhaps exemplified by the myths prevalent in some arts organisations about charitable status. For example, charities can't make a profit; charities can't have reserves; charities can't borrow money; charities can't invest money. None of these are true.

We would suggest that organisations need to be reminded of the desirability of artistic risk - and of charitable bodies' capacity for supporting that risk with a range of financial instruments. And more organisations should be made aware of the CIC model and the circumstances in which it may useful.

Financial and legal framework

Accountability and legal requirements for charities are becoming increasingly onerous. Statements of Recommended Practice are becoming increasingly specific and auditors more demanding in their requirements. Recent changes to VAT in terms of the 'cultural exemption' have required cultural organisations to spend time and money on understanding their situation and, in certain cases, change their method of operating to accommodate the implications of this new

---

[4] This topic is discussed on pages 38-43 in the two papers on managing risk.
[5] 'Towards a healthy ecology of arts and culture' Mission, Models, Money 2007.

ruling. The consultation by the Charity Commission on public benefit suggests that in future, all charities will have to demonstrate that their purposes benefit the public, the implications of which will need to be closely monitored. For hard pressed administrators, just keeping up with the legal implications of being a charity can be demanding, time-consuming and expensive.

There is no doubt that this is a significant consideration for cultural organisations. Whilst recognising these issues, however, many contributors to this paper were of the opinion that the upside of charitable status outweighed its disadvantages. The practical benefits of being a charity were characterised as:

- Exemption from corporation tax on surpluses/profits.
- Access to gift-aid on donations.
- Rate relief on business rates.
- Access to grants from those trusts which can only fund other charities.

Our discussions with a number of arts organisations also highlighted some other less tangible benefits. For all charities the mission of the company is the determining factor for charitable status. For some, particularly those with significant assets, such as an art collection, it is entirely appropriate that these assets are held 'in trust' over the long term for the public's benefit. The perception by the public and other stakeholders that an organisation has charitable purposes is seen as a considerable strength and fundamental to the message it want to transmit about itself and its commitment to the public good.

We suggest that:

- It is the mission of the organisation (and a consideration of the types of assets that the organisation is trying to protect) that should drive the operating model.
- Many (especially larger) arts organisations will wish to retain their charitable status.
- Some, mainly smaller, operations may prefer a different model. In that circumstance, they should not assume – or be persuaded – that they need adopt the traditional charity route without very good reason.

Conclusion

Having reviewed and discussed these issues we have concluded that the majority of well-governed cultural organisations generally find the existence of the board, the sense of responsibility to the public and the company's charitable objectives to be sources of strength rather than of hindrance. The ability to set-up wholly-owned trading subsidiaries provides charities with a mechanism for growing their income base through entrepreneurial activity while the new capacity to add a CIC to the 'group' should enable a charity to undertake entrepreneurial activities in a more flexible way.

In these circumstances, we consider that the charitable model in itself is not the source of conservatism or instability of which it has been accused. Rather, the problems of governance that exist in the sector tend to stem from incongruent values, dysfunctional organisational culture, and incompatible personalities. These challenges can be addressed without a wholesale repudiation of the charitable model.

The above analysis does not, however, lead automatically to the conclusion that all cultural organisations should inevitably have – or aspire to have - charitable status. For each organisation the circumstances will be different and there are now a number of alternative structures[6]. During our discussions it became clear that these alternative models are likely to be of more interest to smaller organisations whose main assets are human (the individuals involved in the company) rather than inert (buildings, collections and cash).

In addition to the recommendations in earlier sections, we would therefore suggest that arts and cultural organisations should review their operating model reasonably regularly, and particularly when circumstances change (for instance the acquisition of a valuable asset such as a building) and be prepared to change their structure according to their mission.

All not-for-profit cultural organisations should align themselves much more closely with the voluntary sector and learn from the good practice being developed by support networks such NCVO and ACEVO. Where a charitable model is the most appropriate structure, organisations should adhere to a governance code. And governing bodies and senior staff should, when necessary, re-consider the culture of their organisation to ensure they are not falling back on unnecessarily 'conservative and risk averse' ways of behaving.

[6] Alternative models of operation are described in *Governance and Organisational Structures* which can be downloaded from www.ncvo-vol.org.uk/publications .

board diversity

A diverse board can bring a fresh perspective to a cultural organisation and the way it is governed. Board diversity is not just about representing different groups on the board of an organisation; it is about making an organisation more effective. A strong and diverse board is responsive to needs, accountable to the people it serves, and effective in doing its job. But a diverse board is rarely built by accident. It requires a leadership from the top, careful planning and a willingness to change. In these two essays Marie Pye and Nick Goss reflect on why diversity matters and Roy Clare looks at the action being taken in the museum and galleries sector.

diversity matters

Marie Pye and Nick Goss

It was Ola Joseph, the Nigerian writer, who said 'Diversity is not about how we differ. Diversity is about embracing one another's uniqueness'. If this is true, then the UK is becoming increasingly unique and this has major implications and offers many opportunities for how organisations are run and how they develop.

In the UK today:

- One in five adults and one in twenty children are disabled in some way.

- One in twelve people are from black, Asian and minority ethnic communities. The figure rises to one in eight of under sixteen year olds.

- One in twenty people who have a religious belief belong to a faith community other than Christian.

- 70% of women between the ages of 16 and 59 are in paid work outside the home, compared with just 56% in 1971.

- At least 6% of the population defines themselves as gay or bisexual.

- One in four people are under sixteen and one in six are over 65.

- By 2010 only 20% of the UK working population will be white, male, non-disabled and under 45.

Diversity rewards

Diversity is not just about doing the right thing for its own sake; it actually makes good organisational sense. This is something that is now widely acknowledged by our leading companies and organisations.

The reality is that a diverse organisation brings a diverse range of skills and experience that benefits business and performance. It means that the best person can be selected for the job without assumptions or stereotypes getting in the way. It means that people are recruited, valued, promoted and rewarded for their contribution to the success of the organisation or project.

As Richard Lambert, Director-General of the CBI, commented last year: 'A firm's success and competitiveness depends on its ability to embrace diversity and draw on the skills, understanding and experience of all its people. The potential rewards of diversity are significant. An organisation that recruits its staff from the widest possible pool will unleash talent and develop a better understanding of its customers.'

The benefits of a diverse workforce are widely documented: everything from increasing the talent pool from which employees can be drawn through to increased staff satisfaction, and not forgetting a greater awareness of the requirements of a diverse customer or audience base.[1]

Whether an organisation is trying to attract customers, participants, audience members or visitors, focusing on diversity can bring benefits. A diverse organisation is likely to have a better understanding of its diverse audience base, but it also is likely to be more attractive to a wide range of participants, audiences and visitors. If they recognise themselves reflected in the organisation they are more likely to think this is somewhere that welcomes them and will cater for their requirements.

Diversity confidence

When considering diversity it is really important to be diverse! Diversity means truly reflecting the incredibly wide range of people in our communities: older and younger people, people from different ethnic communities, those with a disability (and this doesn't just mean wheelchair users), as well as people from different faiths, from the gay and lesbian community and, of course, both men and women.

Becoming a diverse organisation does take some effort though. It doesn't just happen because you put recruitment adverts in particular newspapers. It happens by your organisation taking a good look at itself and seeing how you can take some positive action to attract diverse employees, participants and audiences, to remove any barriers which may be deterring them and increasing your diversity confidence.

It isn't about positive discrimination or simply giving somebody a job because they increase your diversity. In fact, it's the opposite. It's about making sure you aren't putting off or discounting potential employees or audiences because of your lack of diversity confidence.

Achieving diversity also needs to be undertaken in an organisation that is committed to equality. Equality is fundamentally different to diversity but the two are mutually dependent. Some of the key barriers you will need to consider are

[1] Talent Not Tokenism – The Benefits of Workforce Diversity CBI, TUC and EHRC

around discrimination and inequality. Removing these will both support diversity confidence and act as foundation stones for a diverse organisation.

Diversity confidence needs to start at the top. It's essential that the ultimate decision makers, whether this is a board, a management committee or a governing body, are aware of their responsibilities and are diversity confident. In the end they have the legal responsibility but they also set the standard. The board may wish to identify a diversity champion from within their own ranks. However, the whole board should take responsibility for identifying specific improvements in relation to diversity and ensuring there is an organisational structure to deliver and mainstream these. In the end, the buck will stop with them so they need to both drive and monitor progress.

Diversity milestones

Know your starting point

To develop an inclusive organisational culture, it is essential to know how diverse the organisation is to start with. So you need a map of your organisation. Much of the information will already be there. How diverse is your workforce? What about at senior levels? How diverse are your participants, your audience members or your visitors? Where are the gaps and the missed opportunities?

Have a plan

Once you have an idea of your starting point, then it is possible to identify where you want to get to and what actions need to be undertaken to reach that point. Most organisations accept they cannot do everything at once and that this is a journey. It may be that you prioritise particular areas, for example increasing the diversity of senior management if this is especially low. Whilst prioritisation is pragmatic, it is important not to just do the high-profile things or remove the easier barriers. Some things will be tough but they still need to be tackled.

Identify cost benefit

Altruism and social responsibility are good motivators, but in the current economic climate cost benefit is really important. Increasing diversity should not be expensive and the benefits that you reap should well outweigh any initial costs. There needs to be clarity around this, if nothing else to ensure that everybody in your organisation understands this is mainstream business. This is part of everybody's day job and not some add-on to be left to diversity specialists.

Celebrate success

When things work, celebrate and blow your own trumpet as loud as you can. Your employees, your participants, your audiences, your visitors and your funders need to know about your success.

Managing diversity positively is essential in modern organisational development. It is not a peripheral issue, often (mistakenly) associated with risk management. Achieving diversity needs to be at the heart of the business plan and owned by all staff. In that way diversity can really make a difference to organisational success.

male, pale and stale: time to work for change

Roy Clare CBE

Roy Clare, chief executive of the Museums, Libraries and Archives Council (MLA), makes no bones about the lack of diversity on the boards of many of our cultural organisations. He believes that we are losing opportunities to tell the stories of our collections in ways that would appeal to the growingly diverse sectors of modern Britain because boards are not representative of our society. Here he outlines the action that he and others are taking to address this.

The boards of museums and galleries are too often male, pale and stale. Key players in the governance of state-funded cultural institutions remain overwhelmingly white, middle-class, middle-aged and mainly masculine; and this just isn't good enough.

Governance matters because boards set the tone.

The positive impact of diversity is to enrich the ability to narrate stories in new ways for broader appeal. On the other hand, the effect of a conservative style of governance is to stifle the appetite for innovation and to limit organisational ambition to try something unusual.

In the public sector, the Nolan rules aim to ensure that board members are recruited transparently through merit and not a 'tap on the shoulder'. However, the rules have not helped to widen the pool of talent and expertise from which new board members are drawn.

Individuals from non-traditional backgrounds tend not to emerge successfully in competition with those whose CVs show previous board-level experience. People with diverse backgrounds and interests, who could bring an entirely fresh perspective, or an expertise won in different or unusual circumstances, are overlooked in favour of more obvious, supposedly mainstream candidates.

The result is a perpetuation of the existing make-up of governance boards, leaving women,

younger people and those from black, Asian and minority ethnic backgrounds under-represented.

By contrast, the private sector has greater freedom.

When exercised well, this can extend to bringing individuals onto boards for specific purposes: to harness expertise, strengthen contacts and develop capacities. Not all private sector charities take advantage of this opportunity, but all have the option to do so.

Since the advent of free admission for state-funded institutions, claims have been made for greatly-increased audiences (and indeed free admission has served well the public interest in terms of affordable access to collections). However, the proportion of genuinely new visitors is smaller than it should be; and over half the population still do not visit museums regularly.

Two years ago, the MLA set out to tackle the issue of narrow audiences.

In *Setting the Pace*, a publication to mark our approach to the 2012 Cultural Olympiad, we stated an intention to implement a programme to re-interpret collections and to stimulate broader engagement by the public.

The Stories of the World programme is one result, breaking fresh ground for some 60 museums, libraries and archives with the courage and flair to take up a creative challenge. These participants are working in partnership with each other and with higher education and others to interpret their collections in dynamic and invigorating ways. The launch of the programme revealed how the young and those from many different backgrounds are breathing fresh oxygen into collections across the country.

More recently, the MLA board has decided to co-opt a number of people from diverse backgrounds to serve informally for up to a year each as observers. They will sit alongside the fiduciary board and participate fully as non-voting members. The two key benefits are that the MLA will enjoy a broader base of advice and insight, while those who serve will be able to draw on their experience to compete subsequently for Nolan-style formal appointments.

Earlier this year, the Department for Culture, Media and Sport responded to advice from its advisory board, to run a seminar for people who have no (or little) experience of governance to hear about the role from existing chairs and chief executives. The feedback from this session has been positive and supportive. Over time, such seminars will heighten public awareness of the opportunities for serving in governance positions.

Meanwhile, the MLA recognises that local government exerts significant influence over culture in England. For that reason we are working closely with local authorities as the principal funding and governance bodies for regional museums, galleries, libraries and archives. Our objective is to assist local authorities to improve services through extending the sector knowledge of new councillors and lead officers. The MLA is piloting schemes that offer development for members and officers taking on cabinet roles or other leadership responsibilities.

We also welcome the Heritage Lottery Fund (HLF) and the Big Lottery stipulation that audience engagement is a condition of funding. Examples of the positive impact this is having include Leeds City Museum, which re-opened last year after a

£19 million HLF grant, and tells a stimulating, multi-faceted narrative that is both shaped by and will help shape a diverse community. And many library authorities are opening new community libraries in which improvements funded by Big Lottery have been shaped by the people they exist to serve.

Gradually, these and other measures offer the prospect of a steadily widening field of candidates in the pool for selection to serve on governance boards and in other areas of sector leadership.

But more cultural bodies could take up the challenge and consider co-opting diverse members for the specific expertise and insights that they can bring. The objective is to make the institutions more attractive to visitors and users from a wider range of backgrounds, ages and cultures.

The re-interpretation of collections is just one measure. Further work is needed to ensure that the entire range of cultural delivery is relevant and of interest to the widest possible span of the public; and that excellent services and close engagement are normal experiences for everyone.

Governance is pivotal. Change is needed now. Some are leading the way, others need to follow.

managing risk

In most governance contexts risk is something to be avoided. In the cultural sector creative risk taking is often the very thing that sets one organisation above the rest. So how do not-for-profit arts and cultural organisations effectively balance artistic risk with financial planning? And how do the board and the executive team define their respective roles and responsibilities in this process? An artistic director and a chief executive from two of our national performing arts organisations give their views.

In this first paper, Loretta Tomasi, chief executive of English National Opera, emphasises the importance of a board and executive working in partnership - and avoiding negative surprises.

partnership and a shared vision

Loretta Tomasi

The performing arts are not alone in needing to balance their core work with money and resources. All organisations need to do it to ensure they thrive. It is not easy and I am sure we can all think of examples over the years where it has not gone to plan. How can the balance be achieved?

My response to this question has been framed from personal experience, both in the not-for-profit and commercial sectors. There are a number of factors, the most important of which I believe to be: relationships based on respect; clarity in the organisation's core values; a shared vision; and passion and belief in the organisation.

A strong, straightforward partnership between senior executives who respect the abilities, skills and knowledge of each other can cut through a lot and give the courage and confidence to move forward. This is not always a given and, as with any relationship, has to be worked on and must be two-way. While specific tasks and roles need to be split, joint ownership and responsibility for the overall strategy and plan is essential. I also believe that you must strive to have an

organisation that recognises the contributions of the team. The success of an artistic project depends to a large extent on collaborative working so why should the running of a performing arts organisation be any different?

Debate and discussion are very healthy. Views can be strong and opinions will differ. But if the organisation is put first and decisions are measured against 'does it reflect the core value?' and 'does it fit the vision?' tensions should not result. Having that framework and being in a position to ask those questions requires buy-in across the company to the core values and a clear vision that does not belong to just one person.

