



ARTS COUNCIL OF NEW ZEALAND TOI AOTEAROA

# Getting on Board

A governance resource guide for arts organisations

Prepared by Graeme Nahkies  
Revised Edition | 2014



**Getting on Board: A governance resource guide for arts organisations**  
4th Edition

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**Black Grace, (2013).**  
Photographer, Duncan Cole.

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## Foreword

# Kia ora koutou

*Getting on Board* has proved to be a popular and useful resource for the many generous members of the community who volunteer on boards of arts organisations.

So much so that this is the fourth edition that Creative New Zealand has published since 2001. While the context and environment has changed locally and globally since then, the importance of effective governance practice remains.

Learning how to govern well is repeatedly identified as a priority by the arts sector. We have responded with initiatives to help arts organisations build their capability in this area. These have included workshops across the country and the publication of this resource.

*Getting on Board* has continued to evolve. The contents have been progressively updated by Graeme Nahkies, BoardWorks International, over the second edition in 2003 and the third in 2008. We have welcomed Graeme's ability to relate generic principles to the New Zealand arts environment.

This edition, while still including the fundamentals of good governance practice, has new material on a number of topics such as the organisational learning, planning for effective board meetings and boardroom dynamics. We anticipate that this expanded tool kit will help board members to confidently do their jobs even better.

Since the publication of the 2008 edition, Graeme has continued to facilitate governance-related workshops both for the board members and staff of Creative New Zealand's funded organisations and for community arts organisations. There is much experience that can be pooled and shared to the advantage of us all.

My warm thanks to the external readers, the organisations that have supported this initiative over the years and especially to Graeme for helping arts organisations to govern better.

Heoi ano

**Stephen Wainwright**  
Chief Executive  
Creative New Zealand  
December 2013



The New Zealand Dance Company, *Rotunda* (2013).  
Dancers: Hannah Tasker-Poland and Gareth Okan.  
Photographer, John McDermott.

Section 1

# Introduction

## 1.1 The need for leadership and effective governance

*Arts organisations, whatever their art form, size or scale, operate in a complex and demanding environment.*

In a positive sense there is an appreciation of the value of the arts not only to the enhancement of the quality of life in New Zealand, but also to the expression of a unique national identity and spirit. Public and practitioner expectations of artistic achievement, both domestically and internationally, are ever increasing. Less positively, increasingly diverse and high-quality artistic initiatives in New Zealand compete for support from the public, patrons, sponsors and the Government which, in financial terms at least, is inherently limited. Arts organisations often seem to be locked in a never-ending struggle to maintain financial solvency, a problem by no means confined to New Zealand. There is no guaranteed future – even for iconic producers of creative endeavour.

Therefore, every organisation created and maintained for the purpose of supporting serious artistic achievement must continuously look for increases in efficiency and effectiveness. Not only must the artists attain the highest possible standards of creative achievement, but those who support the development and delivery of artistic excellence, like management and the board of directors, must be equally effective in their contribution.

It was Robert Greenleaf<sup>1</sup> who, almost 40 years ago, said that an organisation needs two equally effective and complementary types of leadership: those who are inside the organisation and carry out the day-to-day activities; and those who stand outside but are intimately concerned, and who, with the benefit of some detachment, oversee the active leaders. His thesis was that organisations are too often let down by the second group, which is the board of ‘trustees’.

*Too many [boards] settle for being critics and experts. There is too much intellectual wheel spinning, too much retreating into ‘research’, too little preparation for and willingness to undertake the hard and high risk tasks of building better institutions in an imperfect world, too little disposition to see ‘the problem’ as residing in here and not out there.*

Greenleaf exhorted those serving on boards to accept ‘a dynamic obligation to be an insistent driving force obliging an institution to move towards distinction’. This type of leadership finds no place for a board that mostly sits on the sidelines. Greenleaf was insistent as well that boards must ‘care’.

*Most trustees I know just don’t care enough. If trustees really cared, ideas and people would blossom all over the place.*

*Any institution that does not strive with all of its resources, human and material, to achieve the reasonable and the possible ... is not being adequately cared for by its trustees.*

Finding governance leaders in arts organisations willing to ‘care’ in Greenleaf’s sense is in itself a challenge. The focus of attention is understandably on the creative endeavour itself and it is often difficult to attract committed board members with the time and the appropriate skills to serve on arts boards. This is made more difficult because having a board at all is viewed by many of those who perform or create art as little more than a necessary evil – something, for example, to meet legal requirements or to assist in raising the funds needed just to allow the creative activity to take place. This means board service can, at times, be stressful, frustrating and unrewarding. Despite that, many people throughout New Zealand give unstintingly to the arts through their board service.

The basic premise of this publication is that, in spite of the challenges, poor governance performance is neither inevitable nor should it be acceptable. Those who volunteer, or are persuaded to serve on the boards of arts organisations, do not set out to govern inadequately and many do not. Most of the typical governance challenges in arts organisations can be met in a positive manner with great benefit to all associated with the arts.

The crucial starting point for the board of any arts organisation is a conversation about the standard of governance performance that would match that expected of the artistic/service delivery part of the organisation. Just what those standards should be and how they should be attained is not easily defined. Many who come to the governance of arts organisations have had little experience in any governance role. Others, for example, may be experienced directors in, say, the business sector, but find that their experience does not always transfer easily into the not-for-profit arts sector. Concepts of best practice, even as understood by relevant professional bodies, also change over time. Good governance in any sector is, therefore, a work in progress and particularly so in the arts sector. Many arts organisations have found structures and processes that work for them at a point in time, but as they grow, and their markets or their people change, their approach to governance also needs to evolve.

<sup>1</sup> Robert K Greenleaf. *Servant Leadership*. New York/Mahwah: Paullist Press, 1977.



While each organisation needs to find its own way, it does not need to do so in an information and experience vacuum, hence the production of this resource guide. It is not and cannot be a recipe book for good governance – there are no perfect solutions or universal prescriptions. However, it is hoped that the description of some basic principles will stimulate arts boards to discuss and review their own governance performance. It is intended to challenge boards and their members to be more conscious and deliberate in the way they govern their organisations and to continually seek further opportunities to enhance their governance effectiveness.

## 1.2 Terminology

*For the purposes of this guide the following definitions or terminologies are used:*

### Governance

The way in which a governing board fulfils its leadership and stewardship responsibilities by setting direction, policies, priorities, and performance expectations, by anticipating situations and circumstances that might impact negatively on desirable achievement, and by monitoring performance and ensuring achievement is consistent with that intended.

### Governing board

This guide concentrates on the role of the governing board – that part of the organisational architecture that has final responsibility for the performance of the organisation. A number of arts organisations in New Zealand also have a wide array of other boards and organisational parts which contribute to meeting various needs – advisory boards, Friends organisations, special purpose committees, foundations, etc. For the most part, however, while such elements should be considered part of the overall governance structure, it is the governing board that has final responsibility for the ultimate success of the enterprise.

### Board member

Arts organisations have different legal structures, some of which might suggest the use of the term commonly used in the commercial sector referring to the members of a board as ‘directors’. But in the arts world, the term ‘director’ is more

commonly used to describe the job of the person who, for example, directs plays or manages a gallery. To avoid confusion, therefore, the terminology *board member* is used throughout this guide.

### Chief executive

This term is used to refer to the person appointed by and directly accountable to the board for the organisation’s performance. Where the board splits the responsibility between two or more people, other terms (e.g. the general manager and the artistic director) may be used. Some readers of this guide may also be associated with organisations that do not have professional management. It is nevertheless important for the boards/committees of such organisations to make a clear, conceptual distinction between the governance and operational functions and to ensure that the governance function is not neglected.

### Organisation

The generic terminology applying to an arts organisation also varies in practice. It is often referred to as a ‘company’ either because of its legal status (it is incorporated under the Companies Act 1993), or for traditional artistic reasons (as in the ballet company). In this guide we have adopted the term *organisation* as the generic expression.

## 1.3 What’s new in this guide

*This fourth edition of Getting On Board has been completely revised and updated.*

For readers familiar with the third edition the main changes have been as follows:

- The addition of a section on the concept of ‘ownership’ and its application to governance (Section 3).
- Additional explanation in relation to the board’s policy making role (Section 5).
- Additional explanation in relation to the processes involved in the board’s relationship with its chief executive (Section 7).
- A new and separate section on board meetings (Section 10). This contains some of the material on the topic from the third edition but also new material including a substantial section on board dynamics and the risk of negative group dynamics.
- A complete revision and updating of the Resource Materials (Section 13).



New Zealand Trio (2012).  
Justine Cormack, violin; Sarah Watkins, piano; Ashley Brown, cello.  
Photographer, Kristian Frires.

# The Role of the Governing Board

This is a stewardship or trusteeship role. It is particularly important to establish a clear distinction between the job of the board to *govern* – provide direction and control – and the job of the chief executive to *manage* the operations of the organisation.

## Section 2

### The Role of the Governing Board



Massive Company, *The Brave Tour Rehearsals* (2013).  
Photographer, Carly Van Winkel, Carly Photography.

The key functions carried out by a governing board should include:

- 1 Defining, within the organisation's legal and constitutional framework, the organisation's purpose, direction and priorities ensuring that these are valued and worthwhile.
- 2 Specifying key outcomes or results, ensuring resourcing is available for the achievement of those results and monitoring and evaluating the organisation's achievement of those results.
- 3 Regularly scanning the environment beyond the organisation to ensure that what it is attempting to achieve remains both relevant and achievable.
- 4 Communicating with the organisation's 'owners' and other stakeholders to ensure that they have input into the determination of direction and goals; that they are kept informed about organisational performance, and that the board is able to fulfil its accountability for ensuring that the performance of the organisation is consistent with owners' expectations.
- 5 Developing a governance policy 'umbrella' which guides (and, as appropriate, constrains) all operational activities.
- 6 Establishing a framework for balancing risks and rewards and the management (control and mitigation) of risk.
- 7 Appointing and supporting the chief executive, evaluating his or her performance and rewarding it appropriately; replacing the chief executive, if necessary.
- 8 Monitoring organisational and chief executive performance to ensure this is consistent with expectations.
- 9 Ensuring the organisation complies with statutory and contractual requirements and with the board's own policies.
- 10 Setting standards for, and evaluating, the board's own governance performance.
- 11 Ensuring there is appropriate succession planning to ensure a balance between replenishment and continuity on the board and revitalisation of the artistic direction.

*In the United States not-for-profit sector, particularly, it is argued that another key board role is for members to ensure the organisation has adequate resources by bringing in funds by solicitation of personal connections and by personal monetary donations.*

This expectation is exemplified in the oft-used phrase ‘... give, get, or get off’.<sup>2</sup> Fund-raising is, strictly speaking, not a governance function although all boards have an interest in ensuring that their organisation is adequately resourced.<sup>3</sup> Historically, the potential for a personal financial contribution has not been an explicit selection criterion for new arts board members in New Zealand nor is it likely to become so. That is not to say, however, that an arts organisation should not have an expectation its board will be actively involved, for example, in ‘opening doors’ to new funding sources. And, of course, board members should never be discouraged from making personal financial contributions according to their means. Any search of the web will point to the extensive literature on board-level participation in fund-raising. That literature is overwhelmingly US in origin but useful local guidance may be sought from the Fund-raising Institute of New Zealand ([www.finz.org.nz](http://www.finz.org.nz)).

## Discussion topics

- 1 Is your board performing the key functions of a governing board?
- 2 Does it have a clear understanding of the distinctions between governance and management?
- 3 Does it have a sufficient awareness of when board members are wearing different hats (e.g. volunteer staff member)?

<sup>2</sup> See, for example, Richard T Ingram. *Ten Basic Responsibilities of Nonprofit Boards*. 2nd ed. Washington DC: National Center for Nonprofit Boards, 1999.

<sup>3</sup> See John Carver. *Board Members as Fund-raisers, Advisers, and Lobbyists*. San Francisco: Jossey-Bass, 1997.



**Atamira, KAHA (2012).**  
Dancer: Nancy Wijohn.  
Photographer, John McDermott.

# The Legal and Accountability Framework

The structures and processes of governance flow from the organisation's constitutional framework. In order to be able to receive external funding most arts organisations are separate legal entities with an identity independent of their 'owners' and those they employ.

Most commonly, New Zealand arts organisations have been established as either incorporated societies or charitable trusts. Other corporate structures may also be considered, for example, limited liability companies with charitable objects. Specialist advice should be taken on the most appropriate structure. As well as determining the organisation's basic governance structure, different constitutional frameworks may have an impact on, for example:

- artistic integrity (the process of, and influence on, artistic decision-making, acceptable levels of influence and potential loss of control)
- artistic ownership (protection of intellectual property).

Such questions are of particular interest when the organisation needs to grow. A larger organisation inevitably needs more structure and discipline in its processes because it is more complex and more people need to be involved in decision-making. This evolution is particularly challenging for an arts organisation's founder(s). When they face having to share decision-making with a board their fear of losing control and risking their artistic vision is understandable.

Few arts organisations are self-funding. They are set up as 'not-for-profit' rather than strictly commercial enterprises. Nevertheless, they must exercise all the normal accountability and performance disciplines expected of any business if they are to survive and thrive. A key requirement for many is to create and preserve their tax-exempt status. However, vital prior questions should also address the nature of the relationships that the parties to the enterprise want to have among them. In one sense governance is about direction and control. It is also, fundamentally, about the assignment of decision-making rights. Who will be authorised to make which decisions and where will the buck stop for the organisation's performance?

There is no single right way to structure an organisation from a governance perspective, but there are some important principles that should be kept in mind.

**The governance structure should distinguish the responsibilities of different roles in the organisation with clear lines of accountability between each role.**

*This is particularly important in organisations where board members simultaneously wear*

*different hats, reflecting their different roles in the organisation (e.g. member/shareholder, board member, voluntary staff member, performer, consumer or audience member).*

It is vitally important that everyone is clear when these different roles are being played because the relationships to other roles and the accountabilities between them are fundamentally different. For example, as a board member in an incorporated society your accountability is to the membership as a whole. If, at the same time, you are also a volunteer working in the organisation you are, in effect, an unpaid *staff* member accountable to the chief executive (or other appropriate staff member).

**'Owners' should be clearly identified and not confused with other types of stakeholder.**

*Boards must adopt an ownership perspective. It is to an organisation's owners that the board is ultimately accountable. While few arts organisations have 'shareholders' many have owner equivalents (e.g. trustees, members of an incorporated society).*

Owners are important not least because they determine (in theory at least) who is on the board. Owners also have reserved powers that exceed those of the board. For example, they determine constitutional issues through general or special meetings. In a legal and practical sense board members are a subset of the owners. The board acts for all owners, including those who are absent.

It can be easy to confuse owners with stakeholders who merely have a business or transactional relationship with the organisation. For example, organisations that rely heavily on external funders often come to think of them as owner equivalents and grant them a level of influence to which they are not entitled.

A challenging notion for both owners and board members is that board members have a fiduciary duty to the organisation they govern. When the interests of the organisation and those that appoint or elect them (i.e. owners) conflict, the board's first duty is to the wellbeing of the organisation. This means that sometimes a board must protect owners from themselves. A responsible



board member must take the view that ‘I support board decisions my owners would support if they:

- knew what I know
- had a longer-term perspective
- were obliged to represent all owners
- were not so focused on their own interests.’

### There should be only one staff member directly appointed by and accountable to the board.

*It is not uncommon in arts organisations around the world for there to be more than one person (e.g. a chief executive/general manager and an artistic director) appointed by and reporting directly to the board.*

With these dual control arrangements there is considerable potential for conflict. The board may be forced to become referee between the two individuals who represent the twin tensions in an arts organisation – the expression of artistic judgement versus responsibility for financial viability.

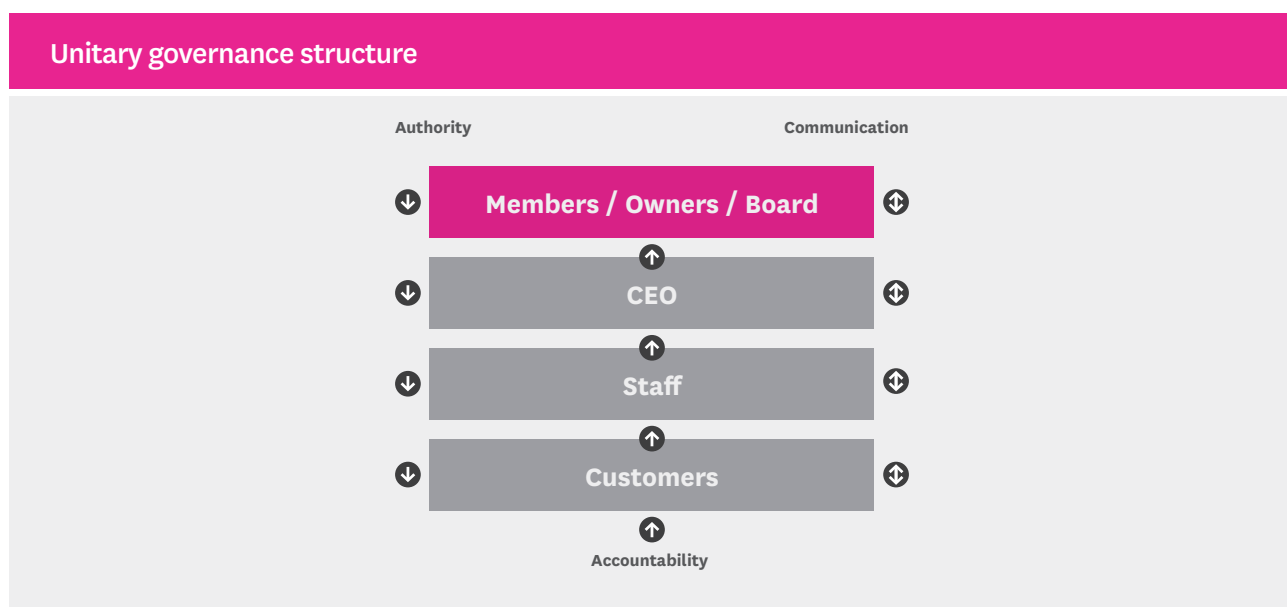
Wherever possible it is preferable for there to be a single person accountable to the board for the organisation’s performance.

There are many successful examples in New Zealand of single chief executive models. It appears not to matter whether this person is, in effect, the artistic director (e.g. Taki Rua Productions), or the chief executive (e.g. Chamber Music New Zealand). The important thing is that everyone knows who is in charge and accountable to the board.

### The structure should be kept as simple as possible.

*The following diagram depicts the classical unitary governance structure. In terms of the strict lines of accountability inherent in this model the board is appointed or elected, and acts on behalf of, the members or owners in a stewardship or trusteeship role.*

It appoints the chief executive, who in turn is the employer of staff, contractors and volunteer (i.e. unpaid) staff.



### Section 3

#### The Legal and Accountability Framework



This model implies a pronounced degree of hierarchy that may be alien to the way many arts organisations prefer to operate. However, strict observance of the appropriate relationships between each of these roles should not, for example, stand in the way of a culture that values collaboration and collegiality. Indeed, effective communication (up and down the hierarchy) and team work is essential because each of these roles is interdependent. The board cannot do everything by itself. It needs good staff, and staff definitely need a good board. The important thing is that the different roles are well defined (particularly when individuals are members of more than one category at the same time). Individuals should be conscious of when they 'switch hats'. There needs to be awareness and respect for the responsibilities of each role and each discharged to the highest possible standard of performance. Any hint of 'us and them' thinking is a sign that attention needs to be paid to reviewing and aligning mutual expectations.

An organisation that can keep closely to this basic architecture can readily add other specialist elements without confusing accountabilities. For example, it may wish to enlist a variety of advisory or special purpose groups to provide some form of specialist advice or assistance. In some cases separate groups might be tasked to assist with an aspect of the board's governance responsibilities (e.g. one regional orchestra has made use of an advisory panel to assist with the chief executive's performance appraisal). Board committees may also be delegated to perform aspects of the board's responsibilities and these may co-opt specialist members from outside of the board's membership or even the organisation. Such groups may also be formed to provide operational assistance. In that case, however, they should be accountable to, and under the control of, the chief executive rather than the board.

