Achieving good governance: A challenge of our time

Executive Summary

An independent strategic review of governance
in Arts Organisations & Museums commissioned
by the Clore Leadership Programme

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The full Achieving Good Governance report and seperate Appendices relating to it are are available to download from the Clore Leadership website.

1 Synopsis

The Clore Leadership Programme, together with a consortium of trusts and foundations[1], has commissioned a review of the governance development needs of arts organisations and museums.[2] The aim of the review is to strengthen the governance of arts and museums by identifying (a) resources which are currently available and (b) gaps in provision which might be addressed through a governance development programme, tailored to the needs of arts organisations and museums.

1.1 Context

Governance is very much in the spotlight, with arts organisations and museums responding to an unprecedented climate of volatility, speed and uncertainty, compounded by public funding cuts and significant competition for corporate sponsorship and individual philanthropy. The current environment presents significant challenges for the boards of cultural organisations.[3] Innovative approaches to income generation are necessary. The demand for 'resilience' has gathered momentum and leadership from the board is crucial.

This research consists of quantitative structured interviews with more than fifty cultural organisations, an open survey (with 238 responses) and additional interviews with a range of strategic agencies. The research findings were discussed at a meeting with strategic agencies and potential partners, who are themselves concerned with ensuring strong leadership and governance within cultural organisations.[4]

1 Clore Duffield Foundation, Esmée Fairbairn Foundation, Foyle Foundation, Garfield Weston Foundation and Paul Hamlyn Foundation

2 Not including the national organisations directly funded by the Department for Culture Media and Sport.

3 The terms 'cultural organisations' and 'cultural sector' used in this document refer to museums and arts organisations.

4 Feedback from the discussion is reflected in the report summary.

Survey respondents and interviewees welcome this independent review. It is regarded as both timely and critical, and the desire to improve governance in the cultural sector is widely shared.

1.2 Governance

This report takes its definition of governance as 'the systems and processes concerned with ensuring the overall direction, effectiveness, supervision and accountability of an arts organisation or museum'[5]. For cultural organisations, accountability is complex and nuanced as governance cannot be restricted only to legal and fiscal responsibilities. The board must align its work with the best interests of its communities and stakeholders, to reflect the organisation's broader social, cultural and societal responsibilities.

1.3 What is top of the agenda for boards?

The findings from the research indicate that, although organisations have very different needs, according to their scale and core purpose, the task of *setting strategic priorities* and constructively engaging boards with these priorities is a significant challenge. The current climate demands that organisations are far-sighted and adaptable in their planning and work.

At a time of high scrutiny, alongside the critical need for *advocacy and risk/reputation management*, is a major issue of how to generate income and raise funds from a broad range of sources in a competitive environment. Ethical considerations must remain in sight, both for fundraising and for recruitment, to ensure board members who understand the value of advocacy, and who are willing to be actively involved in building the organisation's reputation.

5   Adapted from: Institute of Philanthropy, 2011 *The State of UK Charity Boards*

The research confirms what was described by a consultee as 'a crushing lack of diversity at board level' in the cultural sector. *Diversifying boards*, like much of the discussion on diversifying audiences and staff, goes full circle. Despondency fuels a self-fulfilling negative outcome. It is time to break the cycle. It is time to tackle the perpetuation of closed networks. Organisations are challenged to acknowledge the complexity of the task and marshal a robust and sustainable response. It is a long game and quick rewards are unlikely. Attitudes, commitment and energy all need to focus on board recruitment and induction, with a sustained approach to achieving diversity over the long term.

At the heart of every cultural organisation should be discussions on *artistic/creative vision and programming* and how this promotes audience engagement and learning. Our research suggests that this is given too little airtime at board level. Governance is still primarily seen by many as a fiduciary responsibility, whilst the executive staff deal with matters of content and programme. This often means that the more generative[6] and creative role that trustees can play is overlooked.

The processes of *attracting new members/diversifying the board* reveal the different motivations of trustees and chairs. Potential candidates may wish to support the organisation, but some find the term 'governance' somewhat dry and off-putting. The language and messages used in recruitment should be carefully crafted to ensure a wide appeal, profiling the areas potential trustees would find most rewarding about the role, alongside the responsibilities and duties.

Although *board induction* is generally regarded as necessary across the sector, the style and format appears to vary significantly. Where induction is taken seriously, it provides a foundation for valuable future relationships. Hence, we recommend that a more comprehensive *induction process* is developed by organisations, building on useful resources such as the new Clore Governance Guide.[7] This should include a simple code of conduct that sets out the behaviour and engagement expected from the board.