If those leading the organisation believe from the outset that the artistic and financial considerations are inseparable, you can create an organisation-wide attitude that 'the art comes first but not at all costs'. This gives a confidence to deal with situations as they arise.

Communication that is open, ongoing and meaningful is as always vital. And in this context I mean within the organisation's leadership. The leadership needs to be supportive of one another and this can only be genuinely possible with awareness and trust – none of us like negative surprises. That support and inclusiveness also helps retain perspective and sanity through some of the more challenging times.

There also need to be mechanisms for dealing with and discussing, openly and in a non-confrontational way, the frustrations that can arise (and they inevitably do) and the potential impact of any compromises. It is about trying to find a creative way to stretch the resources to do what on the face of it may appear a step too far.

And where does the board fit in, particularly in an organisation with an artistic programme that is adventurous, highly creative and distinctive? Firstly, much of the above in relation to the executive leadership of the organisation applies equally to the board. The relationship between the executive leadership and the board and the board's cohesiveness and support of the chair are vital. Nothing is possible without the board's buy-in to the core values and the organisation' vision.

The process of achieving board support for any season, or programme of work, starts well before the final presentation. The development of ideas, particularly in opera, can start many years ahead so keeping the board up-to-date with key projects (including changes) is important. This can be achieved in a number of ways: updates through board papers and subsequent discussion at meetings; one-to-one discussions between the artistic director and individual board members, the chair or a sub-group of the board. It is important that the communication not only outlines specific projects but also imparts something of the prospective personality of the season and how the artistic projects reflect the core values and the vision.

At the same time as working through the artistic aspects, the financial implications of each production and season is evaluated internally, with the objective of presenting a season that is artistically strong and financially viable. In judging viability, management and board need to be clear about the parameters and have a common understanding. In our case, at English National Opera, it is about ensuring that the financial plans do not result in a deficit; that there is sufficient contingency built in to reflect

the inherent risks of the business; and that the key income assumptions are reasonable in light of past performance and other factors. The underlying key assumptions are discussed in depth with the board (and its finance committee) and the chair and board are kept appraised of progress on the plans. However, the budget and indicative plan for subsequent years are normally submitted for final approval only once deemed viable (within the parameters above) by management. This process involves a number of iterations (ask our finance director!) and during it there may be changes to or tweaking of the artistic programme.

It will come as no surprise that artistic success does help in securing support for future projects and programmes. But this does not mean an organisation can be complacent or disregard the financial imperatives. It is fair to say the biggest leap of faith comes when trying to break out of a difficult period both financially and artistically.

As an organisation (and by definition that includes the board) we are clear: what we do artistically is the reason we exist and art is at the very heart of English National Opera. But we also need to be responsible financially.

testing the vision

John E McGrath

John E McGrath is the artistic director of National Theatre Wales and was previously the chief executive and artistic director of Contact theatre in Manchester. Here he describes his own experience of working with boards and their role in supporting the artistic vision of the director while constantly testing that it meets the objectives of the company and serves its community.

There's a school of thought that says there's only one artistic decision that the board of an arts organisation needs to make – and that's the appointment of its artistic leader. A well chosen artistic director (or gallery director or principal conductor) will make invigorating creative choices leading to organisational success. In this model, a board's job is to keep an overview of the strategic and financial issues within which the artistic leader must operate; ensuring that external factors or internal mismanagement don't endanger the artistic programme; and, where possible, planning for the growth that artistic success will make possible.

There's a fair amount to be said for this approach. There can be few fans of programming by committee. There is no doubt that there are instincts and hunches involved in putting together a really good programme that sit outside all of the marketing reports and audience feedback forms and evaluations that a board might look at. But any artistic director asked to incorporate the hunches and instincts of board members into a programme will soon despair. Neither over-schematic nor over-personalised input from boards is helpful when programming. While an artistic director needs to be able to demonstrate that the programme will meet basic criteria set by the board (income targets, audience reach, etc), he or she will always need a board which trusts and supports the artistic director's expertise.

Of course, if those instincts are consistently proven to have failed, the board may have to accept that it has called its biggest decision wrong and act

accordingly; but that's not something that any artistic director likes to think about!

This model for a board's relationship to programming, however, is dependent on a pretty conservative view of what a board should be. At Contact in Manchester and now at National Theatre Wales, I have worked with two very different boards which nonetheless share a key principle. They see themselves not only as safeguarding the security and success of the company, but also as ensuring that the company genuinely meets its goals in terms of who it speaks to and with.

At Contact, the mission of the company was particularly to respond to the lives and aspirations of young adults. While the board had young people on it, its average age wasn't particularly low, so the individual instincts of board members as to what might and might not work best in the programme were of limited worth. However, the board took its responsibility to its community very seriously. Board members would regularly attend 'Open Contact' sessions at which young participants and audience members would feed back on the programme and contribute ideas for the future. And young people were partners with board members in the development of Contact's strategic plans (most recently three young leaders from Contact were the facilitators for the board's strategic planning away day, and young people inputted into every element of the business plan).

The board saw its job not only as guarding the well-being of the company, but also as constantly testing the company against its goals and measuring its activity against the responses and hopes of the communities it was there to reach. This could sometimes lead to robust discussions.

For example, Contact's programme always involved a healthy strand of experimental theatre, and not every young person or every board member felt this was a good use of resources. But I believed the mix would produce a generation of artists at Contact who were as at ease in live art as in urban drama, and who would make uniquely interesting work. The board didn't try to change this mix, but they did ask about it when talking to young people, and we all went on a journey to find out what worked, and what really didn't.

At National Theatre Wales, there is in many ways a more direct link from board to the community. I grew up in Liverpool, but my board are all Welsh, or long-term Wales-based. When trying to put together a programme, it would make little sense to ignore their knowledge and understanding of the country for which the work is being made! However, the board haven't hired me to put on their programme – they wouldn't need an artistic director for that – but to delight and surprise them with a programme that they would never have developed by themselves. In this case, the board is part of a creative back-and-forth that pushes everyone to think beyond their initial instincts.

However, this board also recognises that it is not fully representative of the people the company has been created to speak to. If National Theatre Wales is to really reach Wales, the board should not only be surprised by the programme but, ultimately, also be surprised by the Wales that is reflected back through the programme. To make sure that this happens, the National Theatre Wales board, like the Contact board, has to find ways to listen to the widest possible range of

responses and aspirations. So, we are focusing a great deal of energy into developing an active, evaluative community of artists, audiences, participants and partners: an open and ever-evolving network that will have something to say about whatever the company does.

A board that takes its responsibilities to the wider community seriously is as interested in challenging as in safeguarding, but understands that this is a very different thing from opinionising. Moreover, an in-depth understanding of these responsibilities will help a board fulfil its other duties. For example, if there is a difficult financial decision to make, the board will be less likely to stray from the core values of the company towards financial expediency if it has an in-depth, practical understanding of how those values function on the ground.

Developing an understanding of the company's role and reputation in its community means that board members will focus even less on their own artistic preferences than in a traditional hands-off model. But at the same time it means that they will contribute bold and energising perspectives when the creative programme is being debated and evaluated. For an artistic director, such debate will be challenging, inspiring, sometimes annoying, but never interfering or restrictive.

4 the leadership axis: the board and the executive

The chair and chief executive relationship

Graham Devlin and
Roy Clare CBE
Charles Mackay and
Michael Day
Wyllie Longmore and
John E McGrath

Do boards allow leaders to lead?

Sue Hoyle

The dynamic between the board and the executive has an impact not only on the way a cultural organisation makes decisions but on the effectiveness of the board and the organisation. Similarly, the quality of leadership and governance will be affected by the way board members and the executive treat each other's respective powers. Successful relationships usually centre on trust, openness and mutual respect and good governance is much more difficult without these. The papers in this chapter highlight the need for a clear separation between the roles of the board and the executive and focus on the pivotal relationship between chair and chief executive.

The Cultural Leadership Programme commissioned the cultural strategist, Graham Devlin and Roy Clare, chief executive of the Museum Libraries and Archives Council, to explore the issues and challenges in this key relationship. It then asked the chairs and chief executives of two very different organisations to describe how they made the relationship work in practice.

Finally, Sue Hoyle looks at how boards select, guide, support and develop chief executives of cultural organisations, and asks if boards allow chief executives to get on with their job and lead; and whether chief executives give boards the space they need to govern.

These four perspectives offer an overview of the issues and challenges of leadership at the top of cultural organisations. While the papers present different approaches to building and maintaining the chair and chief executive relationship, they all identify the same key characteristics needed to make the relationship work - mutual respect, trust and support, a shared vision, strategic intent and congruence of aspiration.

the chair and chief executive relationship

Roy Clare CBE and Graham Devlin

It is widely accepted that the relationship between the chair and chief executive in a cultural organisation is a vitally important fulcrum on which successful governance rests. It is, perhaps, the single most important relationship in the organisation. Too often this relationship is not as constructive as it might be – in some instances, it is actually dysfunctional. We have been asked by the Cultural Leadership Programme to consider this issue. This paper does not aim to be prescriptive, setting out best practice models for all to follow. Rather, it suggests some practical measures that might be useful and invites chairs and chief executives to reflect on whether any of these might be helpful to their organisations.

Among the issues that contribute to a dysfunctional relationship are:

- The historic lack of preparedness of many senior chief executives for leading large institutions and dealing with boards made up of members with executive instincts. This issue is beginning to be addressed through the various leadership programmes recently initiated by the Clore Duffield Foundation, the Museums, Libraries and Archives Council (MLA) and the Cultural Leadership Programme. We would recommend that these programmes focus strongly on the chair/chief executive relationship as a core part of their programmes.

- The failure of some governing bodies to recognise and adopt their proper constructive role in the organisation's governance, being either too far removed from the organisation and its values or too closely involved with detail and becoming quasi-executive. Again, the importance of mutual agreement and clarity about the clear divisions of responsibility between the executive and non-executive arms should be emphasised in any development programmes.

- The construction of boards themselves, many of which perpetuate control by people from traditional, mainstream backgrounds and are not sufficiently diverse or representative of their audiences, cultures and communities. Strictly speaking, this lies outside the remit of this paper; however, more diverse boards will

lead inevitably to greater diversity in their leadership which we believe is vitally important for the health of organisations and must inform the thinking behind any attempt to improve or reform their governance.

From our experience and observations, reinforced through this study by a number of interviews with experienced chairs and chief executives, it is clear that successful organisations (however constituted) have respectful, clear and well understood relationships between their executive and non-executive arms.

At the centre of success is invariably a chair/chief executive relationship that can be likened to a doubles tennis team where partners are playing on the same side but taking responsibility for different parts of the court.[1] Ultimately, the success of a chair/chief executive relationship will depend on the ability of the individuals involved to work together constructively. To an extent, of course, this is a question of personality and compatibility, requiring in the words of one contributor 'big souls not big egos'.

It should be possible to minimise the risk and mitigate the effects of incompatibility in a world where executive appointments are agonised over and a range of behaviourist tools are employed to ensure individuals' suitability. However, it would seem that, too often, the appointments of chairs and their compatibility with chief executives are effectively left to chance.

We recognise that much has been written about the chair/chief executive question in the broader not-for-profit sector, much of it published by ACEVO and NCVO[2]. However, whilst the cultural sector should be drawing on this body of analysis and advice, it would seem that many do not

know of it and, consequently, very relevant findings and guidance are frequently not being applied in the sector. One senior chief executive of a national institution observed, 'boards often don't know what they're there for, and suggested that board members should be consistently referred to as trustees to make their non-executive status explicit. On a more positive note, another contributor to this paper pointed out that his chair regarded trusteeship as a job, albeit unpaid, which required the same level of duty and responsibility as a well-remunerated day job.

In the context of the above observations, the next paragraphs suggest possible mechanisms to support the chair and chief executive relationship and help address organisations' governance needs at the highest level.

Appointment process

1 Given the above comments about potential incompatibility, organisations could consider using a diagnostic tool such as Myers-Briggs to explore the profile of the chair/chief executive axis – either as a contribution to the recruitment process or as a guide as to the supporting mechanisms that might enable them to work most effectively.

2 Whilst it is not desirable for chief executives (or chairs) to appoint their own successor, it might well be appropriate for a successful chief executive to have a locus in the appointment of a new chair. This would help ensure compatibility and continuity of direction for high-performing organisations.

---

[1] It is noted that the chair/chief executive relationship has a different dynamic where there are joint chief executives, as is sometimes the case in the performing arts.
[2] For example, Leading the Organisation: the relationship between chair and chief executive; Good Governance (the chair's role); A Chair's first 100 Days; Essential Guide to Recruiting a Chief Executive, Chair and Trustees; and Appraising the Chief Executive.

On appointment

3 The Department for Culture, Media and Sport/stakeholders/funding bodies could provide a letter of introduction and guidance to designated chief executives and a pre-appointment training day for first-timers. A complementary programme could be made available for chairs.

4 The above exercises should include modules designed to explore and, where possible, address the risk of problems arising from different value systems between chief executives in the public/third sector and chairs with backgrounds in other sorts of organisation – for example, the commercial world or the civil service.

5 New appointees should be made aware of the Institute of Philanthropy's mentoring programme, ACEVO's course for new chief executives and the governance publications referenced elsewhere in this publication.

Support in post

6 A body such as the Cultural Leadership Programme may wish to consider establishing a forum in which chair and chief executive teams come together to learn from one another.

7 The *Beyond the Chief Executive* programme run by the Cultural Leadership Programme revealed the need for longitudinal mentoring support for chief executives. The Programme may wish to consider establishing a mentoring group made up of existing leaders.

8 Although board audits and appraisals are still not universal in the cultural sector, there are now many exemplary models in which board – and individual members' – performance is thoroughly evaluated with consequent development opportunities being offered. Nevertheless, there are still questions about 'who appraises the chair?'; how mediation between chair and chief executive can best be achieved; and how the separation of executive and non-executive responsibilities can be ensured. We would recommend that all cultural organisations consider including on their governing body a senior independent board director (SID). This person might also be the deputy chair or chair of the nominations committee. The SID would have responsibility for these functions and be capable of acting as a counter-weight to the chair where necessary.

9 DCMS and/or the funding bodies might consider establishing a library of case studies (based on self-evaluations, peer reviews etc) available for peer learning.

Broader board support

10 Boards should be encouraged to take advantage of the development and support activities now available including Clore board development days. These include a range of targeted provision, including discrete days for chairs and chief executives together.

11 Boards may also find it helpful to participate in ACEVO's governance review process and its online performance measurement tool (perhaps adapted and re-branded for the cultural sector)

Remedial activity

12 It is to be hoped that the initiatives proposed above (especially the appointment of a SID on every board) will help prevent or deal with dysfunctional chair/chief executive relationships. It would be naïve, however, to hope that they will wholly avert such difficulties which can, in some circumstances, lead to the acrimonious departure of one or other of the key parties (usually the chief executive). In cases where the measures suggested above have proved inadequate, we would recommend organisations having access to a mediation service with an arts focus. DCMS and the funding bodies should consider establishing a group of senior arts professionals able to offer a 'Relate' type facility, mediating and arbitrating, where necessary, between chairs and chief executives.

chair and chief executive partnerships in action: historic royal palaces

Charles Mackay (chair) and Michael Day (chief executive) of Historic Royal Palaces describe a clearly defined relationship that works through a series of planned, regular meetings and structured dialogue. This formal routine is essential for their large-scale organisation which is responsible for five royal palaces.

The chief executive's view: Michael Day

The received wisdom about board effectiveness is that, on the whole, boards don't deliver all that they should and, as a consequence, organisations are not governed as well as they could be:

> *Effective governance by a board of trustees is a relatively rare and unnatural act …trustees are often little more than high-powered, well-intentioned people engaged in low level activities.*[1]

> *Effective governance …requires care, trouble and application. Good trustees are a victory, not a gift.*[2]

So, if good trustees are a victory, who are they a victory for? I suggest it's a victory to be won by the chair and chief executive working together; a victory for collaborative leadership. So how do I work to achieve it with my chair at Historic Royal Palaces?