By keeping this role clarity to the fore and helping to remind people when they change hats, this model can also cope with the complexities that commonly exist in arts organisations. For example:

- where the staff are the beneficial owners, as well as employees, of the organisation
- where board members may be needed to work in the organisation as volunteers (unpaid staff members).

So long as it has a mandate from the owners/members, the board is ultimately accountable for all organisational matters within its ambit. In this sense, the buck stops with the board. Board members are jointly and severally responsible for all decisions taken by the board. Board members are required to act in the best interests of the organisation *as a whole*, notwithstanding any obligation they may feel to represent particular interest groups.

Reference was made earlier in this section to board members' fiduciary responsibility. That means they must:

- exercise a duty of care
- act honestly
- avoid using their positions for personal advantage
- comply with all relevant legislation and organisation constitutional requirements
- act in the best interests of the organisation as a whole.

These duties underline the board's moral and social responsibility on behalf of others (usually members of an incorporated society or beneficiaries of a charitable trust) for the achievement of appropriate outcomes and the sustainability of the organisation.

As the governing body of the organisation the board must also see to it that the organisation complies with a wide range of legislation covering such areas as employment, trading, occupational health and safety, etc. The board should be aware of the scope and general content of such legislation and its relevance to the organisation.

*Each board should seek direct legal advice to ensure that it has a clear understanding of its legal and constitutional responsibilities.*

## Discussion topics

- 1 Is your present legal framework consistent with the purpose of the organisation?
- 2 Does that framework support the fulfilment of the organisation's current and future aspirations?
- 3 Does your governance structure ensure there is clarity of accountability?
- 4 Do board members understand and accept their fiduciary duties?



Theatre Beating, *The Magic Chicken* (2012).  
Performers: Barnie Duncan, Trygve Wakenshaw and Jonathan Brugh.  
Photographer: Sacha Stejko.

# Stakeholder Relationships

Stakeholders are those groups and individuals who benefit in some way from the existence of the organisation. Good governance demands that key stakeholder interests are clearly identified and positive relationships established.

*It is important that the board takes these relationships into account in determining organisational direction and priority. Boards should consider how to actively involve key stakeholder interests in the process of thinking about, and setting, direction and priorities.*

Categories of stakeholder interests include:

### Owners

The concept of ownership was explored in the previous section. As noted, few arts organisations are constituted as companies with shareholders. More usually they are incorporated societies or charitable trusts in one form or another. In some situations the concept of 'moral owners' is a useful substitute to assist in thinking about those people for whom the organisation (and its component parts) exists, but who cannot exercise the same rights as legal owners. The usual way to identify owners is to ask who can change the constitution and who can change the members of the board.

### Those with whom there is a direct business relationship

Including all those individuals, companies or organisations with which the organisation establishes a contractual relationship for the receipt or supply of services or funding. Included in this group are organisation staff, funding bodies, sponsors and suppliers of goods and services.

These relationships can be complex. For example, in those cases where the governance arrangements have evolved around a core of artistic staff, or even one person who is central to the organisation's very existence (e.g. the founding choreographer or dancer in a ballet company, or the players in an orchestra), staff may also be synonymous with the owners.

### Others

There are likely to be other important stakeholder relationships that are not contractual: philanthropic donors, other arts organisations, the Ministry for Culture and Heritage and other central government agencies (some of which may regulate aspects of the organisation's activities), local government, special interest groups, international bodies, etc.

It is common that arts organisations overseas enlarge their boards to enable a diverse range of stakeholders to participate as board members, particularly important donors, sponsors and procurers of funding. This can mean boards of 30 or more members that have a confused role and are far too large to provide effective governance. In New Zealand there are examples of arts organisations that have resisted the temptation to put representatives of stakeholder groups on their board. Instead they have created separate organisational components to fulfil important functions. The core of the Auckland Philharmonia Orchestra's governance structure, for example, clearly represents 'owner' interests. The Board comprises elected representatives of its stakeholders, the Auckland Philharmonia Foundation and the Auckland Philharmonia Society, as well as independently elected trustees. In addition, the Foundation and the Society have important roles, for example, in the creation and development of an endowment fund, and representing the musicians' interests. The Auckland Philharmonia Orchestra is also an example of an organisation that has deliberately designed its governance structure to balance artistic and financial health.

## Stakeholder analysis

*Boards frequently have to give a lead on sorting out stakeholder relationships that are vital to the success of the organisation.*

They should ensure that those relationships are conducted appropriately and effectively. It is worthwhile, from time to time, for a board to conduct its own stakeholder analysis to allow it to pay attention to the organisation's most important stakeholders, and to ensure that the relationships it wishes to have with those stakeholders are on track. The table on the next page offers a simple but systematic structure for that discussion.

The point of the process is to identify the most important relationships (positive or negative) from those of lesser importance. Because these relationships are dynamic this is an analysis that should be undertaken regularly (at least annually).

Step one	Step two	Step three
List of stakeholders <i>(compile by brainstorming with meeting participants)</i>	Assess degree of influence each stakeholder has <i>(high, medium, or low)</i>	Assess nature of each stakeholder's influence <i>(from very positive to very negative)</i>
Stakeholder 1	High	Positive
Stakeholder 2	Medium	Very positive
Stakeholder 3	High	Very negative
Stakeholder 4	Low	Negative

Step four	Step five
<p>The diagram is a 2x2 matrix with 'High influence' at the top and 'Low influence' at the bottom. The horizontal axis is labeled 'Very negative' on the left and 'Very positive' on the right. Stakeholder 3 is in the top-left quadrant, Stakeholder 1 is in the top-right quadrant, Stakeholder 2 is in the bottom-right quadrant, and Stakeholder 4 is in the bottom-left quadrant. The top-right quadrant (High influence, Very positive) is highlighted in red.</p>	<p>Develop appropriate strategies to address relationships that are not consistent with the board's expectations and to maintain those that are.</p>

## Discussion topics

**1** Who are your 'owners' and how does the board express its accountability to them?

**2** Have you defined other categories of important stakeholders and how the board expects the organisation to relate to them?



Indian Ink theatre company, *Kiss the Fish* (2013).  
Performers: Julia Croft, Nisha Madhan and David Ward.  
Photographer, John McDermott.



# Policy Leadership

It is generally accepted that the role of any governing board is to determine and monitor policy, while it is management's job to implement that policy. However, this convention appears to be neither well understood, nor effectively applied in many arts organisations. Indeed, what even is policy?

*It is important to get this right because it is through the board's policy-making role that it is able to exercise leverage over organisational performance. The board's policy framework provides the form of remote control that it needs over the organisation.*

## 5.1 What are policies and how are they made?

*A board has full-time accountability but only 'works' part-time.*

Its policy framework acts as a vital form of remote control, allowing the board to influence what goes on in the organisation without it having to make every decision. The board's primary objective in this process must be to see to it that desired outcomes are achieved, but also that undesirable situations and circumstances do not arise. It is useful to think of policies as those formal statements reflecting the board's aggregate values and perspectives that underpin and provide an agreed basis for organisational action.

The policy-making process should be proactive. Policy development should be conducted in a coherent way, ahead of need. Unfortunately, in many organisations, policy-making is reactive. Policies are developed in an ad hoc fashion to solve a particular problem after it has occurred. Such policy-making is seldom as effective as policy made in advance. For example, it is too late to adopt a conflict of interest policy once a conflict of interest has become apparent around the board table. That almost always means that the policy is tailored to the specific instance and the discussion of it is unavoidably personal.

When developing governance-level policy a board should always start by identifying and defining the highest, broadest or most abstract level of an issue requiring policy direction. Ideally, policy-making should start with an overarching policy statement to form an umbrella policy under which its expectations can then be spelled out in progressively greater detail.

The board should conclude its policy-making effort when it feels that it has provided sufficient guidance on important issues in order to confidently delegate the interpretation and implementation of the policy to someone else (often the chief

executive). In other words, the level of policy detail is determined by the degree of latitude the board is prepared to allow whoever is going to interpret and apply the policy. If the board wishes to allow little room for interpretation, the policy will need to be more detailed. This does not mean that decisions or interpretations would be necessarily exactly the same as those made by individual board members if the delegation were theirs, but it must be a *reasonable* interpretation of the board's words.

## 5.2 Governance policies

*The concept of policy is used loosely in many arts organisations in New Zealand with the consequence that governance policies relating to the purpose, direction and performance of the organisation (the 'what' and 'who for' issues) are frequently mixed up with policy (or procedures) relating to operational details (the 'how' issues).*

An effective board carries out its leadership role via the development, adoption and review of governance policies.

One policy framework, which has been widely adopted among not-for-profit organisations around the world, is based on the concept of policy governance developed by John Carver.<sup>4</sup> More than most other 'how to' books on not-for-profit governance, Carver's formulation provides a sound conceptual starting point for any arts board wanting to think about its primary responsibilities and how these might be put into effect. Carver's framework has four policy categories that embrace the core elements of the board's job:

### 1 Governance Process policies

These define the scope of the board's own job and design its operating processes and practices.

### 2 Board-Chief Executive Linkage policies

These define the nature of the board-chief executive interrelationship, specifying the details and extent of the board's delegation to the chief executive and the methods to be applied in determining chief executive effectiveness.

<sup>4</sup> John Carver. *Boards that Make a Difference*. 3rd ed. San Francisco: Jossey-Bass, 2006. See also, Caroline Oliver. *Getting Started With Policy Governance*. San Francisco: Jossey-Bass, 2009.

### 3 Executive Limitations policies

These define the constraints or limits the board wishes to place on the freedom the chief executive (and by implication other staff and volunteers) has to select the means to achieve the outcomes the board has identified. While it is common practice to write policies prescriptively (telling the chief executive what they can or should do), the limitations approach is proscriptive, (telling the chief executive what they can't do or shouldn't let happen). It seems counter-intuitive to many boards but this approach gives the board greater control while at the same time offering far more empowerment for the chief executive.

### 4 Ends policies

These policies address the organisation's fundamental reason for being – its purpose – and set the outcomes or strategic results to be achieved by the organisation. These policies also identify the beneficiaries of the outcomes and address the cost, value or relative worth of the outcomes.

Ends policies primarily address the external world in which the organisation exists and the impact the organisation wishes to make on that world. Limitations policies reflect the board's risk appetite and are addressed to preventing or minimising harm to the organisation. The other two policy categories deal, in a sense, with matters of good housekeeping relating to both the board's own job design and the way it discharges its responsibilities as an employer.

Further references to the board's policy making role are contained in the resource materials in the final section of this guide. These cover both the policy governance approach advocated by John Carver and the type of board charter that is an alternative format for expressing board-made policy. An important point is that governance policies should always be consolidated into a single document for easy reference and application by board members and staff alike, and to facilitate the revision of the policies. Many boards have made governance policies over the years but these have become progressively buried in the minutes of past meetings.

## 5.3 Developing, adopting and reviewing governance policies

*Policy development should not be treated as some sort of compliance exercise that is done once and the product, the policies, put on the shelf. It should be an active and core board work process.*

The task of developing governance policies should be carried out with the active involvement of all board members. The process should never be delegated solely to the chief executive or to an outside consultant, although it is important that the chief executive and other key staff participate in the process. Policies that define what is expected of the chief executive and thereby other staff (Ends and Executive Limitations policies) must be realistic and achievable and, therefore, informed by chief executive and staff advice. Chief executive/staff understanding of the board's intentions is important if policy implementation is to be effective. Use of an appropriately experienced governance consultant can also be valuable in, for example, speeding up the policy development process and by bringing the experience of comparable organisations to bear on the process.

While board committees or working parties may also be used, for example, to carry out consultation or research leading to the development of a governance policy (or to a subsequent change), only the board *as a whole* should be empowered to approve or adopt a governance policy.

Clearly stated board policies provide an agreed basis for action and establish a framework for delegation of operational responsibilities and for monitoring organisational performance. Once governance policies are adopted, not only staff but *all* board members are bound by them. Policies enable the board to speak with one voice even though the policy may only have been agreed on the basis of a majority vote. This is an important concept because within each board quite different interests and constituencies might be represented. There needs to be a process whereby the board as a whole can make a decision which can be implemented, even when board members are not unanimous. Once a policy is agreed and adopted it is the board's policy and carries the board's full weight, regardless of the views of any individual member of the board.



**The Modern Māori Quartet, Ngā Bro E Whā (2013).**  
Performers: Matariki Whatarau, Maaka Pohatu, Matu Ngaropo, James Tīto.  
Photographer, Gareth Moon.

A board's policies should always be at the forefront of its work. Ensuring that every meeting agenda item has an applicable policy reference to set the scene for the board's consideration of that item is a pragmatic and powerful technique for achieving policy implementation.

The board should review its governance policies on a regular basis. Ideally, the board should have a schedule of all its policies which indicate when (and by what method) these should be reviewed. This topic is addressed further in Section 8.

This resource guide and draft policies used as illustrations are intended to make this task as easy as possible, although the debates about policy and policy issues may, at times, be quite difficult given the complexity and challenges of a board's work.

Even when starting with sample policies or charters from another source, boards are encouraged to work systematically (line by line) through any that are under consideration for adoption. It is important to be wary of mindlessly adopting someone else's formulations including those proposed by management, individual board members or external advisers. This is not work to be delegated. Boards should work together to adapt, add or delete content until they have a governance policy framework applicable to their own organisation. Any policies for which the underlying principles of good governance are not clear should not be included. Boards in policy-making mode should always have a clear understanding of the purpose of any policy and the expected consequences of its application.

Provided it has a comprehensive and coherent policy framework as a starting point any board can add further policies as the need to address other governance challenges is identified.

## 5.4 The chief executive's own operational policies

*Once the board has established its governance policies the chief executive should be expected to develop all further operational policies, protocols and procedures necessary to achieve the results and manage the risks addressed in the governance policies.*

### The board should not adopt or approve operational policies.

Doing so removes the chief executive's ability to make necessary operational policy changes when needed without reference back to the board. The chief executive should not be constrained by having to continually seek board approval for matters that the board should properly delegate and the board should not have to do the chief executive's job as well as its own.

This does not mean that, from time to time, the chief executive may not seek advice or assistance from individual board members about operational matters. When, however, that advice or assistance is provided, board members – as individuals – do not carry the authority of the board. The chief executive, when weighing up their advice, has the discretion to choose whether or not to act on the advice.

### Discussion topics

- 1 Has your board developed its own governance policies and are these up-to-date?
- 2 Is there a clear distinction between governance and operational policy?
- 3 Is there life in your governance policies (e.g. are they understood by all board members and used actively by the board to frame the resolution of important questions and provide leverage, generally, over organisational performance)?



Front Door Out Back exhibition. Bill Culbert, *Bebop* (2013).  
Photographer, Jennifer French.

# Determining the Organisation's Strategic Direction

Before the board can hold the chief executive (and the chief executive can, in turn, hold staff or volunteer workers, contractors, etc) accountable for organisational performance, the board must have done its own job.

## 6.1 The need for boards to give direction

*While different terms are used interchangeably in different organisations and mean different things, it is critical there is a clearly stated purpose for the organisation's very existence.*

This should give real meaning and focus to the work of the organisation and, by making choices clearer, assist with day-to-day decision-making. The board, in conjunction with the chief executive and leading artistic and administrative staff, should regularly address such questions as:

- What is our purpose, our reason for being? (What is our Big Idea?)
- If this organisation did not already exist why would we create it?
- Have we fulfilled our purpose – is it time for us to close the doors? Has the world moved on?
- Who are we doing this for? Who should benefit?
- What is the essence, ethos or spirit of this organisation?
- What is important to us?
- Where do we want to get to?
- What do we want to become?
- What is our mission, our vision?
- How do we want to interact with each other and the outside world?

The answers to these questions may at first glance be relatively abstract. It is important, as a next step, to convert or translate these into more specific outcomes or key results to be achieved. For example, is the purpose of the Big Town Theatre Company to produce timeless and popular theatre like Oscar Wilde's *The Importance of Being Earnest*, or more cutting-edge contemporary works? These are not academic questions and are essential to assist in the development of the type of Ends policies referred to earlier. The absence of clear answers to such questions confuses the process of resource allocation and also prevents the effective monitoring and evaluation of organisational performance.

Traditional strategic plans are often replete with high-sounding vision or mission statements, but these are often little more than statements of good intention and reflect a great deal of wishful thinking. As Scott Adams, the creator of the *Dilbert* cartoons once said, the average organisational mission statement is little more than a long, awkward sentence that demonstrates the leadership's inability to think clearly.

Many organisations' strategic intentions also tend to be cast in a way that puts the primary focus on *activities* (what we will do) rather than *outcomes* (what we will achieve). Falling into this activity trap is a distraction to the board from its primary responsibility – to see that the organisation achieves something worthwhile. It inevitably means that the board's attention will be drawn to measures of how busy the organisation is (how much activity is occurring e.g. how many shows have been put on); rather than how effective it is (is it achieving the desired results e.g. how favourable is the audience response?). This makes understanding of organisational performance and measurement of progress toward important goals difficult.

As in many other sectors, there have been examples of organisational failure in the arts sector which can be directly attributed to a lack of board strategic focus and understanding. In one case, a theatre company diversified from its traditional offerings into an area that was superficially attractive, but where the production cost structure and audience profiles (and expectations) were quite different. The lack of a clear, strategic decision-making framework and the analysis to support the new direction meant that the risk profile of the company completely changed without the board being aware of it. That company failed.

A board should, therefore, ensure that its strategic intentions are expressed in the form of outcome statements specifying the *results* to be achieved (e.g. that members/audiences experience regular live performance by internationally acclaimed ensembles). It is particularly important that the process focuses on producing statements of ends not means. For that reason, boards should be very wary of producing statements of strategic intent that, in practical terms, are simply statements of ways of doing things (producing, enhancing, facilitating, coordinating, etc). A related risk is of being locked into a particular, perhaps traditional, way of doing things that inhibits smart thinking about better ways of achieving desired results.

A failure to do this can easily constrain the organisation's ability to achieve its main purpose. An organisation that is means focused can easily become trapped by its thinking about the way it delivers rather than what is deliverable. A theatre company, for example, that has its own theatre may be easily persuaded that its main purpose is running a theatre and that its primary focus should be ensuring that the theatre is as full as possible. In its earlier years, Taki Rua Productions, in Wellington, found itself in this position. The board's early preoccupations reflected a group of people struggling to keep a physical theatre facility open. There was a lot



of fire-fighting. Being in survival mode absorbed energy and focus at the expense of artistic direction. Having given up its theatre premises, the board could make positive decisions about the future and the achievement of a vision that related to supporting the development of new, indigenous works. It was freed up to approach the achievement of this vision in a vastly different manner. The change in approach also meant a shift in stakeholder focus – more towards actors, writers, etc.

The board's high-level purpose and strategic outcome statements should generally have a longer-term focus and create a framework within which the chief executive and other staff can prepare shorter-term (e.g. one to three year) business plans that will assist in achieving the longer-term outcomes prioritised by the board.

Who should be involved? A board's leadership role and its ultimate accountability demand that it takes final responsibility for determining organisational direction, but it should not do so in a vacuum. An excellent article that used the trials and tribulations of the Whitney Museum of American Art as its starting point said that:

*Governance is how boards of directors and executives work together to ensure the success of their organization<sup>5</sup>.*

This starts with defining what 'success' looks like. The board should not only involve its chief executive and senior artistic and administrative staff, but key external stakeholders should also be engaged in the discussion as appropriate.

The expected results have to be *achievable* and also *acceptable* to a wide range of interests. Given the relatively small size of most arts organisations it is desirable that *all* staff are engaged in the strategic thinking process at some point. If these discussions are effective and real, they build commitment and ownership throughout the organisation and lead to better decision-making and more effective implementation.

The idea that an organisation's strategic direction must ultimately be owned by the board may seem to run counter to the reality that some arts organisations are driven by the vision and energy of just one person. That might, perhaps, be a founding board member or another person such as a creative director who has exercised particular influence over the organisation for an extended period. However, it is possible for the influence of that person(s) to change gradually from a positive to a negative one. Arts organisations around the world are prone to the phenomenon often called 'founder's disease' whereby the founder's energy,

ability and relevance wane over time, but they tenaciously keep control of important decisions. Even if they do not noticeably drag the organisation's performance down, they progressively alienate others who might be willing and able to take the organisation to its next stage of evolution.