6   See Chait, R., Ryan, W., Taylor, B., (2005) *Governance as Leadership: Reframing the Work of Nonprofit Boards*, Boardsource

7   Clore Leadership Programme (2017), *Governance in the arts and museums: a practical guide*

The traditional skills audit is a fairly blunt instrument, which does not fully describe the range of *trustee qualities and attributes* needed today and in the future. A periodic board review would provide the opportunity for gauging whether and how board members think and act strategically; manage risk and complexity; balance courage with control; demonstrate strong interpersonal awareness; and show effective emotional intelligence – all crucial assets for effective trustees.

Organisational knowledge, gained over time, needs to be balanced with a judicious approach to board *rotation*. Boards will benefit their organisations more through a regular review of succession planning. Opportunities such as patron roles, non-voting membership and advisory positions enable the board to retain the expertise of retiring trustees, rather than simply extending their terms of office.

The culture and management of meetings, board communication, and formal and informal interaction are highlighted as critical to *board effectiveness*. We recommend that boards incorporate a periodic review of meeting practices, agenda setting and the number and purpose of sub-committees.

The chair's role is pivotal to effective board performance. A strong relationship between the chair and Chief Executive provides critical organisational leadership and two-way feedback between the chair and Chief Executive should be a regular feature of this relationship.

1.4   Governance development

Despite the significant number and range of development opportunities available, board members say they have limited time/desire to engage in these. It is important to acknowledge that development needs are not always sufficiently recognised. In addition, organisations may fear triggering conversations that reveal difficult circumstances and uncertainty. This is exacerbated when competition for funding is fierce and, consequently, the stories people choose to share publicly may well be selective. On the other hand, those that have attended board development events in the past or worked with experienced facilitators during away days, report considerable value and learning in these activities.

It is important to recognise that investing in learning opportunities will offset the detrimental costs of ineffective boards and we actively encourage participation in governance development. Providers of board training and development are encouraged to reflect on how to make this both accessible and appealing to trustees and to use these events to promote the outcomes of good governance.

Sessions that can deal with real concerns and be, simultaneously, inspirational and hopeful, will have heightened appeal. Structured face-to-face conversations with others in similar roles will kindle relationships and trust. New relationships based on common interests and concerns will, subsequently, help to extend the benefits of learning, and encourage ongoing peer support.

1.5 Governance structures

The range of legal entities available to the cultural sector has expanded in recent years to include Community Interest Companies (CICs) and Charitable Incorporated Organisations (CIOs), which potentially offer greater flexibility and choice in levels of regulation and accountability. However, in the arts and museums sector, the majority of organisations are working with the dual model of a company limited by guarantee with registered charity status. Our interviews with over fifty cultural organisations give a minimal indication that current governance structures are of concern, and indeed discussion of structures is seen as a distraction from the real change that is needed in board behaviours and culture. Nevertheless, it is important that cultural organisations periodically review their constitutions and models, to ensure these are current and relevant to their charitable purpose and objects.

2   Conclusions

The review has revealed significant good practice across the sector. Organisations are making valiant efforts to provide and sustain cultural provision of the highest calibre in a climate of diminishing resources and intense public scrutiny. Many are working with inherited governance models that have been adapted in order to access public investment in culture. It is now time for greater agility and fresh thinking at board level to support organisations to achieve their ambitions. Requiring trustees to make choices between stewardship and entrepreneurship, or focusing on short-term expediency at the expense of cultural transformation, is unhelpful. The creative abilities for which the sector is known need to be given a much sharper focus within the boardrooms of cultural institutions.

2.1   Strengthening Governance

The current environment requires that the governance of arts organisations and museums becomes more adaptive and far-sighted; trustees need to address fiduciary responsibilities whilst exploiting new opportunities. Effective governance will only be achieved with a concerted strategy to shift both mindsets and behaviours. This requires boards to acknowledge that the current volatility is 'the new normal' and adapt their approach in response. Boards can no longer rely on closed 'friendship circles' or favour familiar experiences and skills when thinking about their membership. Boards need to adopt a multi-layered approach to leadership that prioritises advocacy, strategic thinking, collective endeavour and emotional intelligence, whilst drawing on members' technical expertise and experience.

A wide variety of resources is currently available to support governance, including guidance, publications, development opportunities and a small number of networks that engage and encourage peer-to-peer support, dialogue and exchange. Some of this advice is generic and some is tailored to the cultural sector. The availability of advice, training programmes and publications aimed at governance in the not-for-profit sector is widespread and arts organisations and museums have much to learn from other charities. However boards in the cultural sector are not consistently using these resources and many would welcome guidance, signposting and assurance – from trusted sources and from their peers – on what would be most useful. At the same time, the way in which development opportunities, tailored to arts organisations and museums, are sometimes described is not always appealing. The message needs to be compelling, so these are seen as 'must attend' events that then support the development of networks for board members.