Historic Royal Palaces (HRP) is responsible for five royal palaces: the Tower of London, Hampton Court Palace, the Banqueting House in Whitehall, Kensington Palace and Kew Palace. We care for and provide access for exploration and learning to these great buildings, and their contents, landscapes and stories. Through them runs a thousand-year story that is at the heart of our national identity, a story of how monarchs and people have shaped the society we live in today.

[1] Chait, Holland and Taylor, *Improving the performance of governing boards,* 1996
[2] Adrian Babbidge, *Governing Independent Museums,* 1995

We have a formal governance structure. HRP is a Royal Charter body, Public Corporation and Charity. It was established in 1998 as an independent charitable trust. We used to be a publicly-funded DCMS agency but now we receive no public funding. We have an annual turnover of £55 million, all self-generated. Our twin charitable purposes are conservation and education.

Accountability is held in two different ways: by the chair and trustees to the Charity Commission; and by the chief executive officer as the accounting officer to Parliament. Our board comprises 11 trustees: our Chair, who is appointed by The Queen on the advice of the Secretary of State for Culture, Media and Sport; 4 trustees appointed by The Queen (including 2 ex officio); 6 trustees appointed by DCMS (including the Constable of the Tower ex-officio).

As chair and chief executive, we both start with a fundamental principle - strong effective boards of trustees are essential for successful non-profit organisations.

There are three key issues today for the chair and chief executive working together:

- *How to establish and sustain a trustee group with shared commitment to the organisation's cause and strategy, who can work together with wisdom, judgement and insight, give sufficient time and energy, and have status in the eyes of stakeholders.*

- *How to establish and sustain relationships of trust across the board and among trustees, the chief executive, staff and stakeholders, which are robust in times of stress.*

- *How to enable boards to manage ambiguity; applying themselves at the right level, knowing when to intervene and when not to; understanding that a range of styles and levels of intervention are needed at different times and in different circumstances.*

The chair/chief executive relationship is pivotal, bridging the governance and executive dimensions. Differences in opinion or weaknesses in working together quickly show, damaging organisational reputation externally and morale internally. It has to feel like a team approach, while acknowledging that the chair is the chief executive's line manager, and that the chief executive is formally accountable to the chair and board.[3]

It's important for the chair and chief executive to be clear about expectations and needs of each other. From our point of view, this is what I and my executive team, need (and indeed get) from our chair and board at HRP:

- Attention to top level stewardship and strategy: applying their knowledge and experience to the things that matter; acknowledging that they need to know enough detail to make wise judgements.

- Reasonable levels of active engagement: formal board meetings, contribution to sub-committees or project groups, being generally visible around the organisation; and preparedness for meetings. Absentee trustees are not acceptable.

- A spirit of positively working together for common purpose.

[3] These points are fully explored in Mike Hudson's *Managing without profit: leadership, management and governance of third sector organisations*, Directory of Social Change, 2009

- In relation to the executive, the right mix of 'policing versus cheerleading': challenge, stretch and scrutiny on the one hand; support, encouragement and adding value on the other. Boards tend to veer towards the former.
- Demonstrated trust and belief in their executive to manage effectively.
- Consistency of views: across time and context, and among members, once agreement has been reached.
- Some appetite for risk, experiment and change (given that all pressures on trustees, especially in bodies with a conservation remit, oppose this).
- Readiness to engage in fundraising and advocacy.

The chair's view: Charles Mackay

By the same token, my trustees and I have a similar set of expectations and needs of our chief executive and executive team. What we are looking for is:

- Strategic focus: attention to strategic issues rather than overly detailed review of performance and operations.
- Early involvement in developing policy and strategy thinking – not just the final version of papers presented for formal approval at the end of the process.
- Time and opportunity in meetings for real debate. We can add little real value if most of the time at the board is taken up by the executive going through papers we should have already read in advance or by presentations.

- Information presented effectively – and in advance – in a form which is clear, concise and without unnecessary detail.
- Lack of defensiveness: a readiness to admit mistakes (we understand that sometimes things don't happen as they should), openness to suggestions and new ideas.
- Transparency and no surprises. There exist good relationships of trust between our board and the executive, in which we know we will hear about anything significant that is going amiss.
- An opportunity to be involved in the life and work of the organisation beyond formal board meetings. Trustees have much to offer and want to add value where they can. At HRP, this works particularly well in major projects and in special task groups where trustees have specialist expertise.
- Feeling that contributions are welcomed and appreciated by the executive. Trustees give a great deal without financial reward and appreciate the recognition that they do indeed get from HRP's staff.

Over the last three years Michael and I have adopted many of those principles in the way we work together and established some clear guidelines:

Regular contact: meeting formally every two/to/three weeks, with HRP's Trust & Company Secretary. Meetings always have an agenda and notes and are timed so that we always agree the agenda of the next board meeting; I'm briefed on any emerging issues and we plan the board meeting and routinely de-brief afterwards. We plan ahead for the board's annual programme.

We also meet regularly and informally in the margins of HRP events and talk on the phone and email regularly, reporting to each other on all key external conversations.

Openness and trust: we avoid surprises, admit mistakes and learn lessons, creating a sense of partnership and mutual respect.

Complement, not compete: we've learned to respect role boundaries, but also to cover for each other on occasions where boundaries overlap such as public representation and fund raising.

Consult early on key issues: the chief executive consults the chair on key issues and emerging policy thinking, using the chair as a sounding board and to ensure involvement in shaping new policy.

Review: we have a formal annual professional development review meeting for the chief executive and a formal annual board evaluation by the chair.

Of course, the board has to monitor and control but to be really effective, two things stand out as particularly key to successful governance:

- *Focus the board on organisation purpose and direction, spending time on what matters.*

- *Build a sense of inclusiveness – within the board and between the board and the executive – so that everyone feels involved, valued and respected.*

chair and chief executive partnerships in action: contact

Wyllie Longmore and John E McGrath (former chair and chief executive respectively of Contact theatre in Manchester) explain how they developed a fluid and supportive approach to working together - one which reflects Contact's role as a young people's theatre and a place where artists can meet, develop, explore and take risks.

The chair's view: Wyllie Longmore

John E McGrath joined us at a time of extraordinary change for Contact. Change in every aspect, from our mission to our organisational structure and the physical challenge of a new theatre complex. We were (nearly) in possession of a brand new building through Lottery funding and really understood the need to register change within the organisation as well as within the building. The whole culture, the whole ethos had to change and, in the process of change we also had to re-vision. At the time, I had inherited a board where the average age was relatively high, with no mechanism for retirement. Diversity was not strongly reflected with few women, only two black people and no young people of any kind in one of the UK's most diverse cities.

So we really had a task on our hands. We had to find the mission and the vision that each member of that board could buy into with safety and with great belief. We had all to believe.

We also had to change from being a straight-forward repertory theatre with a very separate education and community department, to becoming an organisation for which the participation of young people would be the core of the organisation's activity. That was quite radical.

In terms of structure, we also had to change from the previous double-headed model of an artistic director and an administrative director managing the organisation to the new role of a single

artistic director who would absorb the chief executive role and have sole responsibility for the combined creative and administrative functions.

Into this extraordinary mass of extraordinary change at Contact we had to look for somebody who was going to take this vision forward. It was not an easy task, nor one that was quickly achieved. But our patience and persistence paid off when John E McGrath took the reins of the organisation and ran with it. In doing so, he earned and maintained my respect.

I do think it is significant that my role as chair represented the first time in Contact's history that it was being chaired by an artist, and a working actor. That is a very rare thing in organisations, to find the artists actually on the board, let alone to be the chair of the board. And I think perhaps that was at the root of why our relationship did flourish.

The chief executive's view: John E McGrath

Wyllie was an extraordinary chair who, after ten years at Contact, decided to put his money where his mouth was and decrease the average age of the board by stepping down! In assessing the challenge for his successor, we had to think seriously hard to distil the key qualities, abilities and values that he brought to the organisation and to me as artistic director and chief executive. I can sum this up as three key aspects: vision, guidance and shared responsibility.

I genuinely think it important that we have a chair who is a visionary. I know some people won't agree with that, arguing that vision is for the artistic director, but for me it's extraordinary to have somebody at the helm of the governance of an organisation who has visionary ideas.

A board that looks purely at management isn't really thinking at the level at which a highly effective board should operate. If you look at the issue of succession planning, for instance, the boards that are obsessed with 'management' rather than 'leadership' often make quite bad decisions because they are looking at very short-term issues. Such a board will make relatively safe decisions and seek to replace like with like – particularly when the organisation has been doing well.

A board that has a sense of vision and that is led by a visionary is actually asking something that maybe it has no right to ask, which is, at its heart, 'How can we change the world?' How can what we do change everything? Whatever we deliver, maybe we need to change it in order to get to this almost unspeakable soul of what we're doing. A visionary board and a visionary chair make unexpected and bold choices that might just change everything. So, for me, the visionary is important in a chair. And it's extremely stimulating and extremely exciting when it happens.

The second thing that I want from a chair is guidance - guidance in many forms but most crucially guiding the board and the chief executive to work out what is actually important.

When you do have an exciting board, it often is coming up with too much stimulation, too many ideas and the chair, at their best, can act as a kind of funnel filtering all those ideas and that stimulation down into what's important, and fending off what's not.

A good chair actually says to the chief executive, 'I know that person gets rather excited about those kind of things and we value them for that, but don't worry about that, I'll deal with them. Let's focus on this!' So that sense of guidance – both guiding the board towards a focus and guiding the chief executive towards what most needs to be dealt with, and doing that in a regular and caring manner. I think that is very important.

The third thing that I would want in a chair is a partner in crime - the kind of Thelma and Louise version of chief executive and chair - that moment when you are really ready to drive off the cliff together. And, in particular I think that a good chair challenges the board to maintain its focus on the vision and to regularly review its delivery against its aspirations.

My example of this is, I think, one of the best and final things that Wyllie and I did together, which was to create a new process for strategic planning for Contact. As we were both facing the end of our tenure as chair and artistic director, it was yet more important that the plan we created should be inheritable. It had to be something that everybody within the organisation felt ownership of, and something that somebody else could really take on and make their own.

So we thought hard about the best process for developing this three year plan. How should we make it work? One of the things that we identified as a particular strength at Contact was the way in which young people were developing as leaders within the organisation - as board members, as facilitators, as project managers. So when we were thinking about consultants to help us vision the next three years, we came up with quite a radical solution. We determined to apply what we practised in the creative side of our organisation to our strategic planning process and hired three of our young people to facilitate the board through a process of imagining the next three year plan.

Now that was an extraordinary process. By far the most extraordinary planning process I've ever been through and I believe we came up with a plan that was the best plan for Contact. And it is one that has proved itself to be inheritable. But in order to do that, the point at which Wyllie and I went to the board and outlined that the planning process would begin with an away day led by three young people between the ages of eighteen and twenty-two, was a moment when we had both to take a gulp of air and bolster our resolve. Yes, Contact had young people and artists on the board, so it was, perhaps, already less traditional than many.

But it was still a Thelma and Louise moment of driving off the cliff for our organisation. Wyllie was very much my partner in crime and, together, I believe we created trust, mutual appreciation and respect. It was a real and valued partnership.

do boards allow leaders to lead …and do leaders allow boards to govern?

Sue Hoyle

Sue Hoyle is director of the Clore Leadership Programme. Over her six years with the Programme, the issue of the relationship between boards and executives has been a constant topic of informal discussion. She decided the time had come to put the issues on the table and has embarked on a programme of research. In this paper she asks if boards are really supporting chief executives to get on with their jobs.

The Clore Leadership Programme has benefited from the generosity of many outstanding, experienced leaders. As speakers, mentors and hosts of secondments, they have been willing to share the lessons they've learned about running cultural organisations. They are all enthusiastic, indeed, passionate, about the opportunity to contribute their personal and professional experience to developing the potential of emerging leaders.

Every one of them has been very honest about the difficulties – and joys – of organisational leadership. However, there is one issue which is rarely shared in public but features regularly in private or informal conversations – the dynamic between boards and 'their' executives. Many chief executives express strong opinions about this matter, with some very clearly identifying a lack of empathy and collaboration in the relationship. One chief executive, for instance, said to me that board meetings were like Prime Minister's Question Time and going into them was like getting your homework marked. Others talked of their board's lack of interest in the chief executive's welfare and professional development.

This issue seemed to me, as someone dealing on a regular basis with matters of both governance and leadership, to be worthy of investigation. So I decided to study some of the ways in which boards select, guide, support and develop the chief executives of cultural organisations and ask if boards allow chief executives to get on with their jobs: in short, do boards allow leaders to lead?

The name badge reads:

Sue Hoyle
The Clore Leadership Programme

Almost as soon as I began, however, I discovered that this concern is complemented by another. Many board members are also dissatisfied with the relationship: some fear that their role is tokenistic, rubber-stamping decisions already taken by the senior team, whilst others are unhappy about how they are provided with the information they need to do the job. There is a view that chief executives can be guilty of either not sharing information fully or early enough; or alternatively, of drowning their boards in too much irrelevant information.

All this suggests a common consensus that the board/chief executive relationship is often dysfunctional – for both sides. I found myself, therefore, expanding my original question to: do boards allow leaders to lead and do leaders allow boards to govern?

I am now embarking on a piece of research around these questions, supported by the Cultural Leadership Programme and the Clore Leadership Programme, with academic guidance from King's College London. This work will draw on a number of specific case studies, both in the UK and other countries; feedback on the board development programme currently being undertaken by the Clore Leadership Programme in partnership with the Cultural Leadership Programme; and detailed interviews with senior cultural executives and board members in a number of countries. As this research progresses, I intend to share my findings and conclusions in a series of papers, of which this is the first.

First steps

I decided to start my investigation in the USA, for two reasons: firstly, there has already been a considerable amount of academic research and professional training around executive/non-executive relations in North America and, secondly, cultural institutions in the USA were perceived as being severely affected by a rapid change in the financial environment. This led me to wonder what impact that might have on board members' willingness to 'give, get or get off'.

I began my research in February 2009, when I conducted a number of interviews in New York and Washington DC, and reviewed recent articles and books about governance and leadership. I wanted to know if the USA was the precursor of what might happen here, or if it was so different from the UK that the lessons from their experience might not be transferable.

My visit occurred not long after the election of President Obama, who was reported to be sympathetic to the arts, and just as the economic crisis was beginning to bite in the USA's cultural sector. The interviews demonstrated that the financial repercussions of the crisis were already far more serious in the USA than here, due to the much greater reliance on private sector funding. 'Once flush with corporate and private donations, rising ticket revenue and government subsidies, many non-profit arts groups now find themselves reeling', The Washington Post reported. 'Cuts of every kind – staff and artist layoffs, furloughs, cancelled performances and tours, truncated seasons – are widespread.'[1] In March 2009, for example, the Metropolitan Museum announced its operating endowment had lost 28% of it value

1 Farhi, Paul and Trescott, Jacqueline, *Stage of emergency*, Washington Post, 3 May 2009.

between last summer and the start of this year and was anticipating that it might have to shrink its work force by 10% (up to 250 jobs) within the next few months. Michael Kaiser, President of the Kennedy Center, was quoted in the same article as saying he had never seen anything as bad as this in 25 years. Charlotte Higgins reinforced this view in The Guardian, reporting that the USA is where 'the arts, with minimal support from the public purse, exist at the whim of the market and where 10,000 arts organisations could collapse this year, according to Americans for the Arts.'[2] This figure was often quoted to me whilst I was in the USA.

The acuteness of this problem was evident during my visit: some senior executives were docking their own pay, whilst others were clipping their artistic programmes. Not surprisingly the Kennedy Center's new Arts in Crisis programme (which offers emergency planning assistance for arts organisations in difficulties) received 350 applications within three months of its inception.