It is a very human trait that the individuals concerned, wrapped up as they are in their undoubted commitment to the organisation, may not realise when it is time to stand aside. The possible need to make changes to key personnel, so as to revitalise the organisation and to avoid the inevitable threat to its reputation and viability, underlines the importance of the board in providing effective long-term stewardship and continuity. The board cannot avoid its responsibility for the overall well-being of the organisation and for acting in the interests of *all* the people who depend on it in some way.

This problem of replenishment and revitalisation is best addressed by combining board level discussions of future direction with an explicit and regular discussion of succession planning issues. For example, the board should be concerned for both emergency (sudden incapacity) and planned chief executive succession (e.g. retirement, contract completion). It must also ensure that the board itself has regular infusions of new blood. For that reason, boards should consider tenure limits with board members elected or appointed for limited terms (e.g. two to three years) with the possibility of extension up to a maximum of time served. Ideally, reappointment after each term should be conditional on having added value to the board. The current international literature suggests a maximum of nine-ten years.

Not only does the need to tackle the revitalisation or renewal of the leadership present one of its most difficult strategic decisions, but the board of an arts organisation also has the job, legally, of winding up an organisation that can no longer fulfil its core purpose and whose time has passed. It is preferable for this to occur in a measured, well planned way. A persistent downward trend in audience is a key indicator.

Strategic thinking about these types of issues is not a one-off, or even once-per-year (or even less frequent), activity. It should always be kept in mind that the board can only influence the future, and therefore its time and attention should always be focused on designing the future. Cultural organisations in New Zealand operate in a rapidly changing environment. A board has to ensure that the strategic direction, priorities,

<sup>5</sup> Rayond Fisman, Rakesh Khurana, and Edward Martenson. 'Mission Driven Governance'. *Stanford Social Innovation Review*, Summer (2009).

etc remain up to date and relevant. Therefore, time should be provided at every board meeting to allow the board and key staff to undertake a continuous analysis and assessment of external and internal factors that might assist, or inhibit, the organisation in the achievement of critical results.

Environmental scanning of this type should be done systematically, but need not become a major exercise. Conducting a brief 'radar screen' discussion at every board meeting is one option. This is simply a question of inviting all board members to identify what is happening in the organisation's operating environment that might represent new 'blips' on the organisational radar screen. A brief initial discussion should determine which of these should be subject to monitoring and perhaps a more thorough evaluation in due course. An interesting observation, by the newly appointed executive director of one arts organisation, referring to the decision to make a major change in the way the theatre operated, was that: '... nothing went wrong, except perhaps the antennae got a bit corroded'<sup>6</sup>. A board should make sure that its 'antennae' are in good working condition at all times and well tuned in to the operating environment.

Important strategic issues should never be far from the board's sights. For example, while to some it may be considered an operational issue, it is important to find a way for the board, senior staff and those involved in programme delivery to engage in an effective dialogue about artistic programming. For an arts organisation, programming goes to the heart of organisational purpose, strategic direction, risk and, not least, financial viability. These are surely matters of pre-eminent governance concern even though board members, compared to staff, may have no particular experience or expertise in this area. This highlights one of the basic governance paradoxes. A board that does not contain particularly relevant expertise or professional capability is nevertheless still responsible for organisational performance (and indirectly, the careers of those in the organisation that do have the expertise and capability).

## 6.2 Tools for strategic thinking

*The following tools are offered to assist boards in the process of environmental scanning and strategic thinking.*

While in this resource manual these tools are directed at board members, most are also essential tools for effective strategic management, the task of the chief executive and staff.

### SWOT analysis

The systematic review of **S**trengths **W**eaknesses **O**pportunities and **T**hreats (SWOT) is one of the most basic and powerful strategic thinking tools and should be regularly used by the board when analysing the continuing relevance of its strategic ends. Having identified the strengths, weaknesses, opportunities and threats, the board and management should work together to build on the strengths and opportunities and either eliminate the weaknesses or turn them into strengths, and devise strategies to address the threats.

A less formal and structured alternative to a SWOT analysis which can be used at every board meeting is the 'radar screen' discussion referred to earlier.

### The PPESTI analysis

The PPESTI analysis is an adjunct to the SWOT analysis, focusing in detail on particular elements of the external environment. PPESTI is an acronym for **P**olitical, **P**hysical, **E**conomic, **S**ocial, **T**echnical and **I**ndustry. Others might be added but these headings cover key aspects of the external environment within which organisations must operate. Board members explore each of these headings to systematically explore what is happening that might have an impact on the organisation's future operations, helping to determine the future viability of the organisation and its offerings. Remember that the board's job is to secure a strong, viable future for the organisation on behalf of the various key stakeholders. To do this, it has to be constantly looking to the future and preparing for likely changes, whether these are known or simply anticipated.

### Where are we today?

Social philosopher and organisational behaviour expert Charles Handy has described how organisations have a natural wax and wane cycle. Handy uses the Sigmoid Curve (pictured on the next page) to show how organisations develop and then decline if they do not, in effect, reinvent themselves. In his view organisations are probably never at greater risk than when they are performing reasonably well.<sup>7</sup>

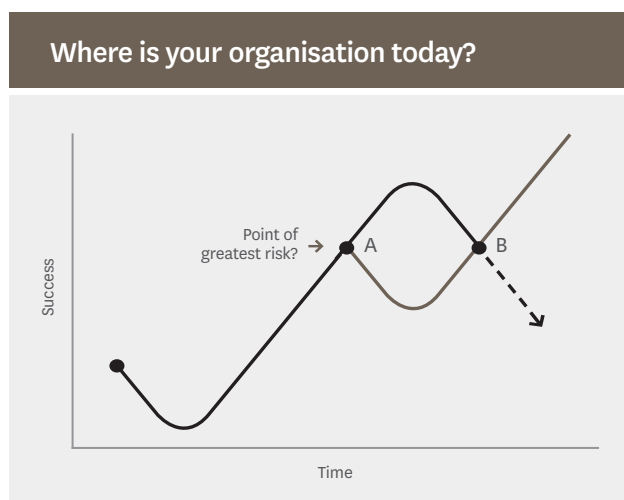
<sup>6</sup> *Dominion Post*, 5 July, 2008

<sup>7</sup> Charles Handy. *The Empty Raincoat*. London: Hutchinson Arrow Books, 1994, chapter 3.

Point A is where Handy advocates that an organisation should be looking to launch a new curve. At Point A, while it is doing well, it has the resources and the energy to get the new curve through its initial floundering and explorations, *before the first curve starts to dip down*. Unfortunately, all the signals coming into the organisation at that point are that everything is going fine, that it would be folly to change a proven formula. It is only at Point B on the first curve, when disaster is looming, that there is real energy for change. At Point B it may be too late – resources are depleted, energy is low, existing leaders are discredited.

Handy comments that ‘... wise are they who start the second curve at Point A because that is the Pathway through Paradox, the way to build a new future while maintaining the present.’<sup>8</sup> The best organisations recognise the inherent logic of the Sigmoid Curve and are continually self-critical and oriented to actively seek out performance improvement opportunities and ways of adapting to, and taking advantage of, a changing environment.

From time to time your board should be asking: ‘Where are we on the curve?’ It is a great way to get a strategic-thinking discussion started.



### Demand-Capability matrix

The Demand-Capability matrix is an adaptation of Michael Porter’s Market Share-Growth matrix. The vertical axis represents the *demand* for the organisation’s offerings. The horizontal axis represents its *capability* to respond to the demand. Several criteria for capability can be used, such as resource capability,

alignment to mission and values, etc. Each programme or service is first placed on the vertical axis, marking the point on the axis where there is agreement about the ‘demand’. The same process is then followed using the capability criteria for the horizontal axis. Where the two marks intersect is the point where the programme or service is currently placed on the matrix.

		Demand-capability matrix	
		Most capable	Least capable
Demand	High demand	<b>Good Fit</b> <ul style="list-style-type: none"> <li>Exploit these offerings while the demand and the suitability are aligned</li> </ul>	<b>Dilemma</b> <ul style="list-style-type: none"> <li>Gather data in support of further development or initiation of these</li> <li>Prepare to say ‘No’ or to expand resource base in order to accommodate these</li> </ul>
	Low demand	<b>Comfortable Fit</b> <ul style="list-style-type: none"> <li>Continue to provide these so long as they don’t impinge on other more important works</li> <li>Question priority status in terms of other demands</li> <li>Exploit for public relations/membership benefits</li> </ul>	<b>Painful Fit</b> <ul style="list-style-type: none"> <li>Eliminate from your organisation’s list of priorities</li> <li>Say ‘No’ to establishing one of these</li> </ul>

**Capability** = ability to resource for effective outcomes.  
**Demand** = stakeholder demands.

This tool is particularly useful in helping board members to understand where its various programmes and services fit in the overall mix. In the ‘most capable/high demand’ quadrant are those things for which there is a high audience demand and the organisation has real strengths in delivering. For example, a music federation may be able to feature a pianist who is renowned for being able to attract an audience for the performance of a particular repertoire. To use the same example in relation to the ‘most capable/low demand’ quadrant – the pianist’s expertise is

8 Charles Handy. *The Empty Raincoat*. London: Hutchinson Arrow Books, 1994, p 52.

renowned and he or she has a faithful following even though the programme offering is relatively unattractive. An example of 'least capable/high demand' might be the choir that plans to perform a popular but vocally demanding series of works even though the works do not really suit the strengths of that choir. As far as the fourth quadrant is concerned – 'least capable/low demand' – don't even think about it!

The board must take care to ensure that the discussion that results from the use of this tool is not used by the board to instruct the chief executive (or artistic director as the case may be) how to manage the various programmes and services. Day-to-day management decisions are management's prerogative to the extent defined in the board's delegation to them. However, the board may request that as the consequence of the placement of a particular programme in the grid, say, for example, in the bottom right-hand quadrant, the chief executive should review and report on such a programme's ongoing viability.

The use of this tool could lead to the board agreeing to change its strategic priorities. Such a decision is likely to require management to make consequential operational decisions.

### Scenarios

Scenario thinking is perhaps the most advanced and most demanding of all the strategic thinking tools. In his book *The Fish Rots from the Head*, Bob Garratt summarises Chinese philosopher and strategist Sun Tzu's thoughts on strategic thinking as an example of the logic that sits behind scenario analysis.

*The supreme act of warfare is to subdue the enemy without fighting ... use strategy to bend others without coming into conflict. He who can look into the future and discern conditions that are not yet manifest will invariably win. He who sees the obvious wins battles with difficulty; he who looks below the surface of things wins with ease.<sup>9</sup>*

Through the development of a range of scenarios the board creates possible combinations of future events against which to test its thinking. While each scenario should be markedly different, it should also be considered feasible. The environmental factors in the scenario should be both within and beyond the organisation's control. Although various board members will argue about what is a reasonable likelihood, the debate around this question is itself

an essential part of the strategic thinking. Scenarios start with the question, 'What if ...?' The whole board, an individual board member, or small group, with executive support, puts together a description of possible external conditions and events that combine to form a picture of the future. A second scenario can be created that paints a very different future. It is useful to describe a third scenario which might, perhaps, represent a straight-line projection of how things are now while bearing in mind that assumptions about the status quo continuing into the future are seldom safe.

These scenarios should avoid taking a best case/worst case approach. This limits thinking. Rather they should be creative, but possible, scenarios based on the way in which chains of events lead to other events. The board and chief executive then analyse each scenario to test the organisation's capability and possible response against each. Questions are asked such as, 'How would we cope if this scenario came about?', 'How well placed would we be to face these events?', or 'How could we best take advantage of this situation if it arose?' To use a sporting analogy, this process is akin to testing a yacht design in a wave tank to see how it will perform in different sea conditions.

By analysing and discussing these alternative futures and the external factors that define them, the board tests its readiness for any number of environmental influences that at some time in the future could have a major impact on the organisation.

An advantage resulting from board involvement in this activity is the use of their external perspective. Management, tired from constantly fighting alligators, can lose sight of the length and breadth of the swamp that they are supposed to be draining. Board members' different views of issues, free from the constraints of day-to-day operational concerns, can be refreshing and illuminating and possibly more objective.

### Brainstorming

Brainstorming – to generate ideas about different issues – is so widely used in organisational life that we assume that everyone knows how to do it. However, there might be some value in briefly restating some of the key rules for the process. These rules are designed to ensure that the brainstorming process is effective and efficient and to maximise the contributions of all participants:

<sup>9</sup> Bob Garratt. *The Fish Rots from the Head: The Crisis in Our Boardrooms: Developing the Crucial Skills of the Competent Director*. London: HarperCollins Business, 1996, p 94.

- Accept all ideas offered by participants; record these as proposed on a whiteboard or flipchart.
- Don't analyse ideas as they arise.
- Stop the brainstorm when the ideas dry up.
- Check that everyone understands what is meant by the phrases recorded on the whiteboard or flipchart.
- Arrange the ideas into logical groupings.
- Debate their significance and relevance.
- Rank in order of preference.
- Decide what action to take.

There are many other strategic thinking tools and these are documented widely in the host of strategic thinking and strategic planning literature available.

## Discussion topics

- 1 Is your board effective in giving direction?
- 2 Has it clearly articulated its expectations about the outcomes or results the organisation should deliver?
- 3 Is the vision a widely shared one that is likely to be sustainable into the future, or is it dependent largely on the current thinking and energy of one person (e.g. the founder)?
- 4 In what type of deliberations is your board primarily engaged – those that relate to 'designing the future' or those that relate to 'minding the shop'?
- 5 Does your board actively use specific strategic thinking tools to remain focused on the future?



Jumpboard, Live Live Cinema: Dementia 13 (2013).  
Photographer, Andrew Malmo.

# Board–Chief Executive Relationships

Some types of arts organisations unwittingly fragment the control of their organisations by the board having more than one staff member reporting to it (commonly an artistic director as well as the chief executive).

*A board should encourage unity of control and accountability by having only one direct employee – usually the chief executive.<sup>10</sup> The chief executive, or whoever else acts as the head of the operational<sup>11</sup> part of the organisation, should employ all other staff and should also be acknowledged as responsible for the work of volunteers.*

A board has all the same ‘good employer’ obligations to the chief executive as the chief executive has for other staff.

## 7.1 Appointing the chief executive

A sound board-chief executive relationship is central to a mutually satisfying working relationship and, ultimately, to organisational success. When appointing its chief executive, the board should, therefore, take every care to ensure that it has canvassed the field of available candidates in order to attract the best person for the position. All potential candidates should be thoroughly assessed for appropriate skills and experience, organisational cultural compatibility, and an understanding of, and empathy with, the organisation’s artistic vision, core purpose and general business. An ability to develop an effective partnership with the board and whoever is the artistic leader is vital.

Worldwide there has been a trend towards increased chief executive turnover. This can be traced to a number of factors. In part it is because good chief executives are in high demand and are vulnerable to being attracted to new, more demanding and better-rewarded positions. Just when things seem to be going well, therefore, a board may well face the sudden, unplanned need to replace an effective chief executive.

It is also a reflection of the pressures on all organisations today whether in the commercial, governmental or not-for-profit sectors. Just to survive, let alone thrive, an organisation and its leadership need to be very dynamic and adaptive. In this situation many boards have to face the harsh reality that even a chief executive who has served an organisation well in the past is not necessarily the person best suited to take the organisation through the next stage of its evolution.

For these and other reasons, boards have to face, more often, the challenge of appointing a new chief executive. The direct costs of replacing a chief executive can be very expensive; the cost of a poor decision is incalculable.

‘Boards have no one to blame but themselves if their CEOs disappoint them.’ This is a quote from an article by academics Bennis and O’Toole<sup>12</sup> who say that boards pick the wrong chief executives because they pay no heed to real leadership as the selection criterion. To them, leadership is a combination of personal behaviours that allow an individual to enlist dedicated followers and create other leaders in the process. Good leaders, they say, demonstrate integrity, provide meaning, generate trust and communicate values. In doing so, they energise their followers, humanely push people to meet challenging business goals, and all the while develop leadership skills in others. Bennis and O’Toole say that real leaders move the human heart.

Therein lays the board’s challenge – the ability to move the human heart is, as the authors say, ‘nebulous and squishy’, tough to quantify. Understandably, even boards that value such leadership abilities tend to shy away from an assessment of these soft elements. Instead they go looking for hard facts (e.g. evidence of an ability to bring about a big decrease in operating costs or staffing levels) and proof of technical skills.

*Boards are much more likely to hire the right chief executive if they adopt the following guidelines suggested by Bennis and O’Toole:*

### Come to a shared definition of leadership

A board should generate a shared definition of what leadership means in the context of current organisational challenges before it goes out to recruit a new chief executive. It must do this before it engages the services of outside executive recruiters.

### Resolve strategic and political conflicts

Board members often have hidden agendas, differing world views and unspoken disagreements about organisational purpose and strategy. It is important that a new chief executive does not walk into a situation where he or she is expected to lead the organisation in a fresh direction, but is unlikely to obtain adequate support for whatever direction he or she charts. Chief executives deserve consistency and clarity of purpose from their boards. Boards can solve this problem by engaging in the same kind of team building they often prescribe to top management. For example, boards should routinely meet off-site in order to build informal relationships and nurture trust. Even if honest differences remain, a board must learn how to bring disagreements to the surface and deal with them in productive and non-disruptive ways. Failing that, a way must be found to replace

<sup>10</sup> In some New Zealand arts organisations the board’s direct employee is, in effect, the artistic director, who employs the administrative support staff.

<sup>11</sup> ‘Operational’ in this context embraces the artistic ‘performance’ aspects.

<sup>12</sup> Warren Bennis and James O’Toole. ‘Don’t Hire the Wrong CEO’. *Harvard Business Review*, May/June 2000, pp 171–176.



board members whose personal agendas are at odds with the good of the organisation. A board should not assume that a new chief executive can come in and put the board's own house in order.

### **Actively measure the soft qualities in chief executive candidates**

Many arts board members know how to measure financial results, audience share and so forth, but are simply not comfortable assessing factors such as integrity, the ability to provide meaning, and talent for creating other leaders. There are techniques and approaches for measuring such qualities, particularly through well-designed and conducted interviews and other selection techniques.

### **Beware of candidates who act like chief executives**

Many boards have been seduced by candidates who are little more than articulate, glamorous and charismatic dreamers. Appearances are often deceiving. You cannot tell a leader by what he or she looks like, or by what they say, in staged encounters. It has been said that the one sure way to spot a leader is by the presence of willing followers. One of the main things a board should do, therefore, is to find out whether a candidate has a track record of creating followers and other leaders.

### **Recognise that real leaders are threatening**

Many boards seem to be averse to candidates who threaten to shake things up. Real leaders are threatening to those intent on preserving the status quo. A leader who can motivate people to make changes is, by definition, a destabilising force.

### **Know that insider heirs usually aren't apparent**

Ideally, no one should inherit a chief executive position. Organisations should be meritocracies not monarchies. Boards should, therefore, give 'Crown Princes or Princesses' the same vetting treatment as 'commoners'. Particular scrutiny should be given to internal candidates if they are to follow highly successful predecessors.

### **Don't rush to judgement**

Along with picking too quickly, boards can sometimes mistakenly select a candidate who comes with a detailed plan to turn things around. Such candidates are seductive, but potentially dangerous. Boards should be looking for a candidate who has a broad (and long-term) perspective, a set of convictions about the organisation's strategic direction, a clearly thought out managerial philosophy and an understanding of how to galvanise the entire organisation towards change (effective leadership entails doing things through other people).

A board should give serious consideration to adopting a process that includes, or at least considers, the following main steps.

## **1 Agreeing on the major challenges facing the organisation and developing an agreed description of the qualities of the preferred candidate**

The critical starting point is for the board to develop a clear and agreed description of the type of person it feels will provide effective leadership to the organisation over the next three to five years. To a significant extent this will flow from the board's understanding of the challenges facing the sector and the organisation itself, of the strategic results the board wishes the organisation to achieve and of both the internal and external environmental conditions that it anticipates affecting it over that time period.

The two most important sources of information for this purpose are within the organisation itself – namely staff and board members themselves. These perspectives are both important and can give clarity and focus to the recruitment process.