2.2   Collaboration

Amongst the network of strategic agencies, there is already interest in collaboration and closer partnerships as well as finding ways to connect and signpost towards the significant body of good practice and guidelines that are already available. The commissioning trusts and foundations (Clore Duffield Foundation, Esmée Fairbairn Foundation, Foyle Foundation, Garfield Weston Foundation and Paul Hamlyn Foundation), along with the Clore Leadership Programme, have now seeded the foundation of a strategic alliance of organisations concerned with resilience and innovation in governance. We encourage the commissioning partners to consolidate this relationship, joining forces with a range of strategic agencies[8] with this shared interest to form a new *Governance Alliance* to encourage strong governance in turbulent times.

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8   Organisations listed in Appendix 5 Cultural and Third Sector Agencies & Other Contributors should be invited to contribute to the Governance Alliance, alongside other funding, development, training and membership bodies engaged with governance.

The Governance Alliance will build on the appetite for collaboration and closer partnerships to harness and promote the tools for effective governance through creating an online *Governance Resource*, a first port-of-call for governance advice, information and development for arts organisations and museums.

The Governance Alliance would create a platform to stimulate and support boards to be bolder in tackling the governance agenda and, in particular to:

- Be more far-sighted and entrepreneurial

- Develop a healthier attitude to risk

- Encourage boards to be more confident in questioning creative policies and programming as well as fulfilling the fiduciary aspects of their role

- Step more courageously into the fundraising role

- Learn from the wider third sector, and

- Adopt a more proactive and strategic approach to inclusion and diversity.

3   Recommendations

Establish the Governance Alliance – a strategic partnership of agencies working collectively and proactively to support cultural sector boards to develop strong leadership in the context of a changing and ambiguous world.

The Governance Alliance will harness the work of partner agencies. Building on the convening power of its members, the Governance Alliance would provide a voice for advocacy across the sector and a reference point for all who share an interest in strengthening governance in not-for-profit organisations more broadly. A slim infrastructure would focus the work of the Alliance on awareness raising, advocacy and collaboration around shared priorities, whilst reinforcing the independent and diverse interests of its members.

It is envisaged that the Governance Alliance would be led by a small Steering Group, and resourced with a Coordinator to both manage the delivery of membership priorities, and animate the Governance Resource. A forum of sector partners should be convened to agree priorities and determine the operation of the Governance Alliance going forward.

The Governance Alliance will advocate for enhanced engagement with governance development, including initiatives to:

a) *Strengthen opportunities for dialogue and networking* as key tools for informal learning and exchange

b) *Accelerate steps to achieve board diversity* through a strategic matrix of information, resources and support, including models of good practice, case studies and helpful links

c) *Curate a series of strategic development events / interventions* in a range of locations, supported by webinars, sector focused podcasts and short digital learning modules aimed at trustees. These would be both issue-based and practical and focus on developing trustee self-support networks.

Recommendation II

Develop a Governance Resource – a dynamic and contemporary online hub to support governance learning and networking. Led by the Governance Alliance, the Resource will be an independent online platform for good cultural sector governance – a meeting point for sector focused information, which signposts a range of resources that underpin good governance. The Governance Resource will grow out of the work of the Alliance and also provide a focus for learning exchange for trustee networks.

Recommendation III

Promote Culture Change in the delivery of governance – supporting the boards of arts and museums to harness existing good practice and address priorities for development in order to:

a) *Ensure adequate time and space for regular strategic discussions*, placing the creative vision and programme at the helm of business development

b) *Enhance income generating capacity and capability* by proactively engaging with fundraising as a collective effort. For example, encouraging board member donations according to their means, and prioritising diverse and entrepreneurial approaches to income generation

c) *Strengthen board member involvement in organisational advocacy* by recruiting board members who understand the value of advocacy and their fundraising role and who, with regular briefings, engage and actively build the organisation's reputation

d) *Secure best practice in board recruitment and induction* including regular review of board membership; promoting trusteeship as a positive and enjoyable experience; ensuring that succession planning supports effective knowledge transfer; and providing a clear and concise Code of Conduct as part of an effective board induction process

e) *Accelerate board diversity* by investing in focused, sustained strategies for recruitment and engagement

f) *Ensure effective meetings and board behaviours* through regular reviews of performance including agenda setting; the culture of the board and the number and nature of committees

g) *Positively facilitate governance development* and recognise the adverse costs of an ineffective board. Ensure that chairs obtain regular feedback and first-time CEOs undertake training on how to work effectively with a board.

Recommendation IV   Arts Council England and Arts Council Wales should raise the profile of and focus on governance as part of their roles as development agencies. Priorities should include to:

a) *Participate in The Governance Alliance and Governance Resource*, contributing information and connections to the significant body of research that will support governance development. In line with its leadership role on the Creative Case for Diversity Arts Council England could be invited to lead the work on diversity in governance

b) Ensure that Relationship Managers/Lead Officers have the knowledge and confidence to provide effective governance support

c) Capture and publish information on governance structures in use within the sector, periodically identifying trends and movement in sector take up of new governance instruments.

● The Clore Leadership Programme
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