In this context, all my interviewees recognised the critical importance of good governance in dealing with the implications of the economic situation. This understanding underpinned, indeed dominated, all the conversations I had. It is no surprise therefore that at least two organisations in the USA (the League of American Orchestras and BoardSource) are running training courses on the role of boards in troubled times. The USA's orchestral sector had been mindful of this for some years: back in 2003, Lowell J Noteboom, Board Chair of Saint Paul Chamber Orchestra and Vice Chairman of the American Symphony Orchestra League said, 'While the broad economic challenges faced by orchestras cannot

be attributed to poor governance, it is an inescapable fact that they can only be met successfully with good governance'.[3]

Principal themes

Four principal themes emerged from my interviews in the USA:

- The power and composition of the board.
- The priority placed on fund-raising and its impact on risk and challenge.
- The difficulty of recruiting board members.
- An unhealthy blurring of the line between executive and non-executive functions.

Taking these in turn:

The power and composition of the board

More than one contributor noted that board members in the USA (and in some parts of the British cultural landscape) often have a complex skein of objectives for their involvement with the arts, including building social capital. This chimed with what Jim Canales had written: 'In too many organisations, a mythical status is conferred on the board. Whether it is by virtue of board members' stature in the community, significant financial contributions, or public profile, there is often created within our sector an unnecessary and unhelpful dynamic that puts the board on a pedestal and separates it from the rest of the organisation.'[4] Boards are not just distant from their organisations: they are set apart from local people too. Many boards are made up of a homogenous group of wealthy middle-aged individuals who do not reflect the diversity of the community the organisation sets out to serve.

[2] Higgins, Charlotte *Arts world braced for 'hurricane' as recession hits*, Guardian, 14 March 2009.
[3] Noteboom, Lowell J., *Good governance for challenging times*, American Symphony Orchestra League, December 2003.
[4] Canales, Jim, Enabling exceptional governance: the role of the executive, BoardSource Leadership Forum, Plenary Session, Chicago, Ill, 4 December 2006.

The social, political and financial complexities of this situation require careful negotiation. One chief executive I met stressed the need to prevent his board members from being embarrassed by being asked too often to fund-raise from their social circle or being associated with failure if the organisation struggled to meet its targets. This shapes his analysis of his role and relationship with them. As a result, he does not see himself as simply 'handling' the board; rather, he works closely with them, helping them get the money.

The priority placed on fund-raising and its impact on risk and challenge

Notwithstanding the last paragraph, individual board members in the USA are frequently charged with very specific and demanding financial targets[5]. This has an impact on the relationship between executives and non-executives, especially in situations where board members (particularly the chair) may be major benefactors, acting as what was described to me as 'venture philanthropists'. Feeling themselves financially exposed, such members may argue against risk-taking. One of the chief executives I interviewed said that the board knows what it doesn't like (but perhaps not what it likes); it influences by implication.

Francie Ostrower, in her book on power, wealth and status of arts boards[6] has written of the tensions that can arise when donors are also trustees, and may wish to place restrictions on donated art or get involved in other ways with artistic programmes. This can, on occasion, lead to a conflict between the aesthetic aims of the arts professional and the financial concerns of board members. Trustees, for example, may object to innovative operas because they don't sell tickets.

An unhealthy blurring of the line between executive and non-executive functions

In the past, there appeared to be a reasonably clear-cut distinction between the respective roles of boards and executives: as Chait, Ryan and Taylor described it, 'boards establish ends and management determines means' or 'boards set policies which administrators implement'.[7] But in an increasingly complex environment, they recognise that this is an over-simplistic view of governance and the roles can overlap, causing confusion, misunderstanding and conflict. 'It is far too simple to think of governance as policy-making and management as profit-making.'[8]

According to one chief executive to whom I spoke, the increased professionalism of cultural executives has resulted in them 'colonising' all the interesting aspects of running an arts organisation, including those 'fun areas' where board members might once have expected a locus. Chait, Ryan and Taylor have tracked the way in which managers of not-for-profit organisations have moved from being 'do-gooders' with 'a genial personality, moral probity, managerial acumen, and a passionate commitment to the organisation's social mission'[9] to become leaders. Consequently, boards are now left with what another of my interviewees called the 'un-sexy bits'. This can contribute to a disinclination to get constructively involved – or, equally inappropriately, an enthusiasm for

5   In a survey conducted by BoardSource, (Nonprofit governance index, BoardSource 2007), 68% of responding non-profits indicated that they had a policy requiring board members to make a personal contribution on an annual basis – BoardSource suggests this is even more common in arts/cultural organisations.
6   Ostrower, Francie, *Trustees of culture:. power, wealth and status on elite arts boards*, Chicago and London: University of Chicago Press, 2002.
7   Chait, Richard P., Ryan, William P., and Taylor, Barbara E., *Governance as leadership: reframing the work of nonprofit boards*, New Jersey, BoardSource, Inc 2005, p.5
8   Noteboom *ibid*.
9   Chait, Richard P., Ryan, William P., and Taylor, Barbara E., *ibid.*, p.3

meddling in executive areas, particularly during a time of crisis. This confusion of roles risks engendering a lack of trust and respect between board and executive, which can be exacerbated by personality and lead to resistance from the executive.

Micro-management can be damaging, but so can micro-governance, when a board focuses its attention on matters of compliance and accountability at the expense of the vision, the long term health of an organisation and the role of 'governance as leadership'.[10]

One person I interviewed stressed that the proper role of a board is governance, funding, long-term strategy and appointing the right team. He felt that in the short-to-medium term, the success of an organisation depends on its chief executive; in the long-term the presence of a healthy, vibrant, engaged, and motivated board is absolutely essential. So, he concluded, the most significant element of the organisation is the board's nomination and governance committee which recruits new members and must be 'aspirational and strategic'.

Difficulty of recruiting board members

In an environment where many cultural organisations are in danger of having to close in the next year, it is becoming difficult to recruit board members in the USA, in particular suitably qualified and motivated chairs. In the past, potential board members may have been looking for social capital from their involvement. But now, they do not wish to be associated with (potentially) failing organisations, especially in the context of post-Enron attitudes and

legislation. Some queried whether there were – or could be – enough 'wise, rich, polymath and altruistic' individuals to give themselves sufficiently to a social purpose, as the USA's model demands. They concluded that, without that commitment to social purpose, all the other qualities would not deliver good governance.

Conclusion

Arts organisations face intimidating challenges. Arts boards have increasingly adopted a corporate model of governance based on the commercial sector which is now, as a contributor noted, at the end of a 30 year socio-economic experiment that has failed.

Historically, the arts in Britain and the USA have had very different models of financial support. In the UK, we have a tradition of public funding which provides a secure platform for many cultural organisations. The USA by contrast, with much more limited state intervention, is very dependent on substantial private sector support. These differences have significant implications for governance. I was told that in the UK public funding is the big issue; but in the USA it is boards. Individuals with experience of both countries suggested that, although the differences are becoming less pronounced, boards in the USA remain more action-centred (with money the first agenda item at a board meeting) while UK governing bodies are more mission-focused (with the artistic programme at the top of the agenda. It will remain to be seen, as the recession bites more deeply in the UK, whether the art can remain at the top of the agenda here.

One (British) contributor in New York noted that chief executives with experience of the British model, where money has always been tight, were better placed to face the new environment than peers who had been based solely in the USA. Over many years, they have been accustomed to having access to very large sums of private money which are currently in serious decline. The same contributor also observed, however, that American cultural boards were more aspirational than their UK peers and that his had enabled him to achieve in three years what would have taken between twelve and fifteen in the UK.

Overall, interviewees were adamant that organisations have to hold their nerve and focus on quality and their USP. They were convinced that middle-of-the road, apparently 'safe' but unremarkable programming is likely to fail and accelerate decline. Some also suggested that whilst the very largest, 'national' companies were likely to survive and small fleet-of-foot outfits could also get by with tacking with the wind, some largish middle-sized organisations with comparatively substantial overheads could be in trouble. Despite, or perhaps because of, the challenges we face, there may be new opportunities for innovative, more imaginative business models involving, for example, co-operation, partnerships and mergers. These may well require a fresh approach to governance which recognises the complexity of leading a cultural organisation today and which finds different but interlinked roles for the chief executive and the board through a new paradigm of leadership.

5 achieving good governance

Achieving good governance	Graham Devlin and Nicola Thorold
The Carver policy governance model	Caroline Felton and Susan Royce
Board development	Prue Skene CBE

The aspiration to deliver good governance can be made real in a number of ways. The Cultural Leadership Programme commissioned papers on three diverse approaches:

- Graham Devlin and Nicola Thorold advocate the adoption of the Code of Governance for the Voluntary and Community Sector[1], supplemented by a cultural annexe that addresses the specific issues facing cultural organisations.

- Caroline Felton and Susan Royce explore the issues and outcomes achieved through a pilot of the Carver Policy Governance Model

- Prue Skene highlights the importance of ongoing board development and describes the themes arising from a series of board development days.

This investigation into three different approaches to achieving good governance underlines the fact that while there may be a number of different models for addressing governance issues, the observations, reflections and priorities that underpin them remain the same – the need for better understanding regarding the roles and responsibilities of trustees, particularly in relation to the executive; clarity regarding the role and relationship of the funding organisations; and dealing effectively creatively with artistic risk.

[1] The Code and other models and guidance can be found on the NCVO's website: www.ncvo-vol.org.uk/askncvo/TrusteeGovernance/

achieving good governance

Graham Devlin and Nicola Thorold

Whatever their constitutional model, cultural organisations would benefit from a closer relationship with the more general voluntary sector, particularly in the area of governance.

This paper draws on the high quality work already done in the voluntary sector and sets out to provide some practical tools and resources to enable cultural organisations to achieve good governance. It covers:

- The characteristics of good governance and a checklist of performance criteria.
- The addition of a cultural annexe, focusing on risk.
- The self-assessment process for an annual governance health check.
- Mechanisms for ongoing board support and development.
- Board skills and knowledge mapping.
- Policies and procedures.

As outlined in the earlier chapter, Governance Leadership[1], many codes have been developed across both the corporate and not-for-profit sectors. These codes all have a great deal in common and our earlier research concluded that there would be little tangible benefit in inventing a code specifically for the cultural sector. Rather, it was recommended that the sector adopt the Code of Governance for the Voluntary and Community Sector. This covers a wide range of issues relevant to the governance of voluntary organisations, including legal, accountability, strategic and HR issues, the vast majority of which are directly applicable to formally constituted organisations working in the cultural field.

The characteristics of good governance

Codes such as the Code of Governance for the Voluntary and Community Sector set out the criteria necessary for effective governance, the benefits of which can be summarised as:

- Enabling organisations to pursue their mission with a clear strategic direction.
- Enhancing their capacity for high quality dialogue and decision making by drawing on the knowledge and experience of people from different backgrounds (in both staff and the governing body).
- Encouraging creative risk-taking and entrepreneurialism, within a responsible financial and managerial framework that demonstrates clear accountability.

- Helping develop and manage the people who work with them – permanent staff, freelancers, members of governing bodies and other volunteers.

From the four key benefits of governance a checklist can be drawn up to indicate how well the governance of an organisation is performing. In many instances, this will involve training or workshop development to make governance a living thing rather than a paper exercise. Some – particularly smaller - organisations are likely to need additional resource for this. The following paragraphs suggest some of the criteria that could underpin any such initiatives.

Enabling organisations to pursue their mission with a clear strategic direction.

- An understanding of mission and vision shared by board and executive.
- The effective development, review and implementation of artistic and creative policy and all other aspects of the organisation's work.
- A healthy relationship between the organisation's creative and administrative functions.
- A clear sense of the company's target market and/or beneficiaries.
- Governing body engagement with output. For example, attendance at performances or events; knowledge of educational activity.
- A range of appropriate policies.

Enhancing organisations' capacity for high quality dialogue and decision making by drawing on the knowledge and experience of people from different backgrounds (in both staff and governing body).

- A diverse governing body and senior management of appropriate size and expertise with respective roles that are clearly understood.
- A listening, reflective and discursive meetings culture enabling high-quality board discussion, involving all members, informed by clear, concise papers which present information and options appropriately to enable good strategic decision making.
- Good communication between the chair (and other board members) and the chief executive (and appropriate senior staff).
- Appropriate involvement and consultation with stakeholders and beneficiaries (including staff and external partners).
- Clear protocols for board and committee meetings.

Encouraging creative risk-taking and entrepreneurialism, within a responsible financial and managerial framework that demonstrates clear accountability.

- The ability to take creative and artistic risk and arrangements for regular reviews of creative output in the context of risk ('too risky' or 'not risky enough').
- Clear lines of accountability between the executive and the board and to stakeholders.
- A knowledge of - and willingness to consider - new ways of working, new financial

instruments and alternative business models to enable entrepreneurial possibilities.

- A shared understanding of the risks that it is appropriate for the organisation to take.
- Fulfilling statutory responsibilities.
- Procedures to ensure integrity, such as for managing conflicts of interest.
- Timely and accurate financial reporting.
- Relationships with all stakeholders (including funders and beneficiaries) that are open and respectful in both directions.
- Protocols for trading/profit-generating activities (including issues of appropriateness and quality).
- Guidelines for collaborations and co-productions.

Helping develop and manage the people who work with them – permanent staff, freelancers, members of governing bodies and other volunteers.

- A culture of being open and accessible to all people involved with the organisation (including volunteers and members of the governing body).
- Clarity of roles between non-executive and executive officers, job/role descriptions for both and effective delegation arrangements.
- Board refreshment mechanisms and succession planning.
- Proper arrangements for the support, appraisal and remuneration of the chief executive and senior staff.
- Particular support for new appointments, including coaching/mentoring of new chief executives.

- Effective succession planning.
- Induction procedures.
- Performance assessment systems.
- Professional development and support opportunities.
- Robust systems for identifying and addressing performance issues with individuals.

A cultural annexe to the governance code

In almost all respects, the Governance Code provides a very good fit for the cultural sector. However, in one area - risk - its use of language presents many cultural organisations with a challenge and the potential for confusion. We believe therefore that the application of the Governance Code in the cultural sector requires a coda – a very brief cultural annexe that addresses this issue.

In most governance contexts, the word risk is generally used to describe a potentially negative impact which should be mitigated or avoided. This is the understanding that informs the Governance Code's use of the word. In the creative sector, however, artistic and creative risk is related to the concept of pushing artistic boundaries and innovation. Creative organisations generally have, as a prerequisite, a commitment to risk at the heart of their enterprise. This is seen as exciting and essential to the health and future viability of the organisation. Many artists and creatives would describe these values as essential to their work and to its public benefit. This is theme is developed by Loretta Tomasi and John E McGrath in chapter 3 of this publication.

During our consultation for this paper many contributors expressed the view that governing bodies were often a force for conservatism and that some of them tended to confuse artistic and creative risk (which should perhaps more accurately be called experiment, research or challenge) with financial or reputational risk. As a result, excessive caution can be brought to bear which hinders an organisation's ability to deliver its mission in the most exciting and beneficial way.

Clearly, there may well be a correlation between these different types of risk. However, it is confusing to conflate them. In many cases it is vital for an organisation's mission that it strike out into uncharted waters; in others, playing safe may be far riskier in terms of reputation and attracting audiences. To avoid this confusion, boards should be clear about the differences between artistic and creative challenge and business risk, and assess each separately. Every board will be greatly assisted in doing this if (a) it contains a body of artistic and cultural knowledge alongside expertise in finance and business and (b) its executives make very clear the reasons for undertaking 'risky' projects and their relevance to the organisation's mission. This should enable assessments to be based on the intrinsic value of a project rather than purely on its financial implications or potential external perception. Having done all this, of course, a board may still – quite properly – decide that the intrinsic value does not outweigh the other risks. However, that decision will have been taken on the basis of an informed and multi-dimensional discussion.

This approach to the assessment of artistic challenge and business risk should be made much easier by the adoption of the Governance Code and its guidance on board recruitment, induction and protocols.

Self-assessment - the health check

It is now widely recognised in most areas of the voluntary sector (and in the commercial world) that it is beneficial for organisations to undertake self-evaluations from the governance perspective on an annual basis and, in certain circumstances, at other times – for example, when an organisation is in difficulty or at times of significant change. This exercise can inform positive change and innovation, identify developmental needs and help spot warning signs of forthcoming difficulty which can then be addressed.