**Staff perspectives** – Obtaining a staff view on the challenges facing the organisation, and the characteristics that should be sought in the new chief executive, will provide the board with a valuable insight into staff perceptions of the type of leadership they require to give their best. It will also give the board a snapshot of the internal health of the organisation. A process like this should also be designed to increase key stakeholders' sense of ownership of, and support for, the appointee. One way of doing this is to have a facilitated focus group discussion to which staff representatives or all staff are invited. Apart from its general value, this will assist the board in making a decision about the desired profile of the new chief executive and in choosing the best-suited candidate.

Depending on its time frame and budget the board might also consider combining with this process an organisational climate survey. The conclusions from such a survey can be used to good effect as the basis for the focus group discussions or it can be simply a separate and independent source of information to further its understanding. In the design of such a survey the board should aim to gain a picture of the current situation compared to staff views of the ideal. This would give it an indication of the particular strengths it should seek in the new chief executive.

One caution here is that staff may be locked into a self-serving view of the type of leadership they think they need. This is most likely to be in favour of the status quo and the board may need to be bold in seeking new leadership for the organisation that will initiate significant change.

**Board perspective** – The chief executive is responsible to the board as a whole. It is important, therefore, that the whole board takes an active part in the recruitment process. The most effective way to do this is to have a thorough discussion at the start of the process to define the desired qualities sought in the new appointee. Again, a facilitated workshop is worthwhile. The aim is to consider staff perceptions gained through the previous step and to agree on the key attributes sought and the key results areas that the new chief executive is to achieve.

**Stakeholder perspective** – In some circumstances it may also be useful and relevant to seek input from key stakeholders particularly if the current relationship is not in a great space and the board wants to change that (see Section 4).

## 2 Searching and shortlisting

**Assigning board responsibility** – If it wishes to, the board can then delegate the recruitment process to a board committee set up to oversee the next phases of the process. A smaller group than the full board is often preferable to provide effective liaison if recruitment consultants are used during the search and shortlisting phases and to ensure confidentiality is maintained throughout the process.

**Recruitment consultant** – The committee might be delegated by the board to appoint an external recruitment consultant to assist with the production of a shortlist of candidates meeting the board's specifications.

Within an agreed budget the task of that adviser could be to undertake an advertising and/or 'search' process to produce a shortlist of say three to five candidates for more detailed scrutiny by the committee. Typically this process would involve documentation on the attributes of each of the shortlisted candidates including, ideally, that gained from psychometric testing. There are many different views about such testing but it provides additional and often vital information to ensure that the ultimate appointee is a good fit.

**Simulation testing** – There is increasing evidence that reliance on the standard approach of interviews and reference checks – even when supplemented by psychometric tests – does not necessarily produce a candidate whose actual on-the-job performance will meet

the board's expectations. If resources permit, shortlisted candidates should experience an intensive, tailored simulation of the types of pressure they will face on the job. There are firms that specialise in this type of testing for senior executive appointments.

From these steps it should be possible for the committee to recommend a preferred candidate (or perhaps two) to the full board for final consideration.

When deciding how much of this suggested process to undertake, a board should always remember that most hiring decisions are made primarily on the basis of easily identifiable or recognisable characteristics. These are usually the types of things that can be listed on a CV – for example, a candidate's experience, skills and knowledge. However, this should be thought of as simply the tip of an iceberg. Subsequent firing decisions are almost always made on the basis of attitudes and aptitudes constituting that part of the iceberg that is below the surface. A recruitment process should always be designed to help a board understand what is below the surface.

## 3 Full board consideration and final decision

**Final selection process** – Given the extensive process that has gone before, the final step would be for the board as a whole to meet the leading candidate(s). By this stage it could have considerable confidence that an interview/discussion with the shortlist of candidates recommended by the committee would allow it to reach a final decision.

**Appointment** – The final step in the process could once again revert to the committee to oversee reference checking and the finalisation of the new chief executive's employment contract within terms agreed to by the board. The contract and performance expectations should fully reflect the board's expectations. It is wise to take specialist advice on both the employment contract and performance agreement aspects of the appointment.

There have been unfortunate examples in New Zealand arts organisations where the chief executive has, in effect, been left to write his or her own contract. In one case this created a virtual job for life on the chief executive's own terms and conditions. When the board decided that new skills and perspectives were needed in the role, the organisation could not afford to buy the chief executive out of the contract. The alternative process of managing him out of the role on the basis of diminishing effectiveness was

simply beyond the board's capability and willingness to contemplate. For a number of years that organisation failed to realise its potential or meet stakeholder expectations.

All boards would do well to contemplate which the most expensive option is: a thorough and professional recruitment process, or years of organisational under-performance and possibly, eventually, a messy and expensive termination process.

#### 4 Induction

Steps should also be taken wherever possible to ensure that the new chief executive – particularly if appointed from outside the organisation – is as well briefed and well prepared as possible. The objective is to get the new person fully functional as soon as possible.

This step should include an early discussion between the board and chief executive to ensure their mutual expectations and understanding of the organisation's situation are fully aligned. A new chief executive needs time to get a feel for the organisation and to think about where they want to take it. Even an internal appointee will view the organisation differently when they can see it from the chief executive's perspective. At some point most new chief executives are likely to want to initiate some form of change. The direction of this change should not come out of the blue as far as the board is concerned.

### 7.2 Making clear the extent of delegation to the chief executive

Legally a board has full and ultimate accountability for the management of the organisation. In a very real sense, therefore, the chief executive's job is sequential to that of the board's.

The board must decide which aspects of its responsibilities it wishes to delegate. To do this it must have a clear idea what its own job is and how it sees that fitting with the chief executive's role. This, and the subsequent delegation of part of the board's authority to the chief executive, should be a conscious process best executed through the type of policy-making process referred to in Section 5.

The board's basic operating assumption must be that a competent chief executive is fully capable of managing and overseeing all operational matters. While the chief executive

may seek and accept advice from the board or individual board members, this should be viewed as no more than the chief executive gathering information from a variety of different sources in order to make an effective decision.

Ideally, the chief executive should be delegated authority to manage all operational matters. The board's job is to set expectations and judge the results achieved and to hold the chief executive accountable for those results. The board should do nothing that undermines its ability to hold the chief executive accountable for operational performance. A particular risk is that the board (or any individual board member including the chair) starts directing the chief executive or, even worse, other staff, as to *how* something should be done. When this occurs it substitutes its own judgement for that of the chief executive, and he or she can no longer be held accountable for the result.

An effective and productive board-chief executive relationship is built around:

- mutual respect for their separate but mutually interdependent roles and responsibilities
- a clear and unambiguous definition of the results to be achieved
- clearly defined and documented delegation and authority
- mutual agreement about the boundaries of freedom granted to the chief executive in order to carry out his or her role and tasks
- a fair, ethical and transparent process for evaluating the chief executive's performance
- an ability to engage in robust debate, and a mutual willingness to challenge and to offer and receive constructive criticism.

Once the board has made clear its delegation to the chief executive, it must respect the agreements reached and also refrain from giving instructions to, or evaluating, any staff member who reports to the chief executive. That does not mean that board members should not be free to talk with other staff, but they must take care to ensure that in the normal course they do not come between the chief executive and his or her staff.

### 7.3 Constraining the chief executive's freedom to act

It is imperative that the chief executive knows what he or she can do without having to refer back to the board. The chief executive should not be faced with having to continually seek board permission to carry out normal operational actions.

## Section 7

### Board–Chief Executive Relationships

Rather than telling the chief executive what he or she can, or should do, the most effective way of doing this is to define boundaries for management action using a *proscriptive* or limitations format, stating what *cannot* be done, rather than what can or should be done. Because of the language used this may, at first, seem a negative approach but it is one that is quite commonplace. Think, for example, about the Ten Commandments and the Road Code. The main advantages of this type of ‘thou shalt not’ approach are that:

- the board has better focus, clarity and more effective overall control
- ‘lay’ board members are better able to make an input because this approach does not require them to try and tell the chief executive how to do his or her job – only to identify the things that should not happen to and in the organisation
- the provision of clear boundaries gives greater certainty of expectations for the chief executive and less ‘second guessing’ by the board
- there is increased empowerment for the chief executive
- there is increased likelihood of innovation in the ‘means’ chosen because operational approaches are not prescribed by the board
- the chief executive is obliged to find the best way of getting something done
- board agendas become less cluttered by the chief executive seeking permission to do things.

Once the boundaries are proscribed, the chief executive is free to work within them using his or her professional judgement to make decisions and take all actions appropriate and necessary to achieve the outcomes and priorities agreed by the board.

The board has the right to impose as many limitations as it chooses and to define these to whatever level of detail it considers necessary. It must reach the point, however, where it is confident that it will be able to support the chief executive in making ‘any reasonable interpretation’ of its words. If it cannot do this it may need to specify more detailed policy (narrowing still further the scope for chief executive interpretation). Alternatively, it might be forced to conclude that it does not have the necessary confidence in its chief executive and, therefore, should seek a replacement.

On a regular (at least annual) basis a board should examine the key risks facing the organisation. In terms of its stewardship role it must ensure that those risks that could have the greatest impact on the organisation and the most probability of occurrence are adequately covered by policy. Executive Limitations policies may be thought prudent to cover various categories of risks, including the following:

- budgeting/financial planning
- financial condition
- investments
- remuneration and benefits
- protection of assets
- property management/physical resources
- ends focus of contracts or grants
- business continuation
- treatment of staff (including health and safety)
- equal employment opportunities
- communication and support to the board
- treatment of customers
- programmes and services
- public awareness.

This is not intended to be an exclusive nor exhaustive list. There may well be other types of risk that individual boards would identify as relevant to their particular situation. Similarly, some of the risk topics on the list may have little relevance to some boards.

The following are illustrations of the limitation style of delegation. Remember that these follow and complement board policies and plans that spell out the outcomes or results the organisation is to achieve. Limitations policies are primarily about limiting the ‘means’ at the chief executive’s disposal to fulfil the organisation’s ‘ends’. Because it is easy to conceive of means that would be unacceptable (e.g. ethically, morally or because of the risks created), it is incumbent on every board to think through and state what it would not want to happen. By definition such concerns can only be expressed prescriptively.

#### Fund-raising

With respect to The Big Town Orchestra’s fund-raising programme, fund-raising activities shall be designed to ensure maximum financial return with minimum exposure to risk. Accordingly, the chief executive shall not pursue or in any other way support any fund-raising activity or process which:

- involves any person, either as a staff member or as an agent of an outside organisation, when that person has been convicted for any form of dishonesty
- involves a relationship with a company or organisation whose products or services are incompatible with the values of The Big Town Orchestra
- may bring the name of the organisation into disrepute.

[Note – this policy so far as it is stated contains a number of words and concepts that are open to interpretation. If the board is not happy to allow the chief executive a reasonable interpretation of those words it must add another layer of detail. It might, for example, state that the chief executive must not enter into a funding arrangement with a company associated with the production of drugs or alcohol.]

## Communication and Support

The chief executive shall not allow the board to be uninformed or unsupported in its work.

Accordingly, the chief executive shall not:

- 1 Neglect to provide information in a timely, accurate and understandable fashion, addressing the various issues to be understood and monitored by the board.
- 2 Neglect to provide financial reports that make clear
  - a significant trends
  - b data relevant to agreed benchmarks and board-agreed performance measures and targets.
- 3 Fail to inform the board of significant trends, implications of board decisions, issues arising from policy matters or changes in the basic assumptions upon which the board's policies are based.
- 4 Fail to inform board members when for any reason there is actual or anticipated non-compliance with a board policy.
- 5 Neglect to inform the board of any serious legal conflict or dispute or potential serious legal conflict or dispute that has arisen or might arise in relation to matters affecting The Big Town Orchestra.
- 6 When gathering information for fully informed board choices, neglect to provide a wide a range of views and perspectives.
- 7 Fail to inform the board of such occasions when it violates its governance process or linkage policies, particularly when this relates to the chief executive's ability to carry out his or her responsibilities.
- 8 Fail to deal with the board as a whole except when responding to individual requests for information or requests from board committees or working parties.

## 7.4 The chief executive/board chair relationship

The board chair leads the board and the chief executive leads the staff. These two roles are therefore important lynch pins in the organisation and need to have a productive working relationship. More comment on the chair's role is included in a Section 12.

Given their respective responsibilities it is likely that the chair and the chief executive will often meet or communicate outside scheduled board meetings. Great care should be taken, however, to ensure that this forum does not serve as a de facto board meeting. It would be rare for the chair to receive official information from the chief executive that should not also be made available to other board members. The chief executive/chair roles are integral parts of the total leadership team, but together they should ensure that their actions do not exclude the rest of the board.

Routine chief executive-chair liaison can provide a useful opportunity for the chief executive to test interpretations of board policies and to discuss ideas and options. However, the chair should remember that the chief executive is employed by the board as a *whole*. Only decisions or instructions of the board acting together can, therefore, be binding on the chief executive. This means that, excluding extraordinary circumstances, the chair should not personally issue instructions to the chief executive. The chair should particularly take care never to be tempted to give, or remove, permission to the chief executive to carry out operational actions. All operational decisions, *within policy*, should be the choice of the chief executive who is then held to account for the effectiveness and appropriateness of his or her choices.

In many arts organisations, particularly those that, because of limited resources, are largely working boards, the separation between the board and the chief executive is not as distinct as might be desirable. In these circumstances it is important that the chair, at least, has a clear sense of the separation of powers and can intervene when necessary, perhaps even acting as a protective 'heat shield' for the chief executive when needed. Regardless of organisational circumstances, however, the chair should never come between the board and the chief executive.

## 7.5 Evaluating the chief executive's performance

It is hard to overstate the importance of effective chief executive performance management by a board. The starting point for the board in this regard should always be to consider how it can ensure that the chief executive succeeds in the role.

However, an apparent weakness in arts governance in New Zealand (and, it has to be said, in many other sectors as well), is that boards have generally not ensured that systematic and objective performance management processes are in place. This is likely to have been to the disadvantage of both boards and the chief executives reporting to them. In certain cases boards have not been able to deal with perceived inadequate performance, and nor have chief executives had clear expectations to work to, nor regular, objective and constructive feedback on their performance.

A chief executive should be evaluated only against objective, and previously agreed to, performance criteria. The chief executive should also be evaluated only in respect of those matters for which he or she has been delegated full operational authority. The chief executive should not be held to account for the performance

of personnel or groups that he or she did not personally select or have full managerial authority over. This may apply particularly to those situations where artistic matters are determined independently of the chief executive.

If a board has an effective policy framework of the type described in this guide, it needs make no distinction between the chief executive's achievements and those of the organisation as a whole. The only exception to this general rule is if the chief executive does not control the resources necessary to achieve the stated results, or has not been delegated the authority needed.

Every board meeting that reviews organisational achievement can be regarded as a component in the assessment of the chief executive's effectiveness. It is still important, however, that there be, from time to time (no less often than annually and ideally every three to four months), a more formal and focused assessment of the chief executive's performance against the board's expressed expectations (ends and limitations). The continuous feedback and active communication that is integral to such an approach helps guard against the potential for a growing gap in expectations between a board and its chief executive. Such gaps grow in an almost imperceptible fashion, but are nevertheless real and can eventually result in an irretrievable breakdown in the relationship.

When conducting chief executive performance evaluations, boards should be careful what information is used. Only information relevant to a consideration of whether or not the organisation has achieved the ends or outcomes set by the board and that the chief executive has complied with any limitations policies should be taken into account for performance evaluation purposes. It is inevitable that various stakeholders (including staff) will offer board members opinions about their chief executive's performance. Sometimes these will be positive, at other times negative. Often such opinions will have little to do with the board's expressed expectations and more to do with, for example, the chief executive's personality traits. Great care should be taken in allowing such opinions to influence an objective evaluation of the chief executive's performance.

There is a very real risk that the chief executive performance management process can become overly focused on the past and what is wrong, rather than on the future and what is right. Similarly, there is a risk of focusing on the chief executive's weaknesses rather than strengths (which is why he or she was hired in the first place). If the process is solely used to catch the chief executive making mistakes it will quickly become discredited, particularly in the eyes of the chief executive,

and ineffective, if not counterproductive. As much as anything else it should be a process for allowing the board and chief executive to identify and agree on future initiatives that will assist the chief executive, as well as the organisation, to succeed.

### *Checklist of key elements in chief executive performance management*

#### Planning

##### 1 Keep it simple

Performance planning is mainly about setting priorities for the chief executive; the conduct of business as usual should be a given. The process should result in an alignment of board and chief executive expectations. Performance planning should, therefore, be a collaborative process initiated by the board but carried out in consultation with the chief executive. The process should flow from the organisation's strategic and business plans not from the chief executive's job description.

##### 2 What is to be achieved?

Performance planning should focus on what is to be achieved not on the input or activity required. However, few arts organisations can rely on the apparently simple outcome measures used in a commercial environment (e.g. profitability, or return on capital). It is likely that *behaviour* (or behaviour-related processes like stakeholder management) may be just as important in an assessment of chief executive effectiveness.

For many years it has been the conventional wisdom that a board should set detailed and specific performance targets designed to stretch the chief executive's performance. However, it has become increasingly apparent that reliance on what are often referred to as KPIs (key performance indicators) has significant flaws. Performance indicators are frequently chosen for ease of data collection rather than because they accurately and validly measure the quality (impact) of performance. Unfortunately KPIs frequently create perverse incentives as well, rewarding chief executives for their diligence in meeting the numbers, rather than for pursuing the essence of what is required to be a good organisational leader.<sup>13</sup>

<sup>13</sup> Further discussion of this problem can be found in Graeme Nahkies. 'Performance Measures: Are They More Trouble Than They Are Worth?' *Board Works*, Issue 13, 2013.

Consequently it is likely to be more relevant and useful for both board and chief executive to concentrate on defining what, in terms of organisational performance, the chief executive should be focused on for the coming year. Such focus areas should be few in number and as clearly stated as possible.

## Performance monitoring

### 3 Performance monitoring should be continuous

The board should avoid rushed, once-per-year reviews. These are heavily influenced by the recency effect – the undue weight given to what has happened in the final few months or even weeks of the year. There should be continuous informal feedback which is affirmative as well as identifying any concerns.

### 4 The board should understand that regular reporting is part of the performance review process

When the chief executive provides his or her regular reports to the board on *organisational* achievement these provide a chance for the whole board to be involved in a timely (*chief executive*) review process. Such reports should be in accordance with a board-approved monitoring schedule (see Section 8.2).

### 5 An additional step should be a more formal assessment every three to four months

A periodic review of progress in relation to the focus areas referred to above is a way of focusing more particularly on the chief executive's own performance. It provides a chance to reset expectations if necessary.

## Who should do it?

The board should not leave the chief executive performance review to the chair because the chief executive is accountable to the board as a whole. Also, if he or she gets on well with the chief executive, the chair could be prone to exaggerating his or her achievements and protecting the chief executive from the truth about any concerns with his or her performance. On the other hand, if the chief executive does not get on well with the chair, this could also spell trouble.

The board should, therefore, adopt a process whereby all board members have to think about and express themselves on the chief executive's effectiveness.

The chief executive can help trigger the board's thinking by preparing a self-assessment. This will help board members to structure their thoughts.

Some of the most useful feedback for both the board, and certainly the chief executive, will come from staff provided this is collected in a systematic and professional manner. Some chief executives worry that staff feedback is risky to them personally because they may not be popular with staff. However, board members have a way of finding things out – anecdotal evidence can be far more damaging than properly designed and conducted climate or staff feedback surveys. It is important for both the board and the chief executive to understand how people in the organisation feel about the chief executive's leadership.

## Reset expectations

Performance expectations should remain as current as possible. It may be asking too much for a board to remember nine months down the track that it implicitly agreed that the budget targets were unrealistic. Make the need for change explicit. Formal expectations should be changed when necessary.

## Discussion topics

- 1 Does the board have in place soundly based documentation in regard to its employment relationship with its chief executive (employment contract, etc)?
- 2 Does it regularly (at least annually) document its expectations regarding the performance of the chief executive?
- 3 Does it actively monitor and provide regular constructive feedback on chief executive performance?
- 4 Does it have a policy framework in place that clearly expresses the organisational ends or outcomes to be achieved and the situations and circumstances to be avoided?



New Zealand Festival's Writers and Readers Week (2012).  
Photographer, Robert Catto.



# Monitoring and Evaluating Results and Achievements

It is an important part of the board's job to monitor organisational performance to ensure that the organisation is achieving specified results and meeting the standards required.