We recommend that all creative and cultural organisations commit themselves to undertaking an annual health check. While this exercise should not be too onerous for small organisations, it should still be capable of providing assurances to the organisation and to its stakeholders. We therefore propose a dual process:

1 The governing body should, once a year, review the check list of characteristics of good governance outlined above to assure itself that it is confident that the organisation can answer all the points satisfactorily. If this process reveals areas of uncertainty or concern, organisations should also undertake the more extensive process set out below.

2 Larger or more complex organisations (and others which have identified particular concerns) should assign a senior member of staff to undertake a detailed interrogation of the organisation's governance functions, based on the Code of Governance Toolkit[2].

These two mechanisms can be cross-referred to ensure that the board is not missing any key areas of risk; and that areas that are of concern to the

board are not being ignored or concealed.

The health check should enable the organisation to recognise tell-tale signs of incipient difficulty before crisis is reached. Such signs might include:

Organisations not pursuing their mission with a clear strategic direction.

- A sense of mission drift.
- Projects and programmes largely driven by external demands.
- Uncertainty about the value or relevance of particular activities.
- Failure of the governing body to engage with certain activities.
- Poor communication between the administrative and 'creative' staff.
- Lack of clarity about the target audience and/or the beneficiaries of the organisation.
- Lack of understanding in the organisation of its core values.

Limited capacity for high quality dialogue and decision making by drawing on the knowledge and experience of people from different backgrounds (in both staff and governing body).

- Lack of time for strategic discussions.
- Poor or late board papers.
- Poor communication between chair and chief executive.
- Imbalance between the support and challenge functions of the governing body.
- Inadequate debate within the organisation.
- Lack of diverse perspectives.

- Lack of refreshment of the board and/or inadequate recruitment procedures.
- Inappropriately sized governing body with unwieldy structures and reporting systems (particularly in small organisations).

Lack of creative risk-taking and entrepreneurialism; weak financial and managerial framework and/or poor accountability.

- Tendency of organisation to favour tried and tested programming at the expense of new work or new interpretation.
- Lack of confidence within the organisation to take creative risks.
- Unwillingness to consider new ways of working and entrepreneurialism.
- Delayed management accounts and/or unexpected discrepancies between the management accounts and the budget.
- Cash flow difficulties including difficulty in paying bills or the need for increased overdraft facility.
- Declining business (audiences, bookings, sales etc).

Failure to develop the people who work with the organisation – staff, governing bodies and freelancers.

- Poor morale and/or in the extreme instance industrial unrest (including a high level of complaints, absenteeism, strike action, tribunals etc).
- Continuing Professional Development plans being inadequate or not being taken up.

- Staff turnover at an inappropriate level for the size and nature of the organisation.
- Loss of members of the governing body or other volunteers.
- Failure to plan for staff departures.
- Lack of robust systems to identify and deal with under-performing individuals.

Board support and development

The maintenance of good governance in a changing environment is a substantial ongoing task requiring vigilance and refreshment and involving a range of mechanisms including structured introduction, induction, training and masterclass initiatives. For example:

Recruitment

- The board appointment pool should be actively expanded, encouraging in the process candidates from diverse backgrounds and/or with professional arts experience.
- Board recruitment should be managed by a nominations committee which includes the chief executive. When recruiting a new chair, the incumbent should not be substantively involved in the recruitment process.
- Organisations should agree with potential trustees their likely level of commitment and activity before appointment.
- Prior to appointment, potential new trustees should carry out due diligence, both on the governing body and on the organisation, to satisfy themselves that they have the knowledge, skills, experience and time to make a positive contribution.

Induction

A structured induction process should be provided for all new board members, involving the provision of documentation (including the adopted governance code and its cultural annexe), meetings with key staff, exposure to the work of the organisation and sight of the National Occupational Standards for trustees and management committee members.

It would be helpful for all new trustees to receive the following before they attend their first board meeting:

- Trustee job description, contract and clearly set out expectations (attendance at meetings and events, time commitment).
- Details of other trustees and skills audit of board for supplementing by new member with a self-assessment form to indicate skills, experience and interests and support needs.
- Declaration of personal interests.
- Brief history of the organisation with governing document, mission statement and policy documents.
- Executive summary of business plan/strategic plan/programme plan.
- Sets of recent board papers.
- Recent newsletters and publicity material.
- Organisational diagram (including board, staff and volunteers) and terms of reference for any committees, sub-committees, working groups.
- Chief executive's and/or artistic director's job description
- Annual reports and accounts for the previous three years.

Development

- The board should regularly review the development needs of its members and provide training opportunities in relevant areas, including developing social policy – for example, disability, race awareness; and ongoing business competencies.

- Annual evaluations should, in part, use the agreement with board members on their likely commitment and activity as a performance measure.

- Funding should be made available to ensure that board development (especially for chairs) can be taken forward on a regular ongoing basis.

- All Trustees should inform the chair should they be offered additional trustee or other appointments elsewhere before deciding whether to accept them.

- All retiring board members should have an exit interview, a summary of which should be made available to the board.

Training

- Training programmes should address the frequently noted issue of the need for mutual respect between boards and staff and for increased confidence (both in terms of board professionalism and of the chief executive's mandate to lead the organisation without constant recourse to the board).

- There should be a variety of training methodologies, including: local networks, seminars, viral approaches through which good practice is spread, Action Learning Sets, information cascades through chairs and chief executives to boards and staff, peer group activity, facilitated board sessions and away-days, and case studies.

There should also be a range of providers from which board development can be sourced. At present, no institution offers a structured approach to governance development that could be deployed in a strategic manner. At an operational level, many individuals currently offer board facilitation and/or development services. However, these are seen as varying in quality and effectiveness. A more strategic approach to the development of cultural governance might benefit from a structured system of accreditation designed to ensure quality assurance.

Skills and knowledge mapping

Every cultural organisation will have a particular profile and, hence, a unique mix of needs on its governing body. The following lists suggest areas of knowledge or experience that are probably needed by every board (List A) or are likely to be required by some or all, at different stages in their business evolution (List B).

(A)

- Artistic and cultural expertise in the relevant sector(s)
- Business skills
- Diversity (including equal opportunities and race/disability awareness)
- Organisational management/administration
- Education
- Environmental awareness

- Financial
- Fundraising
- Human resources/professional development
- Knowledge of the constituency (customers, local community etc.)
- Legal
- Marketing/media/branding/PR
- Relevant networks and contacts
- Strategic planning

(B)

- Campaigning
- Capital projects/property issues
- Change/organisational re-structuring
- Conflict resolution
- Customer care
- Governance
- Information technology
- International experience
- New media/technology
- Policy implementation
- Research
- Social policy
- Systems
- Wider voluntary sector knowledge

Board members should complete a form to indicate which of these needs they believe they meet. They should also add any other qualities they bring and indicate any particular aspects of the organisation's work in which they have a particular interest.

The organisation can then construct a matrix of expertise which will identify board strengths and skills gaps.

Policies and procedures

In addition to the mission, vision, and artistic, curatorial or creative policy, cultural organisations also need policies and procedures for a variety of topics to deal with their day-to-day activities – and to provide guidance in exceptional circumstances. These, which must be compatible with the governing document, should include guidelines for:

- The optimal size of the governing body.
- The standing sub-committees and time-limited working groups required.
- The numbers of board and committee meetings per year.
- Expected levels of attendance. These should be reflected in board members' contracts.

They will also need policies or guidance on some
or all of the following:

- Alcohol and drug misuse
- Child and vulnerable adults protection
- Data protection
- Delegation of authority
- Disability
- Discrimination legislation/equal opportunities
- Diversity awareness
- Employment
- Environmental
- Financial and other internal controls
- Fundraising
- Health and safety
- Induction
- Investment
- Maternity and other leave
- Remuneration
- Removal of trustees and chair
- Risk (with associated risk register)
- Stress management
- Volunteering,
- Whistle blowing

the Carver policy governance model

Caroline Felton and Susan Royce

The Cultural Leadership Programme commissioned a number of research projects to test and develop different approaches, tools and techniques to support the improvement of governance in cultural organisations. It asked the consultants, Caroline Felton and Susan Royce, to identify the key issues facing cultural organisations today and to undertake a pilot project to see if the Carver policy governance model, widely used in North America, could offer a positive contribution to the cultural sector in the UK. This paper sets out the key elements of the Carver model and the findings of the pilot project.

The Carver Policy Governance® Model is an integrated board leadership paradigm created by Dr John Carver and used to good effect by a wide range of organisations in North America. It is a model of governance designed to empower boards to fulfil their obligation of accountability for the organisations they govern. It is intended to enable the board to focus on the larger issues, to delegate with clarity, to control management's job without meddling, to rigorously evaluate the accomplishment of the organisation, and to truly lead its organisation.

Before we embarked on piloting the model in the UK we undertook a consultation to identify the key issues facing cultural organisations here. The introductory section of this paper uses anecdotal evidence to illustrate some of the challenges that were identified.

Trustees understanding of their roles and responsibilities

There are at least two good sources of explanation of the roles and responsibilities of trustees of a not-for-profit cultural organisation: the NCVO, which incorporates the work of the Governance Hub, and the Charity Commission. It became clear in our consultation phase that few if any trustees had even looked for guidance or a code of practice. Other consultants in the field have had the same experience. In addition, few chief executives of cultural organisations appear to recommend that their own board of trustees refer to them.

One businessman, who had recently been appointed for the first time as a trustee of a small orchestra, expressed surprise at a suggestion that he might need any guidance or help to fulfil this new role. He felt that his experience in industry prepared him fully. Interestingly when he then outlined his responsibilities, as he saw them, there was no mention of the strategic direction of the organisation and a great deal of interest in detailed financial information.

The board of trustees of another organisation, which has an excellent trustees' handbook, appeared equally unclear of their roles and responsibilities. The organisation had reached a position in which, without significant additional funding, it was facing insolvency. The trustees demonstrated little or no understanding of their legal responsibilities and reacted negatively when it was suggested that they carried responsibility for allowing the organisation to reach such a position. Their responses included comments such as, 'but we are volunteers'; 'the management team did not give us the right information with which to monitor progress'; and 'we didn't have a finance committee meeting because the management team did not organise it – they should tell us when to meet'.

The leadership role

The leadership role of the board of trustees is one that requires a fine balance that is often difficult to achieve and which changes when the circumstance of the organisation changes. In recent times we have come across some boards that have had a tendency to dive into detail on topics such as ticket pricing, detailed marketing plans and margins on bar revenue but failed to discuss the strategic direction of the organisation or the most effective mechanism for assessing the achievement of strategic goals. Equally we have come across boards whose meetings have been very infrequent, whose knowledge and understanding of the organisation has been limited and who have often not even met key members of the management team.

The impact of capital projects and major initiatives

A number of chairs and chief executives have commented on the implications of taking on the additional responsibility of a major capital project. It should be noted that in hindsight all have acknowledged that neither the board nor the management had recognised or prepared for the additional burden of risk. The additional financial responsibility of a building project worth many times the annual turnover of the organisation puts an untold burden on the leadership and management of the organisation over an extended period of time.

Relationship with funding bodies

The relationship between boards and funding bodies is now more detached than in the past. Many boards of regularly funded organisations no longer have any real contact or direct relationship with the funding body. The increasingly light touch approach of Arts Council England, for example, has reduced significantly the relationships that used to exist as a result of the regular attendance of an appropriate officer at board meetings. This puts an increasing

pressure on the chief executive of the organisation to act as the conduit between the board and the funding body. This may work very effectively when there are no major problems but can cause real problems in difficult circumstances particularly if there is a break down in the relationship between the funder and the chief executive.

Board dynamics

The internal operations of a board can also be a difficult dynamic. This has been particularly clear to us in larger cultural organisations where almost all board members are senior executives in their own working environments and not necessarily good team players. This can give rise to mixed messages being given both within the organisation and externally.

Understanding the cultural dynamic

One of the key differences between a cultural organisation and a commercial company is the process of artistic and cultural development that drives the organisation's outputs and flags up potential risks for the organisation. This lack of understanding can cause boards to make financially driven decisions without fully understanding the damaging impact on the overall mission and direction of the company in the longer term.

Relationship between board and management

Current governance advice all focuses on the relationship between the chair and the chief executive of the organisation as the key conduit

between the board and the organisation. This can sometimes distort the interaction, allowing the board to speak with more than one voice and the management to distance itself from the leadership of the organisation. This relationship is one of the challenges to be addressed if governance of cultural organisations is to take up the leadership baton. Many chief executives fail to recognise the value of a 'good' board and see board meetings as something to be lived through rather than as something that adds real value and support. For boards to be able to fulfil their roles and responsibilities effectively there will, in many cases, need to be a change of attitude both within the board and within the management of organisations.

The Carver Policy Governance® Model

In the light of these challenges we proposed a new approach based on the Carver Policy Governance® Model. The approach is underpinned by a number of key principles:

- The governing body is there to act in the best interests of the charity but should be essentially outward looking, ensuring that the views and requirements of all stakeholders, beneficiaries, funders and other interested parties are taken into account.

- The governing body is responsible for defining what the organisation aims to achieve and providing a clear framework within which the chief executive can operate to deliver the aims.

- The governing body is accountable for everything the organisation does.

- The roles and responsibilities of the governing body, the chair and the chief executive are clearly defined to enable clear delegation of responsibility and authority.

- The governing body values diversity and debate but speaks with one voice.

The Carver Policy Governance® Model defines the term policy as values and perspectives and identifies four sets of policies that need to be developed by the governing body:

- The outcomes the organisation endeavours to deliver – a clear definition of what the organisation is for.

- The constraints within which the chief executive and management team are required to deliver those results ensuring that what they do is both prudent and ethical.

- The interface between the governing body and the chief executive and management team.

- The process of governance.

An explanation of these four types of policies is provided below.

The key to developing these policies is the absolute requirement to start at the broadest level and to add more policies, one level at a time, adding detail as considered necessary by the governing body. The governing body, supported by the organisation's executive management, will know that it has defined its values and perspectives accurately when it is comfortable that any reasonable interpretation of what is said will be acceptable.

The policy circle
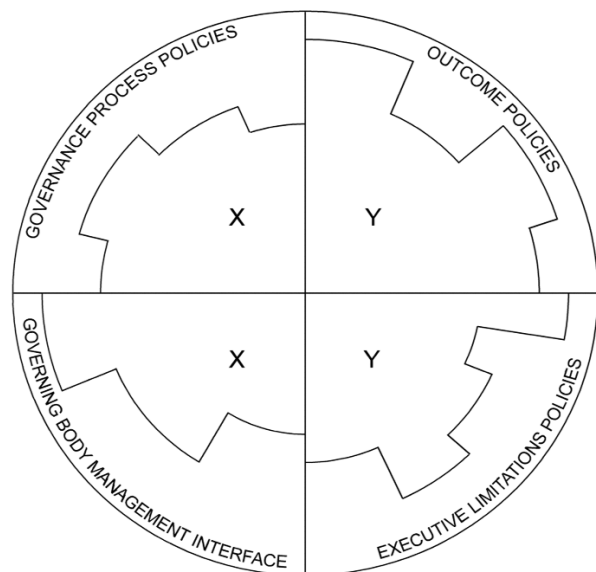
Outcome policies

This first set of policies, defines what the organisation is for, its raison d'être, and not what it does. These policies therefore focus on:

- The results or outcomes the organisation aims to achieve.

- The impact the organisation aims to have on its beneficiaries.

- The cost or priority that is assigned.

The clarity of the outcome policies can be judged by the ease with which measurements of success can be applied. Having set the policies, the job of the governing body is to assess how well the organisation is achieving them.

Executive limitations

The second set of policies identifies the framework within which the management of the organisation must act in the process of delivering the agreed outcomes.

These policies are defined in terms of what is unacceptable and focus on prudence and ethics – leaving the management maximum freedom to fulfil their roles effectively. This approach may seem counter-intuitive but it ensures that the chief executive is free to use their experience and expertise to run the organisation within the agreed framework.

Interface between governing body and management

The third set of policies clearly defines the relationship between the governing body and the management of the organisation and how the governing body will:

- Delegate responsibilities to the chief executive.
- Assess the performance of the chief executive against the delegated responsibilities.

The model clearly states that the single point of delegation, within the constraints of the outcomes and executive limitations policies, is through the chief executive who is then free to delegate further, probably within another set of executive limitations.

Process of governance

The fourth set of policies provides the framework for the governing body's own activities and includes:

- The board's roles and responsibilities.
- How it will fulfil its responsibilities including its own development, assessment and renewal.

The pilot programme

Eight arts boards were offered the opportunity to work intensively with a facilitator on one of the four Carver policy areas: outcomes, limitations, governance/management interface, and governance process. The facilitator offered additional support comprising an introduction to the legal framework that defines the roles and responsibilities of board members plus support for the chair and chief executive. A self-assessment questionnaire was completed by board members at the beginning of the process.

An evaluation framework was devised at the start of process and has been used to assess the impact of using the Carver Policy Governance® Model at each stage of the process.

Of the eight organisations, three did not complete the process. One was unable to make the necessary time whilst a second decided not to proceed after the initial presentation; they wished to concentrate on a number of specific areas related to fundraising rather than tackle governance as a whole. The board of a third organisation wished to complete the programme but are in the process of recruiting a new chair and wished to defer the workshop until he/she is in post. When a chair is in post the workshop will be held.

A number of similarities in the circumstances of these organisations have been identified including:

- All, with the exception of one, were at a point of potentially significant change involving changes of leadership, a new building or a significant change in vision.
- All felt 'the time was right' to improve their governance.
- A majority of chairs and chief executives were unable to describe the changes in behaviour, process or structure that they wished to make to their governance arrangements and relationships but were clear that change was needed.

Board meeting and self-assessment questionnaire

There were a number of common responses to the questionnaire and board meeting part of the pilot programme. In summary these are:

- All felt that their involvement had been worthwhile and that it had led to changes in their own collective and individual behaviours.
- The majority, but not all, found the policy governance model to be a simple and powerful new way of thinking about governance and its role. The 'policy circle' was memorable. There was considerable support for the idea that governance is not 'super management'. A small minority felt that the model was academic and jargon laden.
- All valued the opportunity to reflect on and discuss the way forward and how they, as board members, could provide the best support to the management of their organisations.
- Most appreciated the presentation on the legal framework as an opportune reminder of

their legal responsibilities and as an opportunity to explore how their current practices facilitated their fulfilment of these responsibilities. It was also valued as a useful backdrop to applying the policy governance model to how we fulfilled those responsibilities.

- The majority found the questionnaire a useful tool to initiate an honest review of their strengths and weaknesses. For many this was the first governance assessment they had undertaken.

A summary of the questionnaire scoring is given opposite.

The responses from the questionnaires varied significantly both within and between organisations with regard to the strength of agreement/disagreement but there was a common 'shape' to the responses: relatively high levels of satisfaction were recorded around leadership, control, integrity and openness with much less satisfaction in the areas of high performance, review and renewal and delegation. For a number of participating organisations, this led to a fruitful discussion of how they might strengthen their practice in these areas independent of the policy governance process.

The questionnaire also highlighted a number of key areas - for example, supervisory arrangements for the chief executive, where board members were simply unaware of their organisation's procedures. The questionnaire thus facilitated some useful discussions about present practices and re-workings of existing induction programmes and materials.

Table 1. Questionnaire Scoring
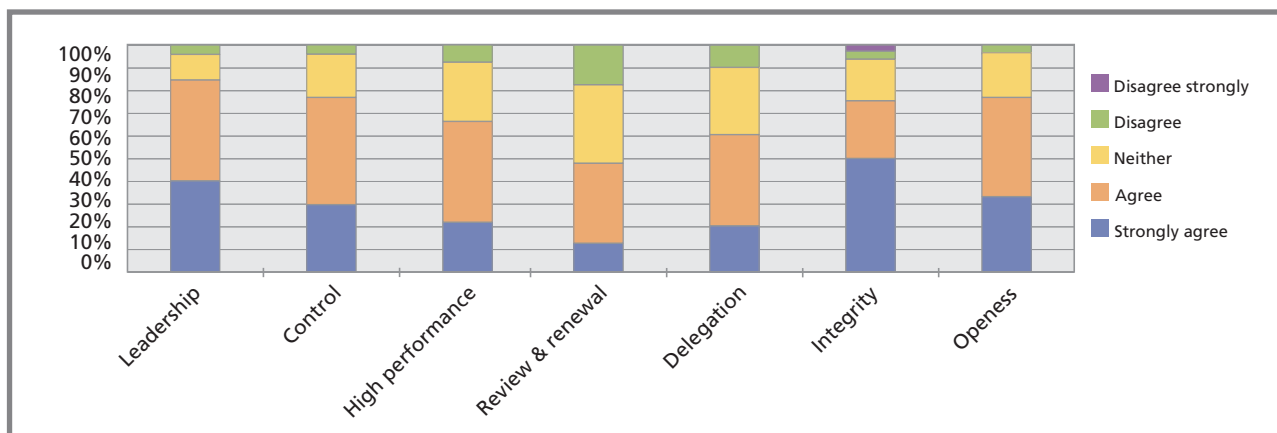
Workshop

The evaluation of the workshop applying one quartile of the governance model is outlined below in the form of key responses shared by most if not all of the organisations:

- As a board we believe that we currently fulfil our roles adequately but there is more that we could do.

- The model enabled us to have a really challenging and robust debate about our outcomes.

- Following the workshop we have a really strong shared understanding – board and management – of whichever quartile we were considering.

- The output from this workshop provides a strong starting point to an ongoing process of reflection and debate as we plan for the future.

In September 2008 we reviewed the effectiveness of the whole process with the chairs and chief executives of the participating organisations. In summary:

- All participants reconfirmed that they had found the process worthwhile and that the Carver Policy Governance® Model was very attractive.

- The process had led to a change at a collective and individual level. For example, one organisation has already worked on a further policy area whilst another has prepared a board handbook based on policy governance principles.

- The process had provided a 'safe space' to debate relationships between the board and the senior management. This was much valued and enabled some frank and important discussions, which allowed for a re-framing of relationships and expectations.

- There was strong praise for the outcomes focus.

- There was a clear appetite for working further with the model.

- Participants felt that the involvement of a facilitator had been instrumental in 'getting them started' with a worthwhile but challenging process.

Facilitators' reflections

As facilitators of the process we would make the following observations:

- Governance is clearly perceived as an important issue by boards but not an urgent one; as indicated by the difficulty we have encountered in securing dates for meetings and workshops.

- The self-assessment questionnaire proved to be a valuable tool enabling objective reflection on the strengths and weaknesses of the board and facilitating agreement on which quartile of the Carver Policy Governance® Model to apply. The decision to use a questionnaire based on the UK's Code of Governance for the Voluntary and Community Sector has proved effective by not implying any manipulation linked to the model.

- The legal framework presentation revealed, in a number of cases, areas of misunderstanding relating to the responsibilities of board members and opened up constructive discussions as to how responsibilities can be fulfilled.

- The quality of the discussion that resulted from the application of one quartile of the model was noticeable. It enabled in depth objective discussion whilst remaining at an appropriate level of detail.

- Several of the organisations have decided to apply the other quartiles of the model whether using an external facilitator or on their own – implying that they recognise the value of this model.

- A number of the board members with whom we worked are also members of other cultural boards and several have asked for copies of our materials so that they can share them with other boards.

The appropriateness of the model for cultural organisations in the UK

Charles Leadbeater, in his paper, *Arts Organisations in the Twenty-first Century*[1], identified ten key challenges. Two of these are directly addressed by the Carver Policy Governance® Model:

- Thinking and acting strategically.

- Establishing good leadership; artistic, management within a strong governance framework.

The outcomes quartile of the model applied by three organisations in the pilot did facilitate extensive discussions about the raison d'être of the organisations during which they debated a number of the other challenges identified by Charles Leadbeater including:

- The value of their work and how best to define and communicate that worth to funders and the general public.

- How to lead, develop and support creativity in their organisation and their field.

- Ways to create a dynamic relationship between artists, their art and audiences.

- The importance of reaching new audiences particularly those that are not traditional audiences for their work.

- The balance and sometimes tension between generating commercial income and ensuring the quality and creativity of the work.

Two organisations in the pilot applied the governance process quartile, focusing on ensuring the quality of the leadership offered by the board including the fulfilment of their legal responsibilities; how best to draw on the expertise of those around the table; and how to

keep their focus on the strategic direction of the organisation, its audiences and participants.

It is our view that the application of the other two quartiles could also play a role in supporting arts organisations to meet the challenges of the twenty-first century as defined in Charles Leadbeater's paper.

Furthermore, the underlying principle that boards should value diversity and debate but speak with one voice, helps to open up debate and challenge whilst making very clear that in conclusion the board must speak with one voice both within and outside of the organisation.

Our conclusions

As a result of facilitating the pilot programme, we are convinced that the Carver Policy Governance® Model can offer a positive contribution to the UK cultural sector. It provides committed and energetic governing bodies with a rigorous, robust and effective tool for substantially enhancing their performance.

Our work has demonstrated that this approach can be a powerful catalyst for change within arts boards where there is genuine commitment to change and a willingness to invest the necessary time.

However, policy governance is a demanding process that requires a considerable upfront investment of time and energy on the part of both board members and senior staff before it can be implemented. The level of commitment needed probably makes it an unattractive model for improving seriously dysfunctional boards or those whose members are unwilling or unable to commit significant time to the organisation.

Further information about the Carver Policy Governance® Model can be found at www.carvergovernance.com

board development

Prue Skene CBE

Developing a strong board is one of the most important actions an organisation will undertake. Best practice suggests that boards should continually review their composition and effectiveness to identify not only the individual capabilities of members, but to review the dynamics, relationships and overall success of the board as a team. The Cultural Leadership Programme has been working in partnership with the Clore Leadership Programme to deliver a suite of opportunities for boards, chairs and senior staff. Here Prue Skene, Governance Associate at the Clore Leadership Programme, looks back on the first phase of the board development programme and the key themes that emerged.

In 2002 the Clore Duffield Foundation set up a task force to investigate ways in which cultural leadership could be strengthened. Following wide consultation, the task force concluded that 'an investment in the rising generation of cultural leaders is necessary and timely'.[1] This recommendation led to the establishment of the first major cross-disciplinary cultural leadership programme in the UK, delivering individually-tailored modular fellowships and residential leadership courses. The demand for these has been significant, with almost 2,000 applications for fellowships in the last six years, and well over 400 people attending the short courses since they were set up in July 2006.

From the outset, the Clore Duffield Foundation recognised that if it was going to have an impact on leadership across the cultural sector, it would need to look at issues of governance as well as executive leadership. The 2002 task force report recommended that once the fellowship scheme was successfully in place 'it may be possible to develop a special programme (including trustee training) that addresses the specific issue of chief executive/chair/trustee relationships'. This the Clore Leadership Programme has done, with the introduction of a board development programme, aimed at whole boards and at individual board members and chief executives.

The first phase of our board development work began in 2007/08. With support from the Cultural Leadership Programme, we undertook twelve board away days. It was agreed to select only organisations which were in overall good shape,

1 Hewison, Robert and Holden, John, Task Force Final Report, Clore Duffield Foundation, December 2002. www.cloreleadership.org

but which had recognised a need for further board development. From 68 applications, 12 organisations were chosen, based firstly on the quality of their application and secondly on the need to have a balanced selection in terms of geography, art form and size of organisation.

The days were delivered by a team of four, most of whom had both management and non-executive experience in the arts. I was the team leader and the other members were Richard Lazarus (financial expert), Menna McGregor (legal expert) and Sara Robinson (facilitator). The emphasis of the day was on practical support and a concentration on the particular issues the organisation was facing. In order to gauge these, each organisation provided pertinent information in advance, such as Memorandum and Articles of Association, board papers, budgets, promotional material etc. I then had separate meetings with the chair and the chief executive to see what they considered to be the main issues facing the organisation.

The days usually started with a session with the board only, when members were asked what experience they brought to the board and what they expected from the day. That was followed by a similar session with the senior staff team and then everyone came together for presentations by legal and financial experts, who outlined general principles of good governance, as well as highlighting specific issues of relevance to the organisation. Even experienced board members found it useful to have 'refresher' sessions on general principles.

During the day there were two breakout sessions, and it was these that were generally accepted as being the most useful part of the day. The team ensured that the groups discussed topics of special interest and concern to the organisation and each group was asked to report back with key action points that would set the board's agenda for the year ahead.

There were some specific themes which ran through all the days:

- The need for the board to understand and confirm the vision of the organisation.
- The need for the board to understand its strategic role, taking overall responsibility for the organisation but not seeking to take day-to-day control.
- The need for the board to support the staff and for defined channels of communication to be established.

Other common themes were:

- The role of the board in artistic planning and risk.
- Increased use of board members' skills.
- The need to investigate new funding streams.
- The need for the board to advocate for the organisation.
- The need for the board to become involved with fundraising.

On governance procedures, boards resolved to set up:

- A board appraisal system.
- Succession planning (particularly in respect of the chair).
- Recruitment/induction/retirement processes.
- A schedule of matters to be reserved for board decision/confirmation.
- A review of their Memorandum and Articles of Association.
- Clear terms of reference for sub-committees.

Such was the success of the days that the Clore Leadership Programme has received further funding from the Cultural Leadership Programme for another 12 board away days and also for a number of training days for new chairs, new board members (or those in need of refreshment), and chairs and chief executives together. Further information is available at www.cloreleadership.org

6 addressing the challenges of governance

Things to get right when things go wrong

Carol Beckford

Supporting organisations through challenging times

Graham Devlin and Nicola Thorold

There are many reasons why things begin to go wrong in an organisation. Spotting the signs early and having a robust governance structure to get them back on track is vital. Management consultant, Carol Beckford, draws on her own experience of working with a wide range of cultural organisations going through difficult times to offer some personal insights on some of the essential ingredients for ensuring the health, growth and development of cultural organisations.

things to get right when things go wrong

Carol Beckford

In this paper I have used my own experience to draw attention to some of the signs that 'all is not well' within an organisation and what to do to put them right. Usually I make sure that any bold assertions are substantiated with tangible examples. In an opinion piece based on my observations of a number of high profile arts and cultural organisations within the UK, I would not want any individual organisation to be easily identified. So, in this instance, I have generalised to make some high-level points and generate food for thought.

I should probably lay my cards on the table and make it clear that I start from the premise that there is not a huge difference between what triggers an organisation to go into crisis within the not-for-profit cultural industries, charities, central government departments or other publicly funded bodies. However, within cultural organisations there appear to be three issues which take an organisation to the tipping-point:

- **Loss of creative direction and leadership.** Usually this means there is no longer a clear Unique Selling Point (USP) or there is an internal and often external difference of opinion on what is or what should be the organisation's USP.

- **Lack of financial security.** This is where income streams dry-up abruptly or income is patchy and inconsistent and does not create a solid foundation for long-term planning.

- **Stakeholders who are more of a hindrance than a help.** By stakeholders here I mean the board and funders as well as audiences and participants.

Every one of these issues is challenging enough to overcome. I have often seen all three of these factors conspire to hobble a cultural organisation. Good governance can help the board and the senior team get a firm grasp on these difficult areas.

Re-establishing creative direction

By the time a management consultant or project manager like me is invited into an organisation there is usually a civil-war taking place over what

the cultural offering should be. There are those who believe that a return to the organisation's traditional values of five or ten years ago will bring back users, customers, visitors or audiences. Opposing them are the modernists who advocate ditching everything in favour of a fresh start and new direction. It is not possible to make any meaningful progress until a clear decision is made on what the organisation's raison d'être should be and its USP. The nuance of what this means is not the issue. What matters is that opposing camps lay down their arms and endorse the chosen direction wholeheartedly. Funders and private sector sponsors have finely tuned antennae for cultural organisations which exhibit inner calm and offer a clearly defined product with which they can identify.