### 8.1 Measuring outcomes not effort

While it is often easier to measure rates of activity (e.g. the number of exhibitions, performances, etc) the board's focus should be on the achievement of desirable *outcomes* (e.g. satisfied patrons), rather than on the *effort* expended by the chief executive and staff to achieve those results.

### 8.2 Monitoring systematically

*Monitoring should always be criterion-referenced. In other words, the board should only monitor what it has said in advance is important.*

For the most part this will be reflected mainly in the board's prior policy statements, which in this context should be taken to include the strategic and business plans.

A board is entitled to review any governance policies and performance expectations at any time, using any method it chooses. However, it is good practice to establish a prior monitoring schedule. The policy example shown below (Monitoring chief executive performance) includes a policy monitoring schedule which lists policies and sets out the method and source for acquiring information<sup>14</sup> and the frequency of monitoring the policy. The chief executive should, in effect, be required to produce compliance reports against each of the policies that relate to his or her responsibilities.

The board should separately review any policies that define and relate to its own job.

Some policies may be reported against at every board meeting (e.g. actual performance compared to financial policies), while the board may feel others need less frequent monitoring. The following is an example of what a policy related to monitoring might look like.

#### Monitoring chief executive performance

The chief executive's performance will be continuously, systematically and rigorously assessed by the board against achievement of the Results policies and compliance with Executive Limitations policies. The board will provide regular performance feedback to the chief executive.

- 1 The purpose of monitoring the chief executive's performance is to determine the extent to which the board's policies are being met. Only data relevant to the board's policies will be considered to be monitoring data.
- 2 The board will acquire monitoring data by one or more of three methods:
  - a by direct chief executive reporting to the board
  - b from an external, disinterested third party selected by the board to assess compliance with board policies, and
  - c by direct board inspection, in which a designated member or members assess compliance with the appropriate policy criteria.
- 3 In every case, the standard for compliance shall be that the chief executive has met, or can demonstrate compliance with, the intent or spirit of the board policy being monitored.
- 4 There will be an annual formal appraisal of the performance of the chief executive. The timing, format and process for this meeting will be negotiated between the chief executive and the board at the beginning of the performance monitoring period.
- 5 A board committee may assist the board in this process, which may make recommendations to the board.
- 6 All policies that instruct the chief executive will be monitored at a frequency and by a method chosen by the board. The board may monitor any policy at any time by any method, but will ordinarily depend on a routine schedule (see illustration on the next page).
- 7 If at any time the board engages an outside evaluator to assist the board to conduct an assessment of the chief executive's performance, the process must be consistent with this policy. Any such evaluator is a contractor to the board, not the chief executive.

<sup>14</sup> For example, an internal report (from the chief executive), an external (independent) report or the board's own direct inspection.

Policy	Method	Frequency	Month
Financial condition	Chief executive report	Annually	
Budgeting and financial planning	Chief executive report	Annually	
Investments	Chief executive report	Quarterly	
Remuneration and benefits	External	Annually	
Protection of assets	Chief executive report	Six Monthly	
Emergency chief executive succession	Chief executive report	Annually	
Treatment of staff	Chief executive report	Annually	
Communication and support to the board	Direct inspection	Six Monthly	
Treatment of consumers/members	External	Annually	
Public affairs	Chief executive report	Six Monthly	

### 8.3 Providing the board with the right information

*As noted above, monitoring should be in relation to predetermined criteria. This means that management performance will be assessed in relation to explicit expectations that reflect what the board as a whole thinks is important.*

This protects against the random expressions of curiosity (or even of personal agendas) of individuals on the board.

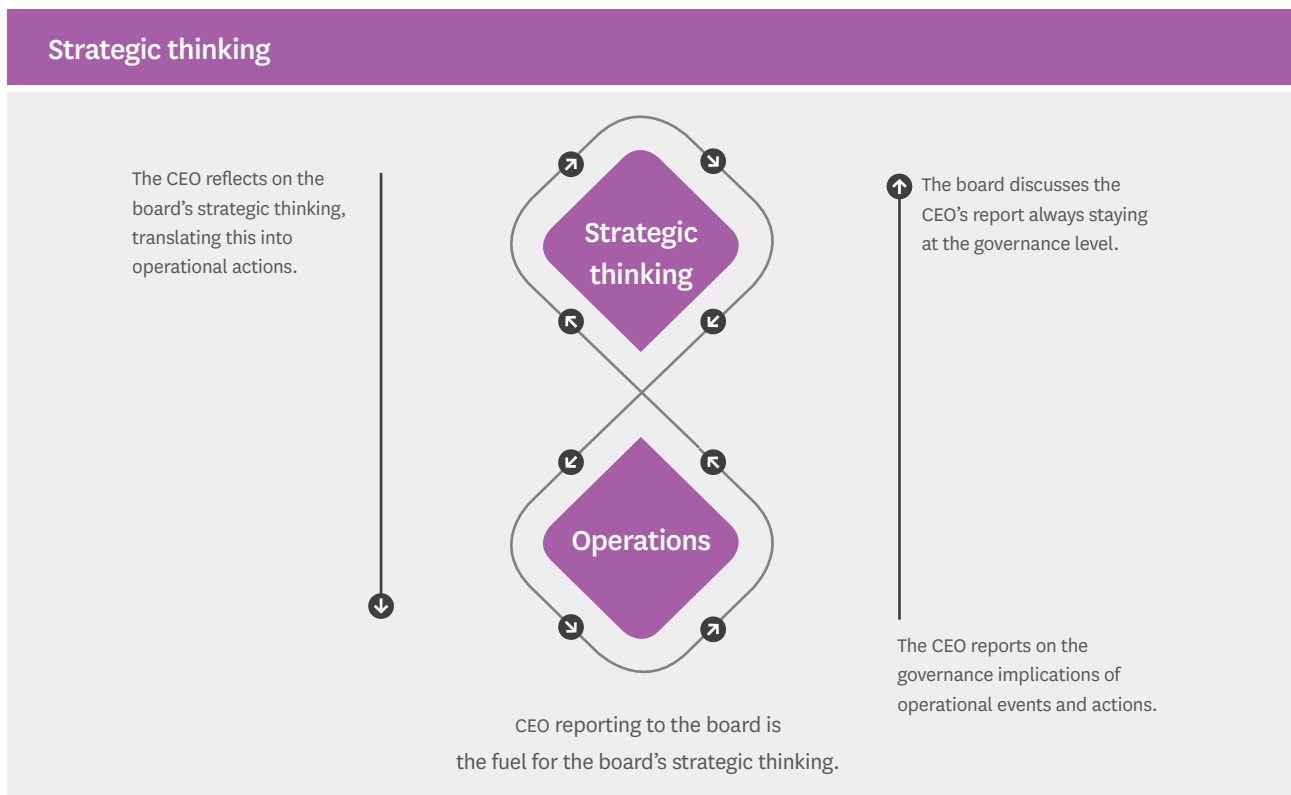
Quality board time should therefore be devoted to deciding what the key performance variables are that the board must monitor in order to accurately judge the health of the enterprise. The form and detail of monitoring information should be relevant to that required for sound governance decision-making. A board's time is too valuable to allow its meetings to get bogged down in micro-managing operational detail. Again, the board's policy-making process is a key to this.

Board monitoring should demonstrate a broad, balanced concern for all aspects of organisation performance, not focusing on one aspect (e.g. finance) to the exclusion of other matters. For example, in arts organisations the board will want to monitor the quality of artistic achievement relating to the ultimate purpose of the organisation. Depending on the composition of the board it may need to seek external advice on the quality of artistic

achievement. Some New Zealand arts boards take close notice of published reviews by arts critics. Others may engage specialists to conduct a peer review.

In order for the board to have control over, but be free from, the complexity of staff operations and thus focus on strategic thinking, there needs to be clearly stated and agreed processes for keeping the board informed about the outcomes of staff effort – without inviting, wittingly or otherwise, the board's involvement in operational decision-making. This balance is often difficult to achieve. While, individually, many board members will be interested to know about the details of day-to-day actions and events in the organisation, these are often, in themselves, of little relevance or use to the board in carrying out its governance responsibilities or doing its strategic thinking.

What the board should know about is the governance implications of those actions and activities. Instead of merely reporting the actions, the chief executive should be interpreting and reporting on these in terms of the board's responsibilities and concerns. The following figure-of-eight diagram represents the flow of communication between the chief executive and the board. Events and activities occurring in the lower operational portion of the diagram are reported on by the chief executive in terms of their impact on the board's desired strategic results. For example, the chief executive might report on the implications of higher than expected staff turnover (an operational issue) for the achievement of planned results (an obvious board concern).



At the board meeting, the board discusses the implications of the chief executive's report, at all times staying in its governance role and thus keeping the debate at the strategic level (represented by the upper portion of the diagram). The outcomes of the board discussion are then translated into management or operational thinking by the chief executive and taken back into the operational arena to be implemented, evaluated and reported against at a future board meeting. For example, the board's desire for more improved stakeholder understanding of organisational objectives would be taken away by the chief executive and translated into various options for, say, more frequent communication with those stakeholders.

This type of interaction, with each party respecting the other's roles, facilitates an ongoing dialogue between the chief executive and the board around key strategic issues.

#### 8.4 The board's organisational 'dashboard'

Board members have a right to receive information from management in an understandable, accurate and manageable

form. With regard to board reports, however, board members often experience:

- overload – too much data and not enough information
- an inappropriate level of detail (both too much and too little information)
- poorly presented information which is difficult to interpret and assess for its significance because important information is buried amongst much that has less materiality
- information which has a management rather than a governance perspective
- information which lacks an interpretive context (that explains why the information is being reported to the board, what should the board take from it, etc).

To avoid these types of problems and to make more productive use of board (and management) time, a useful concept is a board information 'dashboard'. In a car, the dashboard instruments give the driver a quick snapshot of the state of performance of the vehicle. They can tell at a glance the speed at which the car is travelling (speedometer), how hard the engine is working (rev counter), how much fuel there is left (fuel gauge), how far the vehicle has travelled (trip meter), and so on.

Similarly, an arts board can use the equivalent of a dashboard to determine which information it needs on its journey to a desired location. So, for example, it can travel at a safe speed (within available staff resources), avoid running out of gas (cash), track distance travelled (progress towards goals, milestones) and maintain reasonable fuel economy (operational efficiency).

Such dashboard measures should be presented so the important numbers can be easily interpreted for their meaning and significance. That way, the driver's attention (i.e. the board) is not unduly distracted from the road ahead. As in so many other aspects of organisational performance, the board must do its own job first. This means boards must identify the information that they need from staff so that they can adequately monitor and evaluate whether the organisation is on track to deliver its purpose.

Another thing we can draw from this analogy is that the dashboard information should, as far as possible, be future-focused so the board is not forced to steer by looking in the rear-vision mirror. Traditionally, the information on which governing boards have focused has been backward looking, historical data. There is a need for more of the type of information that will help it look to the future and anticipate both opportunities and challenges.

The following questions may be helpful in developing a board's initial dashboard even though how a board uses this tool will undoubtedly evolve considerably over time:

- What are the performance indicators that tell us most about whether this organisation is making progress?
- What are the most significant risks we face and what are the relevant performance indicators?
- For ease of understanding and interpretation, what are the best ways to display each of these indicators?
- What comparisons (e.g. current versus past periods, measure-to-measure ratios, etc) would be most informative?
- What will constitute a sufficiently material divergence from expectations that it should be reported to the board?
- How frequently do we want to receive reports?

Each board will need to determine which dashboard dials are likely to be of most relevance and use to its organisation. An example that many in the arts sector might find relevant is a 'diversification of revenue' dial. If the board identified diversification of revenue sources as a major performance indicator (e.g. to spread the funding risk), it might use a simple chart to track the changing percentages of income by source on, say, a quarterly or six monthly basis. Another example acknowledges that an arts organisation is

no different from any other organisation in the sense that it must remain financially solvent. The graph of the Current Ratio in Section 11 demonstrates how presenting critical financial data in graphic form allows even members who are not financially literate to understand both the current state of play and the longer term trend.

## 8.5 The organisational learning process

Effective monitoring and evaluation of organisational performance are key aspects of the board's overall strategic thinking process. One aim is to ensure that the rate of organisational learning exceeds the rate of change in the environment – in other words, it enables the board and chief executive to keep ahead of the play. This was described by Ross Ashby, a British pioneer in the fields of cybernetics and systems theory, as the law of requisite variety. It stipulates that for a system to preserve its integrity and survive, its rate of learning must at least match the rate of change in the environment.

### Discussion topics

- 1 **Has the board made a clear statement of the matters on which it must be kept informed?**
- 2 **Are these more focused on the achievement of results than on, for example, the volume of activity?**
- 3 **Does the board feel that it has its 'finger on the pulse' (i.e. does the board receive regular reports on important organisational performance indicators that are timely, accurate and easily understood)?**
- 4 **Do board members feel that they are part of a continuous learning process about organisational performance and the matters affecting that?**



Auckland Philharmonia Orchestra, Sistema Aotearoa programme (2013).  
Photographer, Adrian Malloch.

# A Strategic Risk Management Framework

Examples of organisational failure in the arts sector are, unfortunately, not hard to find.

Often this has resulted from a board failing to identify and characterise the risks facing the organisation and to see that strategically important risks were managed appropriately and effectively.

## 9.1 What is risk?

*Risks are uncertain future events that could impact on the organisation's ability to achieve its objectives.*

There are events that boards cannot fully foresee that may make their organisations' tomorrow much different than it is today. Such events may happen suddenly and unexpectedly. Generally a risk encompasses both threats of losses and opportunities for gains. The challenge is to ensure – in terms of the organisation's purpose – that gains will outweigh losses.

Risk is an essential and unavoidable component in any organisational situation. Every organisation, whether commercial or non-commercial, exists in the larger world, which changes continuously. Without change there can be no progress, but change brings risk. Most organisations, therefore, cannot do business without incurring some level of risk and must learn not only to tolerate, but to thrive on, a certain level of instability and unpredictability. Although there is a natural tendency to think of risk as protecting the organisation from something bad – such as loss of reputation – an organisation whose board is very conservative (i.e. risk averse) is likely to miss opportunities. This can damage an organisation just as much as a board that is reckless.

*Risk management* is the process by which the board and the chief executive ensure that the organisation deals with this uncertainty to its best advantage. It must acknowledge that an organisation faces both internal and external risks. Internal risks are best managed via the establishment of policies that address specific aspects of operational risks. Having established acceptable levels of risk and defined measures such as Limitations policy boundaries (see Section 7.3), the board should expect the chief executive to make all further decisions and take all further actions necessary to minimise the possible negative impacts and maximise the positive opportunities arising from risk-taking. Subsequent management reporting should provide assurance to the board that those risks with a greater probability of occurrence, and whose potential negative impact is high, are under close scrutiny and that there are appropriate control or mitigation mechanisms in place.

## 9.2 Strategic risk management

Traditionally, the discipline of risk management has been devoted to addressing threats of accidental loss. In this context, the most that the process of risk management could ever accomplish was to reduce or eliminate losses from, say, accidents to art works or facilities. Another important perspective, however, is that of non-accidental risks. This would cover, for example, losses from poor programming judgements or from errors in forecasting audience numbers. It is also very important to consider the possibility of gain from risk.

As in other aspects of the board's job it is important to adopt a more broadly based and strategic approach. Strategic risk management embraces both possible gains and losses from risk. It seeks not only to counter all losses, both from accidents and from unfortunate business judgements, but also to seize opportunities for gains through organisational innovation and growth.

Effective and strategic risk management is vital if your organisation is to be all it can be. Section 6 emphasised the importance of the board establishing a clear sense of organisational direction and important deliverables. What a board expects the future to bring and how it prepares for its vision of the future greatly affects the amount of risk confronting the organisation it governs. For example, if a board has one set of very specific expectations and is unprepared for any other version of the future to unfold, it puts its organisation at great risk. Strategic risk management is about visualising a range of other future scenarios (also referred to in Section 6) and having a Plan B, a Plan C and perhaps even a Plan D in place. This may lessen the likelihood of an unpleasant surprise for the organisation. It will certainly ensure that it is better prepared for a different eventuality, whether negative or positive.

No board expects, for example, that its chief executive will be incapacitated but if it has not considered the possible consequences of something untoward happening, it would almost certainly be surprised and unable to respond appropriately if the worst were to happen. If your board has ensured that it is prepared for a broad range of potential future outcomes, it will face less uncertainty and less risk. If the chief executive were to suddenly become unavailable it may not lessen the surprise, but it would certainly reduce the impact. The same is equally, and possibly even more, true in regard to artistic product. What would happen, for example, if the overseas guest conductor of the orchestra were not to arrive, or if the lead opera singer were suddenly taken ill, or if the lead dancer were to break his or her leg? In the visual arts sector,



what would happen if a baggage handlers' strike were to prevent the unloading of a valuable international art collection? Few arts organisations can afford bad luck of this kind.

Even though most arts boards' thinking errs towards being over-optimistic there are many boards that are also ill-prepared to take advantage of windfall opportunities. For example, if your organisation were not prepared for the offer of a large donation from an unexpected source, if a potential benefactor were to appear you may be unable to respond promptly or coherently. The benefactor may be forced to conclude that your board had no clear, inspiring plan and that another organisation or cause would better be able to put the proffered donation to effective use. Some thoughtful long-range planning, even dreaming, should enable the board to visualise its future options to the point that the organisation could respond constructively and rapidly to an unexpected and generous offer.

A strategic approach to risk management is conspicuously proactive. It counters downside risks by reducing the possibility of something unwanted happening (probability) and the impact (magnitude) of losses if it did, and by resourcing/financing recovery from these losses. It seizes upside risks by searching for opportunities to more fully, more certainly and more efficiently achieve its mission. It develops plans to facilitate prompt action on opportunities as they present themselves in the future.

There are five main reasons why a board needs to ensure that its organisation takes a strategic approach to risk management and that it is always well able to handle risk effectively and to advantage. These are outlined below:

- 1 **To counter losses** – This typically involves reducing the probability, magnitude or unpredictability of accidental losses. Techniques for reducing accidental losses usually involve either avoiding or modifying the activities that may generate accidental losses. Traditionally, risk management also involves putting in place financing arrangements that will assist recovery from accidental losses that cannot be prevented. This is often done by preparing the organisation to absorb the financial burden of possible losses itself, or by finding ways of sharing the possible burden with other organisations (e.g. by taking out insurance).
- 2 **To reduce uncertainty** – Uncertainty can be reduced by gathering more data to improve understanding and predictions and by anticipating and preparing for a wider range of outcomes.
- 3 **To take advantage of opportunities** – Organisational success is frequently characterised by innovation and the ability

to see and take advantage of possibilities others may have overlooked. Strategic risk management not only helps in identifying opportunities for gain, but also better positions an organisation to seize those opportunities.

- 4 **To be a good corporate citizen** – Organisations, like individuals, are good corporate citizens when they act according to, or beyond, community standards and expectations. Being a good citizen in this context is about behaving ethically and obeying the spirit as well as the letter of the law. When it consistently acts as a good corporate citizen an organisation tends to be less prone to liability losses (downside risks). It is also more likely to be presented with beneficial opportunities and to gain positive public support (upside risks).
- 5 **To fulfil a worthwhile purpose** – Not-for-profit arts organisations perform many functions in the community that neither governmental nor commercial enterprises could, or would wish to, perform. In return, both central and local government grant those organisations a variety of financial and other significant advantages that other types of enterprise do not enjoy (e.g. financial grants, tax free status, etc).

### 9.3 Clarifying the board's responsibility for risk

Because, ultimately, the board is accountable for organisational performance, it must be particularly clear how much risk is acceptable in order to achieve the organisational outcomes that are considered worthwhile.

All too often boards implicitly assume that much of the risk facing its organisation is technical or operational and, therefore, the responsibility of management. While in most cases the board is not directly responsible for the operational management of the organisation, it does carry the ultimate accountability for the organisation's performance. At a minimum, therefore, the board should ensure that there is an ongoing process for identifying, evaluating and managing the risks faced by the organisation and it should regularly review this process and what it considers to be the most significant risks facing its organisation.

Among the various dimensions of the board's risk management job is the need to:

- Characterise risk to ensure it has got the key risks facing the organisation in its sights and that it has a good understanding of their probability and potential impact.