Until this flag of common purpose is planted in the ground, artists, administrators, the board, funders and other external stakeholders have nothing to rally around. In my experience, cultural organisations face more of a challenge in this area than central or local government organisations. Within most public sector organisations the common purpose is often determined by an external body: for example compliance with new legislation, a manifesto commitment or a ministerial direction. Whether you agree with it or not is no longer the issue; the focus shifts to how you are going to implement it.

While it does take time to work out this creative direction and organisational purpose, all is lost if the board and executive take too long: important funding deadlines can be missed; recruitment processes and negotiations are protracted; existing talent is not retained. Crucially audiences and users can ebb away and other cultural organisations fill the gap readily. This means that

when the new improved organisation re-emerges it has to re-establish its place in the market.

Once an organisation has clarified its purpose, it then has to realise that is unlikely that it will be able to do everything. It needs to create some priorities. You will rarely have the resources for your every need. Immediate priorities give focus to people within the organisation and create a positive agenda at a time when everything is in a state of flux.

Having answered the questions 'why are we here?' and 'what do we do?', organisations teetering on the edge need to get organised internally. Amongst other things this means being clear on:

- **Roles and responsibilities:** Much time is spent discussing whether a cultural organisation should be led by the creative/artistic director or by an executive director. The choice is not the real issue. What matters is that the person at the helm has vision, gravitas, and business acumen and is respected both within and outside the organisation. It is an added bonus if they are also charismatic. If the creative/artistic director is the leader and does not have the required managerial and business skills then the board must be prepared to invest in a heavy-weight executive director to work in partnership with the creative talent. Clarity regarding roles and responsibilities between the creative/artistic director and the executive director sets the tone and climate for the whole organisation as well as the outside world.

- **Accountability – who does what?** When times get tough accountabilities can get blurred. A maverick member of the team making decisions outside of their remit can

have a devastating impact on the organisation. When an organisation is stressed it is often a good idea to revisit who is accountable for making creative and financial decisions and, even more importantly, about the personnel within the organisation. Less is more in this situation. This is no time for a labyrinth-like chain of command or very delegated powers. Decisions need to be clear, made quickly and communicated as fast as possible. Agility matters when organisations are in trouble.

Realistic financial planning and budgeting

Many of the basic principles you would apply to stewardship of your own family assets and finances still apply to the management of a cultural organisation. For some reason people forget this!

- You can only spend what you have in the bank.
- You can only raise money on assets which are yours to rent/sell.
- A promise of money is not real until you receive the cheque.

Many small and medium sized cultural organisations live on a financial tight-rope with multiple fragile sources of income which could dry-up at any moment. This can undermine all the good work that the creative team, administrative team and the board have done on establishing a firm creative strategy. In my experience the most successful creative strategies tend to be modular. They work together as a 'creative whole' over a period of time. Funders and sponsors like modular strategies because they can see what they can fund and what they get

for their money. It also takes away the situation where the decision to fund is binary - all or nothing.

The best financial planning is done both 'top-down' and 'bottom-up'. The top-down budget should be ambitious and assume that the organisation aims to deliver everything within its creative plan. The bottom-up budget is more frugal and looks at what the organisation needs to survive, function efficiently and effectively and deliver in accordance the money which will certainly be in the bank. The scenarios offered by these budget positions can differ starkly and there needs to be a creative and financial reconciliation within both. Both need to establish the realistic balance between third-party funding, private sector sponsorship and income generated by audiences and users.

To ensure that it is at the front of the queue for funding and that the income stream from this source is steady and consistent, an organisation needs to invest in:

- Taking the time to understand how potential funders tick. Passive organisations go out of business.
- Explaining what it is doing and why. Third party funders do not like surprises. They need to know what your financial needs and problems are and what contribution your organisation will make to the cultural landscape. It is hard to cut the budget of an organisation when the positive impact of its work is understood. Many of the larger cultural organisations have got this right. Many of the small and medium sized organisations still take a laissez-faire approach and are shocked when events do not turn out as they had anticipated.

- Securing and managing sponsors, marketing and PR. In small and medium sized cultural organisations when cuts need to be made these budget lines are usually the first hit. This is often short-sighted because the profile and potential income raised by these activities can keep an organisation alive. However, the individual leading this critical area of work is often junior with little influence within the organisation and lacks the gravitas necessary to attract blue chip funders and/or local business. So should securing and managing sponsors be 'outsourced' to specialist companies who are incentiveised to deliver? In my experience this only works if the PR and marketing company really understand the creative content and underlying ethos of the organisation they are promoting.

- Understanding your audience, visitors and participants and what they are prepared to pay is crucial if an organisation is to regain control of its destiny. In my experience cultural organisations in crisis are often over ambitious about their ability to generate income from paying customers. Unless you have the research data to back-up your assertions it is best to be very cautious otherwise your business plan will fall apart when quarter one of the financial year income targets have not been met.

Stakeholders should help not hinder

The cultural organisation's primary internal and external stakeholders should be supportive and nurture the growth and development of the organisation. Whilst this is a truism it is not always the case. Every organisation needs 'critical friends' who are confident enough to hold a mirror up to the organisation and give 'tough-love' feedback on how it is perceived by its staff and the wider world outside the organisation. In my experience things go wrong when:

- The board is in disarray.
- Funders implode and focus on their own internal crisis.
- There is no pipeline for receiving feedback on what the organisation's customers think and feel about their creative products and services.

The board

Like any other strategic forum, boards work well when there is an appropriate mix of skills and competencies which are relevant to the organisation. The most basic requirement is that board members turn-up to meetings, understand the cultural context and make real connections with what the organisation is about and the people within the organisation. The added value is when they make a contribution to furthering the needs of the organisation outside of the board meeting cycle.

All of this is even more important when an organisation is in crisis. Strong leadership, direction and decisive decision making can instil calm within the organisation and secure respect from external stakeholders and buy time. I have observed that often there is not a direct correlation between the eminence and status of board members and their positive impact and contribution to the cultural organisation. There is often much excitement when a captain of industry or a well known name joins the board. This can turn to disappointment if they fail to employ the same skills they use on a daily basis in

their own business. Quite often individuals renowned for their direct, incisive approach and sharp brain start to procrastinate and become a high-maintenance disappointment for the cultural organisation. Big names have a place but not at the expense of unknown enthusiastic individuals who can make a tangible contribution based on a solid knowledge of the cultural context and really useful local contacts which they are prepared to leverage for the good of your organisation.

Funders

When things go wrong in their own organisations funders tend to take their eye off the ball and your cultural organisation is no longer a high priority. How do you engage them in your crisis when they are having their own melt-down? I have worked with cultural organisations on the brink that were reliant on funding from Local Authorities which were also on the brink. Evidence of key stakeholder's disengagement includes:

- Non attendance/representation at meetings.
- No consistency in who attends meetings.
- No memory of previous decisions on your organisation or what their organisation said at the last meeting about your organisation.
- No authority to commit the stakeholder organisation to support or assist the cultural organisation.
- A breakdown in communication between the two organisations.

You thought that you were working in partnership but the relationship is dissolving.

There are no easy solutions here. Just stick with it. Try to keep the dis-engaged engaged and keep a public record of what was discussed and agreed for the audit trail. The reason you need to keep trying is because one day (soon) they will re-group and when they do, your cultural organisation needs to be first in the queue to ensure that it is at the top of the new agenda. Your audit trail may just come in handy here when the funding organisation has corporate amnesia regarding what was promised to you.

What is the customer thinking?

Ignorance is not bliss – and the creative and financial decisions made by a cultural organisation cannot be made in a vacuum. You need to know what your audience, users and customers think about you and what you do. The i-Pod was not invented by focus groups but it has probably been improved by them. Every creative organisation needs the freedom to do some blue-sky thinking and offer us what we never knew we wanted. This should always continue to be part of a leading edge organisation.

In summary

When things look as if they are about to go wrong, for you or your external stakeholders:

- Ensure that you are clear regarding the creative offering.
- Create an affordable financial plan based which will be attractive to funders and sponsors.
- Manage your primary stakeholders so that they support and not hinder the organisation.

supporting organisations through challenging times

Graham Devlin and Nicola Thorold

The previous essay looked at what organisations can do when things go wrong. Here, Graham Devlin and Nicola Thorold identify further practical steps organisations can take and look specifically at the role stakeholders should play when organisations find themselves in real difficulties in terms of their finances, their operations, and their cultural outputs. They put forward, for discussion, a possible framework for organisational support and – where necessary – intervention.

There is a wide variety of opinion on the role that funders should play when organisations face challenging times. These range from the belief that funders should never take an active role but continue support until matters resolved themselves, to the more Hobbesian view that organisations regularly in difficulty should just have their funding withdrawn. Bearing both these views in mind, but adopting neither absolutely, we have developed a possible framework for organisational support and intervention, designed to address this issue in a transparent and collaborative way. The framework concentrates on principles rather than on the detail of implementation. If, after discussion, there is an appetite to adopt it, further work will be required to agree that detail, involving cultural organisations and stakeholders.

Rhetoric from both funders and funded frequently focuses on the desirability of a 'grown-up' relationship between them. However, observation suggests that, in times of difficulty, both tend to revert to an unhelpful parent-child paradigm. This paper starts from the principle that cultural organisations should be independent entities, trusted to sort out their own affairs. That said, it recognises that funding and funded bodies have a responsibility for their stewardship of public funds and there will be occasions when stakeholder intervention is required. This paper, therefore, adopts the premise that a cultural organisation should be in charge of its own destiny, with the support and, where appropriate, the advice, of its stakeholders.

Only when all other courses of action have been exhausted should a funder assume a pro-active role. In general, serious challenges of a scale that might require such invention do not arise suddenly or unannounced. We therefore, start with the 'normal' processes of governance as set out in our previous paper, *Achieving Good Governance*, on page 71 of this document. In general, these should enable the executive and governing body of an organisation to review its operation and to identify pressure points before they arise.

From that starting point, we suggest how an organisation might diagnose potential difficulties and take self-directed remedial action such as self-assessment and diagnosis. We then suggest how organisations might best engage with external advice or assistance if their initial strategy does not fully address their issues - review and peer assessment. Finally, we consider what actions could/should be taken when all other routes have been exhausted - stakeholder action.

We believe that these issues can only be addressed successfully through a high degree of collaboration – between boards and executives and between organisations and stakeholders. This requires arts organisations and funding bodies to establish and maintain a genuinely open and trusting relationship. Regrettably, that has not always been the case. This paper begins by proposing a set of assumptions and pre-conditions that would enable a new model of support that would be both transparent and effective. Most of these imply a change from existing norms and/or new mechanisms for some cultural organisations and stakeholder bodies.

Perhaps the most important of these new mechanisms arises from a renewed recognition of the potential for adding value to the sector by the proper deployment of the expertise that it contains. Contributors to this consultative process and participants in the *Beyond the Chief Executive* seminars[1] frequently noted the vast store of experience, skill and wisdom that is locked up in senior cultural figures and regretted that this was not called upon more regularly. With that in mind, we are proposing in this paper that the stakeholders make a strategic decision to animate this peer community of expertise and draw on it in a variety of ways to provide analysis, support and advice to organisations in need.

Assumptions

The framework is based on the following assumptions:

- The organisation and stakeholders share an objective that the organisation should be supported and made robust.

- There is regular open communication between organisations and stakeholders, enabling better understanding and allowing issues to be raised early.

- Stakeholders set out transparently how and when they can help organisations, the powers they have and the process for support and, where necessary, intervention.

- Organisations have adopted and comply with a governance code; and operate an annual health check.

- Agreed indices of organisational health and distress are developed by the sector.

- The stakeholders have expertise - either in-house or readily accessible externally - that is recognised, respected and valued by cultural organisations. In many cases achieving this will require action on the part of the stakeholders.

- As part of creating this pre-condition, the stakeholders establish a resource drawn mainly from the sector itself – a peer group of leading expert figures, capable of offering analysis, support and advice. This should include practicing artists and curators, executive leaders and specialist advisors (marketing, fund-raising, finance etc) who will provide the pool of individuals for peer reviews and for 'executive consultants' (see points 5 and 6 below) and may contribute to turnaround exercises.

- A group of respected Ombudspeople is agreed by the sector to act as a 'court of last resort' in instances where there is a breakdown between an organisation's executives and non-executives or dysfunction between the organisation and its stakeholders.

The process

The process we are proposing has nine stages. The first eight of these are led by the funded organisation with appropriate support from the stakeholder. This approach is intended to establish a level of trust which should legitimise intervention at the final stage if it proves impossible to achieve a satisfactory resolution through consensual working.

Phase 1: self-assessment and diagnosis

1   The health check is undertaken by members of the governing body and executive, based on good management information.

2   The organisation reports the outcome of the health check to the stakeholders with suggested remedial action if required.

3   Where necessary, the organisation undertakes the self-administered remedial action. This may involve engaging outside assistance.

4   The outcome is reported to the stakeholder and, where it is agreed that the remedial action has addressed the identified issue(s), the health check is signed off.

Phase 2: review and peer assessment

5   If it is agreed that the remedial action has not wholly addressed the identified issue(s), the organisation or the lead officer from the principal stakeholder will suggest a peer review involving appropriately experienced individuals, agreed by organisation and stakeholder.

6   A peer review takes place, based on the organisation's self-assessment. At the end of this stage, the review team will make a number of recommendations to the organisation and the stakeholder. At this point, it may be jointly decided that no significant difficulties remain and the health-check can be signed off. Alternatively, it may be agreed that additional remedial action can address any outstanding issues, in which case stages 3 and 4 should be repeated.

7   If, on the other hand, the peer review believes that the organisation still faces significant difficulties which are unlikely to be addressed by the processes in 6, it may recommend :

(a) the appointment of an agreed consultant executive working closely with the organisation's leadership as a 'special adviser'.

(b) referral to an Ombudsperson, agreed by both parties, for mediation and arbitration in cases where there is a serious dysfunction between governing body and executive or between the organisation and the stakeholder (for example, where the former perceives the latter to be 'part of the problem rather than the solution').

(c) other action as necessary.

8   After a mutually agreed time, the peer review is reconvened to assess progress.

Phase 3: Stakeholder action

9   If the second peer review concludes that the significant difficulties have not been satisfactorily addressed through the process to date, it may suggest that the stakeholders intervene. For example, by:

(a) Special measures (replacement of the board or chief executive).

(b) Withdrawal of funding.

7 conclusion and recommendations

Hilary S Carty, director cultural leadership programme

Governance is not just about compliance but about advancing the mission of an organisation through active leadership, and effective stewardship. It is about helping an organisation to realise its full potential and enabling it to continuously revitalise itself.

Baroness Prashar of Runnymede CBE

Governance now: the hidden challenge of leadership has explored the landscape of governance development across the cultural sector, acknowledging the essential contribution of good governance to the robust leadership of our organisations and instititutions.

The Cultural Leadership Programme commissioned the papers in this publication in order to review the issues, structures and characteristics of good governance, drawing extensively on the knowledge and experience of a diverse and eclectic group of contemporary industry leaders, to ensure that the information is vibrant, informed and directly pertinent. We hope that, having read this publication, you recognise the landscape that has been described and find that the tools and resources offered have immediate relevance and can be flexibly implemented.

We do not want to be prescriptive – cultural organisations are creative and distinctive, and should remain that way. However, there is clearly room for strengthening both practice with boards and the overarching operational structures, systems and interdependencies that lead to effective organisation management. Good governance is a valuable mechanism to underpin successful organisational practice and contribute directly to the fulfilment of the highest organisational aspiration – the successful delivery of the mission.