- Set the tone and influence the culture of risk management within the whole organisation. The challenge has been neatly summed up in the following quotation:

*The board's key role is to ensure that corporate management is continuously and effectively striving for above average performance, taking account of risk.*<sup>15</sup>

For example, is it a risk-taking or risk-averse organisation? Which types of risk are acceptable and which are not? What are the board's expectations of staff with respect to conduct and probity? Is there a clear policy that describes the desired risk culture, defines scope and responsibilities for managing risk, assesses resources and defines performance measures? Ultimately the board is accountable for organisational performance. It must be clear how much risk is acceptable in order to achieve worthwhile rewards. It must, therefore, determine the appropriate risk appetite or level of exposure for the organisation. To a significant extent this will reflect the purpose of the organisation. A theatre company established to nurture and promote new work, will have a different attitude to the risks involved in producing the first play of an unknown but talented playwright, than a theatre company that typically produces the plays of well-established and commercially successful playwrights.

- Actively participate in major decisions affecting the organisation's risk profile or exposure; ensuring that important questions are addressed such as, should the risk be spread by working with another organisation or transferred through the use of funder/sponsor underwriting or insurance?
- Monitor the management of significant risks to reduce the likelihood of unwelcome surprises by, for example, receiving regular reports from management focusing on key performance and risk indicators, supplemented by audit and other internal and external reports.
- Satisfy itself that less significant risks are being actively managed, possibly by encouraging a wider adoption of risk management processes and techniques.
- Report annually to key stakeholders on the organisation's approach to risk management, with a description of the key elements of its processes and procedures.

To ensure that strategic risk management enjoys effective implementation these different facets of the board's role, the expression of its expectations and the delegation of its authority to management, should be formally documented in policy as

discussed in Section 5, creating a formal basis for accountability and an explicit framework for performance-monitoring.

A board should review its attitude and approach to risk regularly because the conditions that create risk are changing continuously. One exercise that a board can do on a regular basis (at least annually) is to brainstorm the various risks facing the organisation to create a risk map. The various elements identified are initially placed on a mind map type diagram. There are widely available computer software programs that can be used to help generate such a diagram but this can easily be done on a whiteboard or by putting Post-It Notes on a wall.

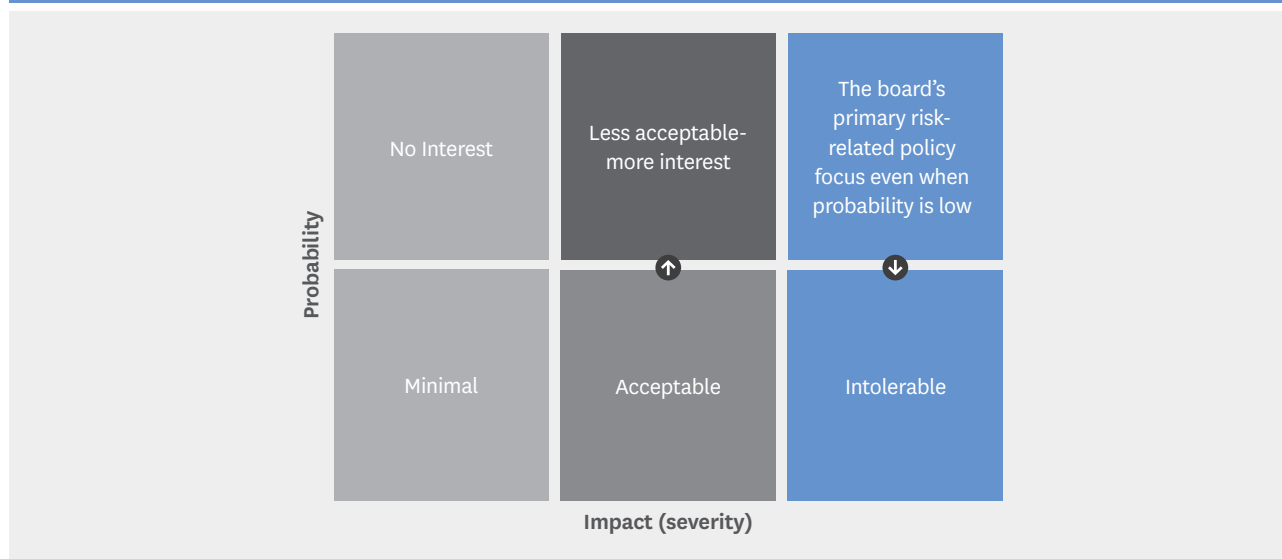


Each of the risks identified can then be assigned an assessment of the likelihood that the risk factor will occur and, if it does, what its potential impact could be. Where possible, it should be trying to control or mitigate those risks that have the greatest significance for the organisation. This should include even those risks that are beyond the organisation's ability to influence. In such cases the board should ensure that the organisation has a Plan B to be prepared to respond quickly and appropriately to matters that are otherwise beyond its control.

Plotting each of these risk factors on a graph, as in the following diagram, can form a picture that helps the board to more readily see where its attention should be focused. The higher the potential impact, the greater the board's likely interest even if the probability is relatively low.

<sup>15</sup> Frederick G Hilmer. *Strictly Boardroom: Improving Governance to Enhance Company Performance*. Melbourne: The Business Library, 1993.

## The board's interest in risk factors



The following table illustrates another useful format for recording the board's discussion during this exercise.

Risk factor (list)	Probability	Possible impact	Current preparedness
Audience apathy	Medium	Medium	Less than satisfactory
Tension between volunteers and professionals	High	High	Medium
Programming that is too 'safe'	Low	High	High
Lack of a shared vision	Medium	High	Poor

The board should regularly review the issues on the risk map and determine whether they are in the right positions on the graph. For example, has a 'cool' issue become 'warmer' (i.e. is it now

more probable or would it have a bigger impact?) and whether new issues should be added and old ones deleted.



New Zealand Festival's Writers and Readers Week (2012).  
Eleanor Catton.  
Photographer, Robert Catto.

Many boards delegate this sort of exploration and monitoring to their chief executives and staff. There is no substitute, however, for the board thinking for itself (supported by management) about the organisation's risk environment. Because they have different responsibilities, board and staff perspectives may well be different. Also, it should not be lost sight of that the board is where the ultimate accountability sits for organisational well-being.

The board should be conscious that, while risks can be managed through the operation of various types of controls, these will not always *eliminate* risk; any remaining risk is the organisation's

exposure to risk or its net or residual risk. There is a relationship between an organisation's objectives, risks and controls and its risk exposure. To deliver large benefits the organisation must generally attempt to achieve demanding objectives and this typically involves greater risk. The risk that remains depends on the level of control in place, and can be illustrated in a risk exposure matrix.

## Exposure to risk (Residual risk)

Level of risk	Level of control		
	Tight	Medium	Light
High	Medium	High	High
Medium	Low	Medium	High
Low	Low	Low	Medium

It is important to recognise that improving control is not just about increasing the number of controls or the frequency with which they are operated, but is also achieved by designing and introducing better controls. Increased control obviously comes at a cost: either direct costs, such as administrative staff and information systems; or opportunity costs, such as missed artistic growth opportunities or less entrepreneurship.

An organisation will not, therefore, want to deploy all the controls that might be available or possible when managing risks. Each arts organisation needs to determine its own overall risk exposure and ensure that this fits with the board's agreed approach to risk.

### Further Reading

For a more information, refer to Risk Management – Principles and Guidelines (AS/NZS ISO 31000:2009) which is a generic risk management framework that can be adopted by any organisation. More information is available on the Standards New Zealand website [www.standards.co.nz](http://www.standards.co.nz).

## Discussion topics

- 1 Does the board systematically and regularly (at least annually) review the risks facing the organisation?
- 2 Has it clearly agreed and communicated the level of risk it is prepared to tolerate in relation to critical organisational performance factors?
- 3 Does it have clear policies in place that define boundaries within which the chief executive can operate without further reference to the board?
- 4 Is the board satisfied that there are contingency plans in place to deal with risks that cannot be controlled or mitigated?



Tiffany Singh, *What is the colour of the breeze?* (2013).  
© Taranaki Daily News.

# Board Meetings

The productivity and effectiveness of a board is based on a clear understanding of both theory (for example, the role and responsibilities of the board as distinct from management) and practice (the pragmatic way in which the board actually goes about its work).

*Where these most obviously come together is in the conduct of the board meeting and this is where it can all go wrong. Board meetings should focus on governance responsibilities, such as organisational purpose, policy-making and performance review, ahead of operational matters that have been delegated to others and other issues that have no material importance.*

In reality, it is all too easy for a board to become distracted by operational activities and miscellaneous trivia about which individuals may be curious, but to which the board can add little or no value.

A board meeting should not be a formal, tick-box affair but, ideally, a forum for extended, in-depth discussions about critical strategic issues and important decisions. This discussion should include not only the full board and the chief executive but, where relevant, other staff and knowledgeable outsiders. Board meetings should provide ample opportunity for the board to ensure the ongoing relevance and appropriateness of the strategic results it has defined and other policies it has adopted.

Board meetings should be managed so as to encourage a diversity of views and opinions and to ensure input from all board members without prejudicing effective and efficient decision-making. The board's culture should encourage openness and honesty of expression. Individuals should not be allowed to dominate board discussion and each person should be encouraged to develop active listening skills. Behaviour around the board table should be respectful and, in offering opposing viewpoints, each person should be expected to be able to disagree without being disagreeable.

The chief executive and other senior staff should be expected to contribute to, but not dominate, the board's discussion. The board meeting is where the board does *its work*. Staff have an important role to *support* the board's work, by providing good information, analysis and advice, but must respect the board's responsibility to *govern*.

The board must ensure that its decisions are soundly based, properly taken and clearly stated and recorded. Then, as noted earlier, the board can confidently speak with one voice, even when consensus has not been possible and dissenting views remain.

The board should meet as often – and for as long – as it needs for members to give proper consideration to matters of importance

and to fulfil their responsibilities as fiduciaries. While many governing bodies meet every month this may not be necessary for effective governance if the right things are on the agenda and if board meetings are long enough to think matters through. Boards should also be conscious of the demands frequent board meetings place on, often limited, staff resources. The key to effective board meetings is planning.

## 10.1 Planning for effective board meetings

*Arts board members are often people with significant demands on their time.*

They do not want to be involved in meetings that waste their time dealing with matters that are of little consequence, are of interest to, or involve only, a small proportion of board members, or that should have been left to staff to deal with in the first place. The time a board spends together is, arguably, its most precious resource. There is at least a moral obligation to make sure it is used to best effect.

The design of the meeting agenda is the crucial starting point. This is the board's meeting plan – its statement of what it thinks is important enough to justify consumption of its valuable time. A board should always have control over its own meeting agenda. Its chief executive might have input into the agenda, but a board meeting is not a meeting to serve management. All matters on the agenda should have direct relevance to the board's governance interests and responsibilities.

Over a 12-month period, board meeting time allocation should reflect an appropriate balance between the need to ensure that the organisation is in compliance with statutory and contractual requirements and to attend to those matters that relate to achieving the organisation's goals and improving organisational performance.

### Develop a longer term view of the board's priorities

To help ensure that a board pays attention to those matters that most require its attention, it is particularly valuable to use an annual agenda.

An annual agenda defines well ahead of time the matters of strategic importance on which the board's time and attention should be focused. The equivalent of an annual work programme, an agenda protects the board from meandering from one meeting to the next reacting to whatever has just come up.



An annual agenda has two components: the tasks and topics the board *must* address (e.g. because of legal or contractual obligations) and those matters that are *discretionary* (e.g. most policy and strategic issues) but which go to the heart of effective board leadership. To develop such an agenda a board might brainstorm all its significant events and duties to be attended to in the coming year, allocating a date for each of these to be addressed. Typical items might include:

- preparation for the Annual General Meeting (AGM)
- the chief executive's performance appraisal cycle and key dates
- board performance review
- financial reporting
- an annual review of organisational strategy
- designated dialogue sessions on particular strategic issues
- consultation with key stakeholders
- meeting with the external auditor
- committee reporting dates, e.g. the audit committee
- signing off the annual report
- the policy review schedule.

And so on, including dates for significant events specific to the organisation.

Then it should identify, so far as it can, the crucial strategic and policy issues that it should get on top of during the next 6–12 months. It is possible that the board may need to prioritise this second category of topics so that it can pay proper attention to those that are most important.

Both groups of agenda items can then be scheduled into a board work plan that determines well ahead of specific meetings what will be considered at each meeting.

Rather than leaving these matters to chance, or forcing the chief executive to prompt the board to do its own job, an annual agenda assists the board to think through and take control of its own business. Such a longer-term agenda ensures that the board is committed to addressing those matters that are essential for effective governance. When this is done, matters requiring board consideration and leadership are less likely to be crowded off the agenda by attention-grabbing issues which are often urgent, but hardly important. Scheduling ahead of time in this way does not prevent the inclusion of other matters on a meeting-by-meeting basis, as appropriate.

A useful tool for any board to help develop its ability to create an annual agenda is the following Time-use matrix. The best way to use this is to divide the board into several small groups and ask each to try and agree what percentage of the board's total time is spent in each of the categories at a typical meeting.

Time-use matrix	
<b>Important and Urgent</b>	<b>Important and Not Urgent</b>
<b>Not Important and Urgent</b>	<b>Not Important and Not Urgent</b>

Just having the discussion will be the catalyst for a useful conversation about just what is an important use of board time. How much of what the board usually deals with is urgent, but not really important. How much is neither important nor urgent? Over time the board should aim to spend an increasing proportion of its time on matters that are important but not urgent (e.g. environmental monitoring, strategic thinking, policy-making, relationship-building, risk characterisation, performance review and development, etc). Scheduling these into an annual agenda increases the sense of urgency about matters like these that typically have no deadlines attached to them.

### Invert the agenda

Active use of an annual agenda makes planning each board meeting much easier. It determines ahead of time what is likely to be the best use of the board's time at a particular meeting. This will help address a problem faced by many if not most boards – they continually run out of time. Just as the board starts to get into the substance of a really interesting and, more to the point, important topic of discussion, time runs out. Later agenda items are rushed or deferred. Important, often quite fundamental, issues are glossed over or not even raised because people don't feel they can prolong the meeting. The board's dialogue is incomplete, left hanging as board members start leaving the meeting for other commitments. This can occur no matter whether a board meets for two hours or two days.

The traditional board meeting agenda deals with a lot of procedural and monitoring matters at the start of the meeting. A great deal of this initial phase covers topics to do with immediate, relatively tangible, matters and reviewing past performance. On these boards there is often a sense that members feel they have to get those topics out of the way first before they can progress onto dealing with future-oriented (and often more abstract, uncertain) matters. Often by then, however, exhaustion has set in, concentration has waned and people's thoughts have turned to their next appointment.

This is the complete reverse of what should happen. Because a board can only influence those things that have not yet happened, the greater part of its meeting time should be focused on designing the future rather than reviewing history (and even trying to re-write it at times!). While its members are all present, energetic and alert a board should deal with the most important and the more intellectually demanding and future oriented matters it should be concerned with. More routine material (usually covered in pre-circulated, written form anyway) should be dealt with later. It doesn't matter if the board doesn't quite get to those topics and if relatively little time is lost.

At the end of each board meeting each member needs to answer this question – 'Did we make the best possible use of our time together today?' The board's answers should be used to plan the next meeting and continuously improve teamwork.

## 10.2 Boardroom dynamics<sup>16</sup>

*A particular challenge in governing any organisation and particularly in conducting board meetings is that it is a process of group endeavour.*

Governance decision-making (and responsibility) is collective. In the process of developing the necessary group consciousness about things that are important group dynamics (the interactions, interpersonal relationships and patterns of behaviour that occur in a group) come into play. Some group dynamics are positive; others negative. Even when board members are well-intentioned and capable good governance can be undermined by negative group

dynamics. Recognising what these might be is an important first step for any board.

### Examples of negative group dynamics

- 1 Excessive conformity.** There are forces that bind a group of individuals together and keep members wanting to be part of the group. In a boardroom situation these allow the group to function smoothly, to keep its members motivated and help the group cope with internal conflict and politicking. However, pressures to conform (e.g. to a majority view) and maintain social cohesion within the group can also prevent useful information and opinions from surfacing. At the extreme it can cause 'groupthink', which occurs when boards make very poor decisions because important information is withheld or not acknowledged. The boards of successful organisations may also become overconfident. As a consequence boards may be resistant to information that is contrary to its self-assessment.
- 2 Negative group conflict.** A moderate amount of task related conflict is beneficial for a board provided it is not allowed to degenerate into personalised relational conflict. Being open to dissenting viewpoints assists a board to think more deeply and creatively and to make more informed and insightful decisions. Dissent can also prevent it from falling into routines that obscure problems and prevent effective responses to them. A style of board leadership that values minority viewpoints and adopts explicit processes to encourage divergent thinking benefits the board by forcing new ideas and information onto the table. However, a balance must be struck. There is a risk that dissent in excess and of the wrong (relational) kind can create conflict, undermine desirable levels of social cohesion and distract a board from its work.
- 3 Social loafing.** When the boardroom feels safe, board members are more likely to speak up, ask questions and admit mistakes. However, when it is too safe there is a tendency towards 'social loafing'. This phenomenon occurs when individuals who are engaged in a collective task make less effort than they would if they were carrying out the task on their own. The degree of accountability and visibility are important factors. Individuals will be more inclined to loaf if they believe that their effort will not be noticed or rewarded.

<sup>16</sup> Derived from Katharina Pick and Kenneth Merchant. 'Recognizing Negative Boardroom Group Dynamics.' In Jay W Lorsch (Ed.) *The Future of Boards*. Boston: Harvard Business Review Press, 2012.

- 4 **Politicking and the formation of cliques.** A board needs to have a sense of being engaged in a collective endeavour involving a joint task. Its members must value collaboration and cooperation and have a level of agreement about the board's role. Where these values and agreements are absent boards are at risk of becoming factionalised and vulnerable to destructive conflict and dysfunctional behaviours such as caucusing (predetermination) and coalition formation (internal division). In highly politicised environments particularly, it is hard to imagine that those who have power will not use it. However, if this power is used in a manipulative manner it is likely to destroy trust and undermine effective group process.
- 5 **Over-dominant leadership.** The leadership of the board by its chair is exceptionally important in board effectiveness. The tone set by the chair and the example he or she sets helps shape board behavioural norms and board culture. The chair must also give a lead on board activities, setting meeting agendas and framing the issues appropriately. At times a chair must be firm so, for example, time is not wasted or dissension does not get out of hand. However, when a chair uses his or her positional power to have personal preferences prevail or is simply over-controlling, other board members may be alienated and reduce their level of engagement and commitment.
- 6 **Habitual routines.** Without being aware of it many aspects of the way a board goes about its work can, over time, become routines that are applied mindlessly and effortlessly. When this happens it may be symptomatic of a board that is on auto-pilot or, as is often said of boards that preside over corporate failure, 'asleep at the wheel'. Such routines can also become problematic in themselves when they are no longer appropriate or of value.
- 7 **Shared information bias.** As individuals, board members have biases and it is important to manage decision-making processes so that these are made explicit and are offset or balanced out. However, one bias that is particularly hard to combat is a group one – the tendency for a board to spend the greater part of its time and attention on the information that is shared across most of its members. As a consequence the board is likely to neglect information that may be more important or valuable but is held by only one or two members. As a consequence of this bias boards are vulnerable to blind spots and to harmful misconceptions. It is another contributor to groupthink.

### Dealing with the risk of negative group dynamics

Being aware of and managing these types of board dynamics is an important part of being both an effective board leader and an effective board member. Individual board members can play their part in several ways by:

- helping to create an environment which encourages alternate viewpoints coming forward and supports positive dissent
- having the courage to voice a minority opinion
- taking the edge off dissenting comments (e.g. by explicitly adopting the devil's advocate role)
- framing questions as naive and consequent on a desire to learn
- helping to get discussions flowing in a manner that will encourage a range of ideas to surface (e.g. by asking open-ended questions of other board members about their experience of matters relevant to the discussion in hand)
- wherever possible, encouraging fellow board members to reflect on the process of the board.

### Discussion topics

- 1 Does the board meet often enough and for long enough?
- 2 Does the board determine its own meeting agenda?
- 3 Are its meetings productive (does it mostly deal with matters that are important and relevant to the future well-being of the organisation and its stakeholders)?
- 4 Are its meetings efficient (does it make the best use of its time)?
- 5 Is the board vulnerable to any of the group dynamic issues described?



Red Leap Theatre company, Paper Sky (2012).  
Photographer, John McDermott.

# The Board's Financial Responsibilities

One of the most common risks identified by governing boards around the world is that concerning financial resources – the risk of not having enough money to fulfil their purpose.

*Research for this publication confirmed that arts boards in New Zealand devote a substantial part of their time and effort to financial oversight, although their approaches differ greatly.*

In terms of risk management a board has a special responsibility to provide assurance of the financial integrity of the organisation. There is a tendency to rely heavily on those board members who have a particular financial and accounting expertise, but *all* board members are accountable for financial stewardship, not just those members with a relevant formal qualification.

This accountability is best achieved by adopting a governance, rather than a management, perspective. Financial governance entails setting a financial policy framework that will preserve and enhance the financial health of the organisation *and* allow all board members, regardless of their level of financial training, to share in this critical and unavoidable responsibility.

By taking a proactive approach to financial policy-making the board gets ahead of the game. Once a commitment of funds has been made by staff – a purchase, for example – it is too late for the board to try to second guess the decision. However, in many not-for-profit organisations, the practice of approving payments that have already been made still dies hard. The board gets asked to do something that is futile – approve the transfer of money into someone else's bank account after the transfer has occurred. It is also invited to second guess the decision that was made which is particularly frustrating for staff. Boards must instead create the policy framework (including the delegation) that steers the purchase decision before it is made. Then its interest is more in the aggregate effect of those decisions. A useful financial report from the chief executive compares what has happened with what should have happened. Are we on-track with our plans (e.g. on budget)? Are we achieving our objectives? Are we solvent?

Some aspects of financial governance might be dealt with in terms of prescribed targets and expectations (e.g. an operating result target). Other aspects of the board's financial governance are better expressed using the proscriptive or limitations format within the policy category Executive Limitations (see Section 5.2). Such policies might address some or all of the following topics:

- chief executive expenditure authority
- budgeting/financial planning
- working capital
- net assets and reserves
- investments

- general guidelines for financial management/overall financial condition (revenue, costs, cash flow, liquidity, etc)
- employee remuneration and benefits
- asset protection.

The board should require regular statements by the chief executive of compliance with the board's financial policies. Here are two examples of these types of financial governance policy (both written in the limitations format).

### Budgeting /Financial Planning

Financial planning shall not deviate materially from the board's Ends policies and Key Results priorities, put the organisation at financial risk, or fail to be derived from a long-term plan. Accordingly, the chief executive shall not produce financial plans or budgets that:

- Contain too little information to disclose planning assumptions, to allow separation of capital and operational items, or to enable effective projection of revenues, expenses and cash flow.
- Plan to achieve a bottom line financial result materially different from that determined by the board.
- Plan to use surplus funds in a manner inconsistent with the board's Reserves policy.
- Will result in board-determined targets for financial ratios not being achieved (note these ratios must be specified).
- Fail to provide for the current and future capital requirements necessary to achieve key results and to protect assets.

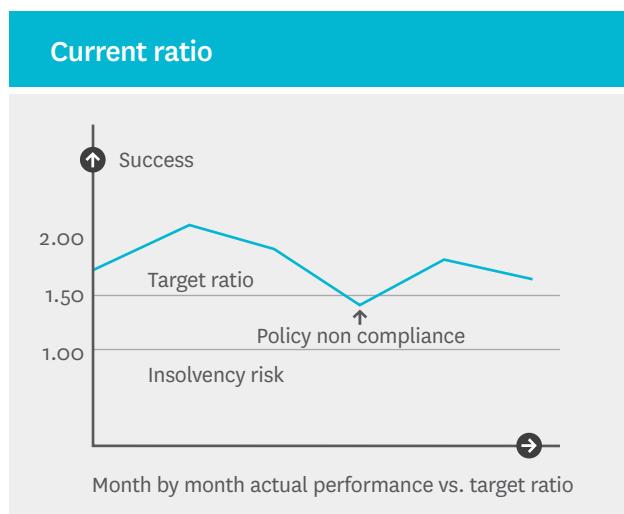
### Protection of Assets

The chief executive shall not allow the organisation's assets to be unprotected, inadequately maintained or unnecessarily put at risk. Therefore the chief executive shall not:

- Subject plant and equipment to unauthorised or improper use, wear and tear or insufficient maintenance.
- Permit any unauthorised person to handle cash.
- Process the receipt or disbursement of funds outside of controls acceptable to the duly appointed auditor.
- Deposit funds in non board-approved financial and other institutions.
- Allow major assets to be insured for less than is considered necessary for prudent risk management.
- Fail to protect intellectual property, information, and files from loss, improper use, improper purposes, or significant damage.
- Fail to ensure that there are appropriate and effective security systems in place to adequately safeguard against loss, damage or theft of organisation, staff, and patron property.
- Fail to maintain an appropriate asset register.

In addition, standard financial reporting statements (e.g. Statement of Financial Performance, Statement of Financial Position) should be made available to the board at appropriate intervals (quarterly is sufficient for most purposes). Appropriate training should be provided so that all board members can understand and interpret these important documents. Financial reports to the board, wherever possible, should draw out vital measures of financial performance and display these graphically so all board members can assess the state of the organisation's finances at a glance.<sup>17</sup>

An example is shown in the following diagram. The Current ratio is a very basic but important measure of solvency risk. A board must always ensure that its organisation is not trading recklessly (i.e. that its not incurring debts it may not be able to pay within normal terms of trade). Essentially, the current ratio measures if there is enough cash in the bank (or in some other relatively liquid assets, such as receivables) to meet the organisation's current liabilities (bills payable, wages, etc).



In this illustration the target level is set at a ratio of 1:1.5, although many organisations would aim at a higher (i.e. more conservative) target of, say, 1:2. The example assumes the board has set a policy saying, in effect, that 'the chief executive must not let the current ratio fall below 1:1.5'. Then, when the actual cover drops below 1.5 the chief executive is no longer in policy compliance and would be expected to take remedial action and to advise the board of the non-compliance.

In the example the ratio did dip below the target one month. In subsequent months the situation improved but not by much and a trend line, if added, would show a steady decline in the organisation's cash position. This would be a 'red flag' for the board to watch this very closely. The numbers for a calculation of this ratio come out of the balance sheet which not all board members would be able to read with confidence. Pulling the numbers out (current assets and current liabilities), calculating the ratio and comparing the actual with the target, enables all board members, regardless of their level of financial literacy, to see at a glance how liquid the organisation is.

As part of its accountability to stakeholders, a board is usually required to make an accurate and up-to-date statement of the organisation's finances in an annual report. In most arts organisations these accounts must be externally audited.

If your board does not have access to professionally qualified personnel within the organisation (including board members themselves), external advice should be sought to ensure that it is setting appropriate financial performance standards and that it is monitoring those effectively. All board members, irrespective of their professional expertise, are collectively accountable for the financial well-being of the organisation.

## Discussion topics

- 1 Does the board depend unduly on the financial expertise of a small number of its members?
- 2 What steps has it taken to ensure that all members of the board are supported to meet their shared responsibility for effective financial governance of the organisation?
- 3 Does the board have in place delegations and other policies that clearly define financial management parameters?

<sup>17</sup> Also see Section 8.4 – 'The board's organisational dashboard'.



New Zealand Opera (2013).  
Alt Group.



# Other Board Processes and Practices

The board is responsible for the quality of its own contribution to organisational performance. Its challenge is to be at least as good at its own job as it expects the chief executive, artistic director and other staff to be at theirs. It must, therefore, take responsibility for the deliberate design of its own processes and practices and for the quality of its performance.

## 12.1 Board membership

Recruitment of members is a constant challenge for some arts boards but they should be wary of appointing members just for the sake of lending their good name to the organisation. The ability to provide time and attention are important prerequisites for board membership regardless of other attributes like, for example, being connected to possible funding sources.

As in many other not-for-profit organisations, arts boards in New Zealand typically seek to recruit people with specialist skills onto their boards (e.g. lawyers, accountants and marketing and business people, etc). While access to this type of advice is important and may only be affordable on a voluntary basis, these are *functional* rather than *governance* skills. Acquiring them via board membership may diminish the accountability boards should expect from their professional advisors. It may also distract a board into thinking of itself as an operational committee, rather than a team of governors giving direction and exercising strategic *oversight* of organisational purpose and performance.

This does not prevent board members working in the organisation, but, when they do so, they must be conscious of wearing a different (operational) hat. Whether they are elected or appointed, every effort should be made to ensure that board members bring a level of understanding about the purpose of the organisation and, so far as possible, appropriate *governance* skills.

Once on board all new board members should receive a formal and thorough induction into the governance role of the board. This process is the responsibility of the board chair. It is supported if there is a board manual which contains appropriate documentation about the organisation, its work and its policies and procedures. Such a document has enduring value, providing a ready reference for board members throughout their term. It is useful if this also contains a glossary of commonly used terms and acronyms that may be unfamiliar to new board members. If they are not already familiar with the organisation, some new board members may also benefit from the opportunity to learn about the way it works. This part of the induction process might be delegated to the chief executive or other staff members.

Even if only one board member is changing it might create the need for deliberate team-building. It is only after people are comfortable with each other and their roles, and have together developed shared expectations about the way the board will go about its job, that they will finally function well as a team. Every successful group attends to both its task and its social functions.

If the board only attends to the business side of its work and the social dynamics are left to chance, the board will remain a group of individuals or a series of small cliques, not a synergistic team.

A good way to assist induction and the development of the board's teamwork is a board development workshop. To design and lead that workshop, seek the assistance of someone who not only understands group dynamics, but can help the board explore the various dimensions of its governance role and functionality.

## 12.2 Conflicts of interest

The expectations and actions of the board and its members set the moral tone for the organisation. This is particularly relevant in relation to board members' interests'. A failure to manage board members' interests which might conflict, for example, with the organisation's interests, is one factor that undermines the moral authority of many boards. Ideally, potential conflicts of interest should be minimised at the point when board members are appointed. Because that is not always possible, each board should also have some form of Conflicts of Interest policy that describes expectations and the processes to be followed when a conflict is identified.

Every board should require its members to declare any relevant interest relating to their duties as board members and have these recorded on a Register of Interests. This register should be kept up to date but also be supplemented by the practice of board members explicitly declaring any actual or potential conflicts at the start of every meeting.

Boards and board members often try to explain away conflicts of interest. The important thing is to recognise that a conflict exists when an independent third party would have reason to suspect that the interest would influence the board's decision-making. In other words, it is about the perceptions of others, not about something that can be objectively determined.

The following is an example of a simple conflicts of interest policy.

### Conflicts of Interest

The board places great importance on making clear any existing or potential conflicts of interest for its members. All such actual or potential conflicts of interest shall be declared by the member concerned and formally recorded in a Members' Interests Register.

Accordingly:

- 1 Any business or personal matter which is, or could be, a conflict of interest involving the individual and his or her role and relationship with (name of organisation), must be declared and recorded in the register.
- 2 All such entries in the register shall be presented to the board and recorded in the minutes at the first board meeting following entry in the register.
- 3 Where a conflict of interest is identified and/or registered, the board member concerned shall not vote on any resolution relating to that conflict or issue.
- 4 The member shall remain in the room during any related discussion only with the board's approval.
- 5 All such occurrences will be recorded in the minutes.
- 6 When the chairperson is aware of a real or potential conflict of interest involving one or more board members, the chairperson must take whatever steps are necessary to ensure that the conflict is managed in an appropriate manner according to this policy.
- 7 Individual board members aware of a real or potential conflict of interest of another board member have a responsibility to bring this to the notice of the board.
- 8 Examples of conflicts of interest are when:
  - a a board member, or his or her immediate family or business interests, stands to gain financially from any business dealings, programmes or services provided to (name of organisation)
  - b a board member offers a professional service to (name of organisation)
  - c a board member stands to gain personally or professionally from any insider knowledge if that knowledge is used for personal or professional advantage.

### 12.3 Board committees

An important structural issue that has a great deal to do with the quality of governance in the arts sector is the role and contribution of board committees. It is common practice for governing boards to establish committees to assist them in aspects of their work. Unfortunately, unless used effectively, board committees can often fragment the governance process. This is because a board with too many committees is like a machine that has too many parts – it breaks down more and is harder to repair. This is

particularly because committee work tends to fragment board members' sense of the board as a whole and focuses them on particular, relatively narrow aspects of the board's responsibilities. Those who are not members of a particular committee can feel excluded and in the dark. Worse, they can have a diminished sense of responsibility for the conclusions of committees of which they are not a member. In order to avoid the inevitable sense of duplication, boards by and large feel obliged to accept ('rubber stamp') committee recommendations. This increases the risks faced by the board as a whole – decisions are not really board decisions, but committee decisions.

The arguments raised in favour of committees are often directed at solving problems that would be better dealt with directly. For example:

#### **Committees are needed because of the board's size.**

When boards become larger than seven or eight members it becomes more difficult to address collectively, and be decisive about, problematic issues. If a board is of such a size that it is considered necessary to constitute committees (especially so-called 'executive committees') to enable it to do its work properly, it is the board's excessive size that is the problem.

#### **Committees are needed because of the amount of work needed to be done.**

What is the real governance work that needs to be done? In smaller organisations board members may need to assist with the operational activities of the organisation because there is simply not the paid staff or other resources to do what has to be done. When committees are set up to help in such situations, however, it seldom has much to do with the board's governance responsibilities. Board committees should not be confused with active work-groups, which perform basic organisation functions and whose membership often includes other volunteers and available staff, as well as board members.

When it is no longer necessary for board members to act as volunteers (i.e. unpaid staff) it pays to be aware that there is potential to create duplication and confuse accountabilities with staff now employed to do that work. A typical example is when the board treasurer continues to report to the board on the organisation's financial affairs when financial management has been delegated to the chief executive who, in turn, employs finance professionals.

### Committees are needed to overcome difficulties resulting from poor board-level process.

If governance processes are considered poor at the full board level it is almost certain that they are just as poor and probably worse at the committee level. The solution to this lies in the board's own hands. For example, a board should consider whether it has:

- Delegated sufficiently to its chief executive (short of jeopardising the board's own accountability for organisational performance and conduct). Delegation, with rigorous performance expectations and review, should be pushed to the limit.
- A clear sense of its own role and responsibilities (preferably well documented) so that it can pull back from low-level operational activities that simply crowd out strategic direction giving.
- Ensured that any committees or task forces are established only to do work that is needed for *governance effectiveness*. A useful way to think about the work that should be done by a committee is that it is *pre-board* work. A committee may, for example, explore the development and consideration of alternative scenarios, or undertake preparatory work on policy alternatives to ensure that sufficient information is available for the board *as a whole* to consider, debate and then use to make an intelligent decision. In this process the committee and board jobs are sequential and separate. Some such work will not require standing, or permanent committees, but will benefit more from a task force type of approach.
- Ensured that a board committee may *not* speak for the board as a whole (protecting the 'one voice' principle) unless it has been formally requested to, and this does not conflict with authority delegated to the chief executive.
- Ensured that committees do not exercise authority over staff. The chief executive works for the board as a whole and cannot be expected to obtain the approval of a committee before an executive action.
- Ensured that committees do not overly identify with particular organisational functions or parts. Many board committees neatly and deliberately parallel the chief executive's organisational structure. Boards should do nothing which would encourage their committees to think that they have their own piece of the chief executive's organisation to direct themselves. Where, for example, committees focus on the oversight of certain operational activities (marketing, programme, property management, etc), these can very easily cut across or undermine the chief executive's responsibilities.

A judgement about the establishment of operational or project committees should be left with the chief executive who may well set up committees of his or her own. These could, and sometimes should, involve board members who have special knowledge or who, in addition to their governance role, are also willing to work on the operational side of the organisation. In a number of arts boards, however, these two roles (and the accompanying accountabilities) have become confused. This is commented on further in the next section.

The board's own job description should be articulated before any committee responsibilities are defined. It should not assume there is a need for any committee. Committees that have been thought to be vitally important in the past may be unnecessary and even detrimental in the current context. That does not mean there is not a role for board committees. Two examples of committees that *do* help a board do its work are: one that deals with audit and risk management, and one that has responsibility to ensure that the board has the membership it needs.

In summary, the board should only establish committees that are essential to doing its *own* work. Board committees should never become involved in tasks that are properly the domain of the chief executive or staff. Following on from the board's own job description, all board committees should have clear terms of reference defining their roles, expected outputs, boundaries of authority, reporting requirements and membership particulars. They should also have a limited lifespan, to force a regular review of the value of their achievements and the need for their continued existence.

## 12.4 The role of the chairperson

Perhaps the most important single factor in achieving (or not) a high standard of governance in arts organisations is the effectiveness in the role of the person who chairs the board. The chair sets the tone of the board. The chair's primary role is to provide assurance of the board's governance integrity via the effective management of governance processes. As a secondary responsibility, the chair may also represent the board and its policies outside the organisation.

The chair is not the boss of the board. The chair is bound by the board's governance policies and thus has no authority to unilaterally alter, amend or ignore the board's policies. The concept of 'servant

leadership' is a more appropriate way of thinking about this role. While the chair may delegate certain aspects of his or her authority, he or she remains accountable for it.

Here are some of the key principles that feature in effective board leadership.

### **An effective chair is the chairperson, not the occasional chief executive.**

For a board to be able to hold its chief executive to account for its performance, chairs should refrain from stepping over into decisions and responsibilities the board has delegated to the chief executive. Chairs that meet regularly with his or her chief executive can easily find themselves becoming the chief executive's boss or manager, issuing instructions and providing permission. Even though effective liaison between the two is important, any close working relationship between the chairperson and the chief executive should not usurp the board's collective responsibility as the chief executive's employer.

### **The chairperson should be more of a conductor or facilitator and less of a controller.**

Because boards, for the most part, are made up of mature, self-directed adults, a chairperson should not expect to have to control his or her board. The most important aspect of the role is to lead a process that gets the best out of board members enabling high quality decisions to be made. A dominating or domineering chair will seldom enable or allow the board to realise its full potential. In contrast, a chair who is more a facilitator or conductor uses his or her process and relationship management skills to draw the best from the individuals and the group. This type of chair is a 'servant leader', a consensus builder who skilfully links individuals' strengths and experience, guiding the group towards good outcomes.

### **The chairperson is also a board member.**

A challenge facing all chairs is to know when and how to contribute their personal opinions and advice to influence the substance as well as the process of the board's dialogue. Chairs who manage this challenge effectively often do so by affirming other board members' opinions or points of view, and registering his or her own perspective without applying to it the weight and authority of the chair. Because of the power of his or her position, the chair who takes a strong personal stand on issues often discourages other board members from openly voicing a different (but equally, perhaps even more, valid) point of view.

### **The chairperson should make sure the design of the agenda lies with the board.**

It is ultimately up to the chair to ensure that the board works on the right things. Board meetings are for board members to address governance matters not to be a forum for discussion of management matters. When the full board designs its own work-plan and translates this into an annual agenda (see Section 10.2), a board is less likely to find itself distracted by operational detail or sidelined doing little more than reacting passively to management initiatives. Certainly the chief executive should have an input to the agenda design, but the process should be led by the chair acting on behalf of the board.

### **The chairperson should encourage open dialogue, not debate.**

In a formal sense, debate is premised on one side being wrong and the other right. It is a contest that often becomes highly personalised. Debate produces win-lose outcomes. Dialogue, by contrast, is a collaborative process more in keeping with the collective responsibility of the board. Individual contributions are subjected to close scrutiny and testing. This is not personal; its purpose is to produce deeper, joint understanding and improved decision-making. Effective boardroom dialogue makes room for both board members and management to freely express their views, opinions and positions knowing that these will form part of the overall mix leading to the best possible outcome. Dialogue produces greater commitment to decisions and win-win outcomes.

### **The chairperson should not allow individuals or a sub-group to dominate the meeting.**

When a board comprises a mix of active, assertive contributors and others that are quieter and perhaps less articulate, it is easy to allow the former to dominate. However, the potential of this second group can easily be underestimated. This group is often capable of asking the 'naively intelligent' or 'dumb' question that draws the board's attention to a fundamental flaw in an argument or to an important matter that has been overlooked. Just because a board member is less eager (or less able) to jump into the discussion does not mean that he or she is a poor thinker or has no opinion. A good chair sees beyond over- or under-participation and is able to draw out from each board member his or her special contribution.