The core business of many cultural institutions concerns the creation of work to stimulate, reflect and transform lives. In its recent publication *Staying ahead: the economic performance of the UK's creative industries*[1], the Work Foundation placed the contribution of the cultural sector at the heart of industry – originating and nurturing the raw material that is creativity. For both intrinsic and instrumental reasons, therefore, it is imperative that organisations deliver well in the arena of governance.

Governance is a key development priority for the Cultural Leadership Programme. We have been informed by the consultation and research that has been undertaken for this collection of essays. We recognise that the sector will derive maximum benefit from a harmonised approach where good governance is resourced, promoted acknowledged and rewarded. To support this aspiration the Cultural Leadership Programme will:

1   Strengthen its connections with key governance development agencies in order to ensure that the cultural sector connects with and benefits from the wealth of information and resources available to support good governance in the third sector.

2   Promote the advocacy, endorsement and reward of good governance practices by the key sector agencies including the Department for Culture, Media and Sport, Arts Council England, Museum Libraries and Archives, and Creative & Cultural Skills, as well as other key sector bodies.

3   Maintain a high level of advocacy and promotion of good governance and offer practical tools for governance induction and development such as through targeted provision and signposting to key governmental, sector agencies and other information sources.

4   Work with organisations and industries to encourage and facilitate priority actions to diversify the range of individuals undertaking governance responsibilities.

5   Encourage the adoption of practices that maintain the commitment of trustees and ensure this valuable, voluntary, human resource is better supported to play a strategic role in driving forward the mission of the organisation.

In the paper, *Achieving Good Governance*[2] Graham Devlin and Nicola Thorold encourage organisations to 'take charge of their own destiny'. Governance leadership is imperative for this to be achieved. The Cultural Leadership Programme will continue to prioritise the area of governance development across the range of its activities, to ensure that organisations can shape and lead that destiny with authority and confidence.

---

[1]   A series of discussions with senior leaders from across the cultural sector, organised by the Cultural Leadership Programme and focusing on how leaders refresh themselves in post and can contribute most effectively to the sector beyond their day job.

[2]   Page 71

8 biographies

Carol Beckford

Carol Beckford started her career in local government and the independent sector and went on to become a managing consultant with PricewaterhouseCoopers. She is now an independent consultant specialising in the provision of project and change management support to central government departments and non-departmental public bodies both within the UK and abroad. In recent years she has worked with Arts Council England, a range of cultural organisations, the Metropolitan Police, the Department for Children, Schools and Families, the Department of Health, and the Qualifications & Curriculum Authority. Her focus has been on working with senior management to implement transformational change.

Michael Day

Michael Day is chief executive of Historic Royal Palaces. He is a member of the board of the Cultural Leadership Programme. He attended the Getty Leadership Institute in Berkeley, California in 1993. He has been a member of the faculty of the UEA Museum Leadership Programme since 1994 and was co-director of the Nordic Museum Leadership Programme in Denmark, from 2001-08. He is also an occasional visiting lecturer at the London Business School, Kingston University Business School, Cass Business School and New York University. He started his career with the Norfolk Museums Service and then moved to the Ironbridge Gorge Museum as Curator of Social History. In 1987, he was appointed Director of the Jersey Heritage Trust.

Hilary S Carty

Hilary S Carty is the director of the Cultural Leadership Programme and a trustee of the Arts Foundation. She was previously director of arts at Arts Council England, London. Following a secondment to London 2012 as director, culture and education, she promoted and steered the Arts Council's work on the Olympic Games and Paralympic Games nationally. Earlier in her career she was the Arts Council's director of dance and prior to that, general manager for Adzido dance company and an arts officer and community arts worker in the East Midlands. In 2001, Hilary was awarded an Honorary Doctorate of Arts from De Montfort University in recognition for her contribution to arts development nationally.

Roy Clare CBE

Roy Clare is chief executive of the Museums, Libraries and Archives Council (MLA). He was previously director of the National Maritime Museum, Greenwich. He shaped the £16 million project to modernise services and facilities at the Royal Observatory and oversaw a succession of successful exhibitions and programmes in the National Maritime Museum, Caird Library, NMM archives and the Queens House. Formerly a Rear Admiral in the Royal Navy, he commanded the Aircraft Carrier Invincible and the Britannia Royal Naval College in Dartmouth. For ten years he was a trustee of the historic vessel Bronington and he created the Britannia Museum of officer training in Dartmouth. Roy lectures on ways to develop leadership capacities in the cultural sector. He was awarded the CBE for services to museums in June 2007.

Graham Devlin

Graham Devlin is a creative artist, senior arts manager and cultural strategist. He was deputy secretary general and acting chief executive of the Arts Council of England until 1999. Since then he has worked as a consultant, specialising in the field of cultural strategy. He has served on numerous arts boards and Arts Council and government committees and is currently chair of Tipping Point, the arts and climate change organisation, and the Dance Training & Accreditation programme. He is also vice chair of the Royal Court Theatre in London

Kim Evans OBE

Kim Evans is a cultural broker working with a wide range of organisations. She is a trustee of the Heritage Lottery Fund and the Chelsea & Westminster Health Charity, and a director of London Artists Projects. She was executive director of arts at Arts Council England from 1999-2006. Prior to that she worked in broadcasting making documentaries for *The South Bank Show* and later at the BBC where she won a BAFTA for her film *Angela Carter's Curious Room*. She went on to become head of music and arts at the BBC with responsibility for cultural programming across television and radio. In 2007 she was awarded an OBE for her services to the arts.

Caroline Felton

Caroline is an independent consultant specialising in organisational change with some 20 years experience working with commercial and public sector clients. For the last twelve years she has been working in the cultural sector both in interim management roles and as a consultant. Her work has largely involved working with boards and senior management teams to develop strategies for change and business plans to secure long-term sustainability. Caroline has been working with Susan Royce to test the Carver Policy Governance model with the boards of a number of arts organisations. She is a Fellow of the Royal Society of Arts.

Nick Goss

Nick has a wealth of experience in HR and diversity, specialising in the area of disability. He is a former diversity manager for The Royal Bank of Scotland Group. His company, Goss Consultancy Ltd (GCL), has worked with some of the world's largest organisations including InterContinental Hotels Group, Sainsbury's and SERCO to help them identify and implement a best practice approach to achieving equality and promoting diversity. In addition GCL provides ongoing training and consultancy to the Equality and Human Right Commission, Arts Council England and a number of the UK Regional Development Agencies. Nick is also a board director of RADAR (Royal Association for Disability and Rehabilitation).

Sue Hoyle

Sue Hoyle is director of the Clore Leadership Programme and a visiting research associate in creative and cultural industries at King's College London. She is a trustee of the British Council, a member of the Cultural Leadership Programme's board, and a founding board member and previously executive chair of CreateKX, a development agency for the creative industries in King's Cross. She is a patron of the Foundation of Community Dance and has been a board member of a number of leading dance companies and the London Philharmonic Orchestra. She was previously Arts Council England's lead adviser for Dance. She has extensive experience in arts management and from 1998-2003 she was executive director of The Place.

David Kershaw

David Kershaw was educated at Bedales School and Durham University where he studied politics. He entered advertising in1977 as a graduate trainee at Wasey Campbell-Ewald. From 1980-82 he gained his MBA from the London Business School and in 1982 joined Saatchi & Saatchi UK. He became its chairman and chief executive in 1994. In January 1995 he resigned together with Maurice and Charles Saatchi, Bill Muirhead and Jeremy Sinclair to set up M&C Saatchi. The agency now has 17 international offices. Its clients include RBS Group, DSG International, Scottish & Newcastle and the Central Office of Information. The company was listed in July 2004 and David was appointed group chief executive. David was chair of the Advertising Association from 2002 to 2006. He is chair of the Cultural Leadership Programme.

Wyllie Longmore

Wyllie Longmore was born in Jamaica and has lived in England since 1961. He trained as an actor and a teacher and worked in schools, youth and community groups, drama schools and at Manchester University. He inaugurated the acting course at the Arden School of Theatre where he was head of acting for 11 years. As an actor he has worked in Theatre in Education, repertory, at the National Theatre and in broadcasting and film. He continues to work with actors, most recently at the Royal Welsh College of Music and Drama. He has been working recently as a director and dramaturg with young and emerging playwrights. He retired from the board of Contact Theatre in 2007 after 10 years as chair.

Charles Mackay

Charles Mackay is chairman of the board of trustees of Historic Royal Palaces, chairman of Production Services Network Limited, a member of the board and chairman of the audit committee of INSEAD, and a director of House of Habib. He has previously been chairman of TDG plc and of Eurotunnel Group. He has also served on the boards of HSBC, British Airways, Johnson Matthey, Thistle Hotels and Gucci among others. He was chief executive of Inchcape plc between 1991 and 1996, having been executive chair of Inchcape Pacific from 1986 to 1991. He worked previously with BP, McKinsey, Pakhoed Holding and Chloride. He has lived and worked in Continental Europe, Asia and Africa as well as the UK.

John E McGrath

John is the first artistic director of National Theatre Wales. From 1999-2008 he was artistic director of Contact, Manchester's theatre space for diverse young audiences. As a director he worked recently with hip-hop artist Benji Reid; poet Lemn Sissay; writer Kaite O'Reilly and visual artist Paul Clay; and with Contact Young Actors Company. John trained and worked in New York before joining contact and was associate director of leading experimental company Mabou Mines. His book, *Loving Big Brother: performance, privacy and surveillance space* was published in 2004. He was the co-founder and chair of PANDA, the Performing Arts Network and Development Agency. In 2005 he was awarded a NESTA (National Endowment for Science Technology and the Arts) Cultural Leadership Award.

Baroness McIntosh of Hudnall

Genista (Jenny) McIntosh has held a number of senior positions in cultural organisations including the National Theatre and the Royal Shakespeare Company. She was a founder trustee of NESTA and currently serves on the boards of the Foundation for Sport and the Arts, the Theatres Trust, Southbank Sinfonia, the Peggy Ramsay Foundation, the Roundhouse Trust, the National Opera Studio and the Royal Academy of Dramatic Art (RADA). Genista holds honorary doctorates from the University of York, the University of Middlesex, and City University and is an honorary fellow of Goldsmiths College, University of London. In 1999 she was created a life peer and now devotes most of her time to her work in the House of Lords.

Baroness Prashar of Runnymede CBE

Baroness Prashar is chair of the Judicial Appointments Commission. She was previously the First Civil Service Commissioner, chair of the Parole Board for England and Wales, director of the National Council for Voluntary Organisations and director of the Runnymede Trust. Currently she is president of the Royal Commonwealth Society, governor of Ashridge College, governor of Ditchley Foundation, trustee of Cumberland Lodge, non-executive director of the Cabinet Office, and non-executive director of ITV. She is also president of UK Council for International Student Affairs, honorary president of the Community Foundation Network and patron of the Runnymede Trust. She was awarded a CBE in 1994 and given a peerage in 1999 and sits in the House of Lords as a crossbencher.

Marie Pye

Marie Pye has been involved in equality issues for over 30 years. She worked for the Disability Rights Commission from its inception until its merger with the other equality commissions in 2007, initially as head of policy and leading all of the work of the organisation with the public sector. This included developing and enforcing the Disability Equality Duty. Since then Marie has worked with a range of national public bodies supporting their work on equality. She is also chair of the Defra Disability Equality Scrutiny Advisory Group, chair of East London Housing Partnership, a member of the Transport for London Independent Disability Advisory Group and an accredited local government peer specialising in community cohesion.

Susan Royce

Susan is a chartered accountant who specialises in working with clients across the cultural sector to develop and implement ambitious programmes for change. She trained with the public sector practice of Deloitte, Haskins & Sells and qualified in 1991. From 1991 to 2000 she specialised in corporate recovery and reconstruction work with PricewaterhouseCoopers. In 2000 she left the City to establish her own consulting practice. She is a Fellow of the Royal Society of Arts, the chair of Axis and a trustee of Creative & Cultural Skills.

Prue Skene CBE

Prue Skene is chair of Rambert Dance Company and a trustee of the Nureyev Foundation, the Stephen Spender Memorial Trust, and Friends of the V&A. She was responsible for Rambert's administration from 1975-1986, then executive producer of the English Shakespeare Company and later director of the Arts Foundation. Since 1998 she has worked as a freelance consultant. Previous non-executive appointments include president of the Theatrical Management Association, trustee of NESTA, non-executive director of Royal United Hospital NHS Trust and of Bath Theatre Royal, and chair of the Arvon Foundation. She was a member of the Arts Council of England and chair of its dance panel and lottery advisory panels. She was awarded a CBE in 2000 for services to the arts. Prue is governance associate of the Clore Leadership Programme and leads its board development programme.

Nicola Thorold

Nicola Thorold is a producer and strategic development consultant. She works with national arts organisations, national agencies and the government together with a portfolio of innovative performing arts companies. Current work includes major development programmes for the National Theatre and the Young Vic. She co-wrote the arts and culture strategy for the Olympic Park and supported Sir Brian McMaster with his report on excellence in the arts. She was director of theatre at Arts Council England from 2000-2006, where she developed and managed the Theatre Review. Other roles during that period included acting as executive director of arts and setting up the Cultural Leadership Programme. Previously she was director of the Independent Theatre Council. She is a board member of BAC and Cheek by Jowl.

Loretta Tomasi

Loretta Tomasi has been chief executive of English National Opera (ENO) since November 2005 having previously been executive director. Prior to joining ENO, Loretta was managing director and finance director of Really Useful Theatres (formerly Stoll Moss Theatres) for twelve years which operated thirteen theatres in London's West End. She trained with Coopers & Lybrand and worked with that firm in Perth (Aus), Melbourne and London for eight years after which she joined Tyndall Holdings plc (financial services) in London for three years.

9 bibliography and links

Babbidge, Adrian, *Governing Independent Museums*, AIM, 1995; revised 2005

CBI, TUC, *Talent not tokenism: the benefits of workforce diversity*, 2008.

Canales, Jim, *Enabling exceptional governance: the role of the executive*, BoardSource Leadership Forum, Plenary Session, Chicago III, 4 December 2006.

Chait, Richard P; Ryan, William, P; Taylor, Barbara E, *Governance as leadership: reframing the work of non-profit boards*, New Jersey BoardSource, Inc 2005.

Chait, Richard P; Taylor, Barbara E; Holland, Thomas P; *Improving the performance of governing boards*, American Council on Education, 1996.

Farhi, Paul and Trecott, Jacqueline, *State of emergency*, Washington Post, 3 May 2009.

Hewison, Robert and Holden, John, *Task force final report*, Clore Duffield Foundation, 2002.

Higgs, Derek, *Review of the role and effectiveness of non-executive directors*, Department of Trade and Industry, 2003.

Higgins, Charlotte, *Arts world braced for hurricane as recession hits*, Guardian, 14 March 2009.

Hudson, Mike, *Managing without profit: leadership, management and governance of third sector organisations*, Directory of Social Change, 2009

Leadbeater, Charles, *Arts organisations in the twenty-first century: ten challenges*, www.charlesleadbeater.net

Mission, Models, Money, *Towards a healthy ecology of arts and culture*, Mission, Models, Money, 2007.

Noteboom, Lowell J, *Good governance for challenging times*, American Symphony Orchestra League, 2003.

Ostrower, Francie, *Trustees of culture: power, wealth and status on elite arts boards*, Chicago and London: University of Chicago Press, 2002.

The Work Foundation: *Staying Ahead, the economic performance of the UK's creative industries*, 2007, Department for Culture, Media and Sport

Links

www.carvergovernance.com contains information on the Carver Governance Model.

www.charity-commission.gov.uk. For general information on governance in the charity sector, including payment of trustees.

www.cicregulator.gov.uk for further information on the Community Interest Company model.

www.ncvo-vol.org.uk/askncvo/TrusteeGovernance NCVO website has a comprehensive section on Governance and Leadership. This incorporates much of the work of the Governance Hub, including the Code of Governance for the Voluntary and Community Sector, the Code of Governance Toolkit, and information on organisational structures.

www.ncsl.org.uk/dpcl The National College of School Leadership provides information on the consultant head/executive model.