## 12.5 Board and board member performance evaluation

Boards in the arts sector are mostly comprised of volunteers, rather than paid members, and for that reason there is a widespread reluctance to expect too much of board members' contributions to board performance. This is a dangerous and false premise. The challenges faced by arts organisations to survive, let alone thrive in this country, surely demands the highest possible standards of governance performance and effectiveness, both group and individual. Board members who bring nothing but good intentions to the board table are a luxury that few arts organisations can afford. There is a 'virtuous circle' associated with high performing boards. They are far more attractive to prospective new board members and do not have difficulty attracting and retaining the capabilities they need. Consequently they further improve their effectiveness and become even more attractive.

Also, not unreasonably, there is an increasing trend for funders and sponsors to seek evidence of effective governance in the organisations they are asked to support. When they have a range of alternative organisations in which they might invest they want to know that their support will be used to best effect. This starts with the level of confidence they might have in the board. It therefore behoves any board to be able to demonstrate it is on top of its game. One thing that many sophisticated funders and commercial sponsors look for these days is evidence of some form of board-driven process that supports continuous improvement in the board's effectiveness.

This should not need to be externally imposed. So long as a board expects a high, professional standard of performance from management and those delivering the artistic or cultural product of the organisation, it should expect no lower standard of performance from itself. Therefore, it should set governance performance expectations and regularly (at least annually) review its achievement of these. The purpose of any such evaluation is to identify opportunities for the board and individual board members to improve their governance performance over time.

Evaluation of the board and, ideally, individual members as well, should be against objective, pre-agreed criteria, preferably derived from the board's own job description and other governance policies. One policy, for example, that can be very useful in providing an appropriate set of performance expectations is a Governing Style policy. What this might contain is illustrated in the following example.

### Governing Style

In its governance processes the board will:

- Focus on the future, avoiding being unduly preoccupied with the past and the present.
- Look beyond the boundaries of the organisation, avoiding being preoccupied with internal concerns.
- Be proactive rather than reactive.
- Encourage the expression of a diversity of views and opinions.
- Ensure its time is spent on strategic leadership rather than administrative detail.
- Cultivate a sense of group responsibility, making collective rather than individual decisions.
- Ensure there is a clear distinction between governance (board) and operational (chief executive, artistic director, staff and volunteer) roles.

Ideally, the annual evaluation process should be conducted on behalf of the board by someone who can assist the board to design a valid and useful process and then independently, professionally and confidentially collect individual board members' views on the performance of the board. That person would collate that information and feed it back to the board, facilitating a discussion of the board's strengths and helping the board to understand where improvement might be possible and to develop a programme to address those opportunities. An independently conducted process is even more important where the evaluation process extends, as it should, to the contribution of individual board members.

Sample board effectiveness review questions can be obtained from a number of sources but, ideally, the process and format should be tailored to the specific board concerned. The type of questions such a review might address is illustrated at the end of this section.

## 12.6 Succession planning

To maintain vitality and environmental adaptation, a board's membership must be regularly replenished with new board members who bring renewed energy and fresh perspectives and ideas. This is made easier if there are term limits to serving on the board.<sup>18</sup>

A systematic board evaluation process like that referred to in the previous section lends itself to integration with a deliberate process of board succession planning. A simple tool that can be used is a 'board skills' matrix that assesses current board members against the skills and experience profile the board considers is needed to enable it to meet the challenges facing the organisation. This can be thought of as a gap analysis: what gaps in capability do we have and what sort of people should we look to recruit?

Each board should, therefore, have a process for succession planning that addresses the selection and replacement of board members whether elected or appointed, and for office holders like the chair. This does not necessarily mean identifying and lining up particular individuals. In fact, such an approach may be quite contrary to the values and democratic process within an organisation. It may even create distrust if there were a sense that the board may be trying to manipulate the process to populate the board with its own acquaintances.

Nevertheless, there are advantages all round if those appointing or electing new board members are kept well informed by their board about its strengths and weaknesses, the challenges it is facing, and the board's thinking about the type of skills and experience it thinks would be the most useful.

Not every board will be able to immediately enlist the services of the people it has identified who might be elected or appointed if they were available. In some other sectors organisations have found effective ways to engage well qualified people in the governance process who are not (yet) willing or available to join the board. In one national sports organisation, for example, it has been the practice to convene a chair's group once or twice a year to bring together potential future governors and leaders of the organisation. The purpose is to have these people contribute to

the governance 'brains trust' and, at the same time, to give them a taste of the governance role. This will hopefully encourage them to become part of a pool of potential future board members.

The bottom line here is that the board should not leave its membership to atrophy by failing to provide for replenishment of its membership, and nor should it leave future membership to chance. It owes to its stakeholders good stewardship and that includes a succession process that ensures the organisation's fate is always in competent and well motivated hands.

### Discussion topics

- 1 Does the board set standards for its own performance and assess itself against those expectations at least annually?
- 2 Is this linked to a systematic success planning process?
- 3 Are there clear expectations for the performance of the chair?
- 4 Is the work done in committees (if any) focused on the board's governance responsibilities or does this relate more to operational functions?

<sup>18</sup> There is no right answer to how long someone should serve on a board. However, experience and observation would suggest that individuals should be able to realise the greater part of their potential to contribute within 10 years. Longer service than that may create a dependency on the long serving individual and quite possibly discourage potential board members from stepping up.

Sample board evaluation form<sup>19</sup>

	Totally agree	Agree	Disagree	Totally disagree
1 Board members have the skills and experience needed to provide effective governance of this organisation.	1	2	3	4
2 The board's standards of achievement in governance are as high as it expects of the organisation's artistic achievement.	1	2	3	4
	Regularly	Occasionally	Never	
3 The board reviews its governance performance.	1	2	3	
4 The board undertakes activities designed to improve its own governance performance.	1	2	3	
	Totally agree	Agree	Disagree	Totally disagree
5 The board has adopted explicit statements that spell out such matters as the organisation's purpose, values, strategic direction and priorities.	1	2	3	4
6 The board consults to understand their perspectives and to obtain their opinions about the organisation's direction and performance with:				
a 'owners' <sup>20</sup>	1	2	3	4
b other key stakeholders (e.g. sponsors, funders).	1	2	3	4
7 The board has a clear understanding of the part it must play in the success of the organisation.	1	2	3	4
8 The board has adopted policies that spell out its own role and responsibilities, and define how it will operate (e.g. job description, code of conduct, etc).	1	2	3	4
9 The board has clearly expressed the key outcomes or results it expects the organisation to achieve.	1	2	3	4
10 The board formally and effectively assesses and evaluates the risks facing the organisation.	1	2	3	4
11 The chief executive's compliance with the board's expectations and policies is monitored regularly.	1	2	3	4

<sup>19</sup> This is by no means a complete survey but should provide a starting point for a board which wishes to start a review process.

<sup>20</sup> The term 'owners' means shareholders, members, 'parent' organisations or others who may be considered to have an ownership interest even if morally rather than legally.



## Sample board evaluation form

	Totally agree	Agree	Disagree	Totally disagree
12 The board has a comprehensive orientation programme that assists new board members to become full contributors as soon as possible.	1	2	3	4
13 Board meetings focus on longer-term policy and strategic issues.	1	2	3	4
14 The board provides proactive leadership and direction to the organisation.	1	2	3	4
15 Board meetings are conducted so that each member is able to share fully in discussion and decision-making.	1	2	3	4
16 Conflicting views within the board are aired openly and dealt with effectively.	1	2	3	4
17 In board deliberations members focus on the interests of the organisation as a whole.	1	2	3	4
18 Board members leave meetings with a collective sense of achievement.	1	2	3	4
19 The difference between governance and management/ artistic direction roles and responsibilities is clear.	1	2	3	4
20 The board has a clear idea of what information it needs.	1	2	3	4
21 The information received by the board is in a form that allows all board members to fully comprehend the organisation's situation and performance.	1	2	3	4
22 The board has explicitly stated its performance expectations of the chief executive (and any other staff appointed directly by the board).	1	2	3	4
23 The board conducts a formal performance evaluation of the chief executive and any other staff it appoints directly at least once per year.	1	2	3	4
24 Once policies and strategic direction are agreed, the board leaves the chief executive and staff to go about their business free from intrusion or interference.	1	2	3	4



Anne Boleyn by Howard Brenton, Auckland Theatre Company (2013).  
Performer: Anna Jullienne.  
Photographer, Tony Drayton.

# Resource Materials

The following books, periodicals and websites are suggested as starting points for those who wish to study the process of governance in more depth. Many of the issues facing arts boards are similar to those having to be addressed by governing boards in other sectors – commercial, governmental and not-for-profit.

### 13.1 Sample policies

This guide stresses the importance and centrality of the board's policy-making role. The development of a coherent set of governance policies creates an essential infrastructure for any board to guide its stewardship of the organisation. There are many different ways of developing and using governance policies. However, to assist boards to get easy access to a widely published approach to governance policy development, the policy framework described here, and many of the sample policies used for illustration, are derived from the work of John Carver, the originator of the Policy Governance® model. Users of these resources who wish to explore this approach to policy leadership are particularly recommended to read:

**Carver, John.** *Boards that Make a Difference*. 3rd ed. San Francisco: Jossey-Bass, 2006.

**Carver, John and Miriam Carver.** *Reinventing Your Board*. 2nd ed. San Francisco: Jossey-Bass, 2006.

**Carver, John with Oliver, Caroline.** *Corporate Boards that Create Value: Governing Company Performance from the Boardroom*. San Francisco: Jossey-Bass, 2002.

**Oliver, Caroline (Ed).** *The Policy Governance Fieldbook: Practical Lessons, Tips and Tools from the Experiences of Real-World Boards*. San Francisco: Jossey-Bass, 1999.

**Oliver, Caroline.** *Getting Started with Policy Governance*. San Francisco: Jossey-Bass, 2009.

**Carver, Miriam and Charney, Bill.** *The Board Members Playbook: Using Policy Governance to Solve Problems, Make Decisions, and Build a Stronger Board*. San Francisco: Jossey-Bass, 2004.

Draft board policies for not-for-profit organisations can also be obtained from the US-based BoardSource organisation ([www.boardsource.org](http://www.boardsource.org)). See particularly:

**Fletcher, Kathleen.** *The Policy Sampler: A Resource for Nonprofit Boards*. Washington: BoardSource, 2000.

It should also be acknowledged that since the publication of the first three editions of this guide it has become more common for boards, particularly in the business sector, to adopt a board 'charter'. While the typical board charter covers, in part, the same ground that a governance policy manual would, the format is different and some boards may wish to consider this alternative approach. A simple web search will identify many real-life

examples for examination. The following Australian publication has documented in great detail what a board charter might contain.

**Kiel, Geoffrey and Nicholson, Gavin.** *Boards That Work*. Sydney: McGraw-Hill Australia, 2003.

### 13.2 Books

Since the first edition of *Getting on Board* there has been a profusion of new publications on corporate governance relating to both the commercial and not-for-profit sectors. In addition to those listed in the previous section on governance policies the following books are well worth a look. Some of the older publications may not be so easy to access but are still recommended if obtainable.

**Bosch, Henry.** *The Director at Risk: Accountability in the Boardroom*. Melbourne: Pitman, 1995. ISBN 0-7299-0325-7.

Many recent books on corporate governance had their genesis in the growing concern of directors around the world to protect themselves. A very experienced executive and company director, Bosch explores the demands on directors to apply more diligence and skill than was historically expected and suggests a variety of very practical ways in which this can be done.

**Brown, Jim.** *The Imperfect Board Member: Discovering the Seven Disciplines of Governance Excellence*. San Francisco: Jossey-Bass, 2006. ISBN-10: 07879-8610-0.

One of the best and most readable introductions to what good governance is all about. Particularly useful in distinguishing roles and responsibilities – the different roles people play in the type of organisations that are the focus of this publication.

**Carter, Colin B. and Lorsch, Jay W.** *Back to the Drawing Board*. Boston: Harvard Business School Press, 2004. ISBN 1-57851-776-1.

Argues strongly for the board to take control of its job design. A commercial company orientation does not get in the way of the provision of advice that would serve most arts boards very well.

**Chait, Richard P; Holland, Thomas P. and Holland, Barbara E.** *Improving the Performance of Governing Boards*. American Council on Education. Phoenix, Arizona: Oryx Press, 1996. ISBN 1-57356-037-5.

Based primarily on an in-depth study of boards in tertiary education, this book provides an analysis of boardroom performance and suggests developmental approaches. Of particular interest, and seldom addressed by other authors, is a discussion of effective ways of overcoming resistance to board performance development initiatives. The authors offer a very practical and widely applicable analysis of boardroom performance issues.

**Chait, Richard P; Ryan, William P. and Taylor, Barbara E.** *Governance as Leadership: Reframing the Work of Nonprofit Boards*. New Jersey: Wiley, 2004. ISBN-10: 0471684201.

Informed by theories that have transformed the practice of organisational leadership, this book sheds new light on the traditional fiduciary and strategic work of the board. It is most useful for introducing a critical third dimension of effective trusteeship: *generative governance*.

**Charan, Ram.** *Boards at Work: How Corporate Boards Create Competitive Advantage*. San Francisco: Jossey-Bass, 1998. ISBN 0-7879-1060-0.

Do you want to change the way your board works? Packed with insights into the dynamics of how boards operate, the central theme of the book is an exploration of the question: *How can organisations unlock the intellectual power of the board?* Charan takes a comprehensive and pragmatic look at how boards can leverage their members' collective knowledge and judgement through open, candid discussion.

**Charan, Ram and Kenny, Roger.** *E-Board Strategies: How to Survive and Win*. New York: Boardroom Consultants, 2000. ISBN 0-615-11524-1.

This is a very good book about small 'activist' boards. It has a commercial focus but is useful across many situations. It has relevance for small start-up cultural ventures.

**Conger, Jay (Ed).** *Boardroom Realities: Building Leaders Across Your Board*. San Francisco: Jossey-Bass, 2009. ISBN 978-0-470-39178-5.

This book is focused on commercial boards but crammed full of interesting and valuable articles reflecting modern thinking about the role of governing boards and their leadership challenges. This is not a sterile tome but one that deals among other things with some of the behavioural issues that bedevil group leadership.

**Fishel, David.** *The Book of the Board: Effective governance for non-profit organisations*. 2nd ed. Sydney: The Federation Press, 2008. ISBN 978-186287-689-7.

An easy to read and practical book that is widely referred to in the Australian context and thus likely to be more relevant to New Zealand readers than many of the more commonly available US not-for-profit governance texts. It contains many valuable insights into the operation of not-for-profit boards and includes specialist chapters written by appropriate experts.

**Garratt, Bob.** *The Fish Rots from the Head. The Crisis in Our Boardrooms: Developing the Crucial Skills of the Competent Director*. London: HarperCollins Business, 1996. ISBN 0-00-255613-8.

One of the original writers on the subject of the 'learning organisation', Garratt applies these concepts to the work of the board. Starting from the premise that the great majority of directors have no training for the job, Garratt attempts to clarify and integrate the roles and tasks of the board and its members. In particular he emphasises the need to learn new thinking styles to apply to the intellectual activity of governing.

**Hilmer, Frederick G.** *Strictly Boardroom: Improving Governance to Enhance Company Performance*. 2nd ed. Melbourne: Information Australia, 1998. ISBN 1-86350-249-1.

This report of an independent working party into corporate governance (originally published in 1993) was published in response to a concern that boards, in the wake of the corporate crashes of the late 1980s and early 1990s, were becoming too defensive. This book offers a perspective that urges directors to get the *conformance* and *performance* aspects of their work into a better balance with a view to creating real value growth for shareholders. Recent corporate collapses make this analysis more relevant than ever.

**Ingram, Richard T.** *Ten Basic Responsibilities of Nonprofit Boards*. 3rd ed. Washington DC: BoardSource, 2003.

A newly revised edition explores what the author has specified as the ten core areas of board responsibility including determining mission and purpose and ensuring effective planning. A useful reference and of some assistance in drafting job descriptions, assessing board performance and orienting board members on their responsibilities.

**Klein, Sabrina.** *The Art of Serving on a Performing Arts Board.* San Francisco: Theater Bay Area, 1998. ISBN 0-9605896-9-4.

The author is the executive director of Theater Bay Area a not-for-profit member service organisation whose mission is to unite, strengthen and promote theatre in the San Francisco Bay area. It provides a range of resource material including this publication, which was prepared specifically for those interested in, or committed to, serving as board members of performing arts organisations. Rather than being a 'how to' book, it aims to highlight why serving on a performing arts board is different from serving on the boards of other types of service organisations. In particular it addresses areas of common contention and confusion between artists, arts managers and their boards.

**Leblanc, Richard and Gillies, James.** *Inside the Boardroom.* Mississauga, Ontario: Wiley, 2005. ISBN-10 0-470-83520-6.

This book is based on empirical work within a boardroom setting and focuses on boardroom dynamics. It provides many insights into board members' behaviour and is particularly useful for its chapter on the chair of the board.

**Leighton, David and Thain, Donald.** *Making Boards Work: What Directors Must Do to Make Canadian Boards Work.* Whitby, Ontario: McGraw-Hill Ryerson, 1997. ISBN 0-07-552834-7.

This is a most comprehensive and thorough examination of critical features of effective governance. The combination of case studies and an exploration of the structures, systems and processes leading to best practice governance make this one of the best books currently available.

**Matheson, Doug.** *Great Governance: How the Best Boards Work.* Auckland: 3media Group, 2008. ISBN 978-0-473-13621-5

This book has the great benefit of having been written in and about the New Zealand environment. The author is an experienced chief executive and board member across a wide range of different organisational types. A companion book to his earlier text book style reference compendium (*The Complete Guide to Good Governance in Organizations and Companies*) this is aimed at offering practical guidance as to how a board actually goes about its work.

**McDaniel, Nello and Thorn, George.** *Arts Boards: Creating a New Community Equation.* New York: Arts Action Issues, 1994. ISBN 1-884345-03-4.

An excellent introduction to addressing governance challenges in the arts sector, this is the book that will help your 'lay' board members understand why artistic enterprises may require a somewhat different approach to that which they may have experienced in, say, manufacturing or other commercial sectors. It pays particular attention to debunking certain popular myths about the organisational cultures and governance disciplines of arts sector organisations.

**Nadler, David A; Behan, Beverly A and Nadler, Mark B. (Eds).** *Building Better Boards.* San Francisco: Jossey-Bass, 2006. ISBN 10-0-7879-8189-X.

This is a practical book containing many ideas from the authors' consulting practices. It is very performance oriented and covers topics such as chief executive performance evaluation not often dealt with in similar publications.

**Shultz, Susan F.** *The Board Book.* New York: American Management Association, 2001. ISBN 0-8144-0549-5.

The sub-title to this book is *Making Your Corporate Board a Strategic Force in Your Company's Success*. Based in the United States and focused on the commercial scene this is nevertheless a very worthwhile book for not-for-profit arts boards. It deals comprehensively with a wide variety of boardroom performance issues. Among these, matters seldom touched in other board related books, such as board recruitment, are addressed in a thorough and practical manner.

**Tropman, John E and Elmer J.** *Nonprofit Boards: What to Do and How to Do It.* Washington DC: CWLA Press, 1999. ISBN 0-87868-694-0.

This is a practical and sensible book for a not-for-profit board. It explains governance concepts and practices well and provides a variety of useful tools and applications.

### 13.3 Periodicals

#### Board Leadership

Edited by Caroline Oliver this United States-oriented bi-monthly magazine focuses on the implementation of Carver's Policy Governance® model. Subscription details are available from Jossey-Bass Publishers, San Francisco or the Carver website (see below).

### Board Café

This monthly electronic newsletter is available free from Blue Avocado ([www.blueavocado.org](http://www.blueavocado.org)). Said to be short enough to read over a cup of coffee (hence the title) it generally features a main article on a topic of practical interest to not-for-profit boards.

### Board Works

This free periodical delivered electronically is published several times a year by BoardWorks International. It is designed specifically to assist governing boards in all sectors to understand their governance role and to provide practical guidance that will help them to develop their performance over time. Unlike most other readily available governance resources which originate in North America, this has a strong Australasian focus based on the publishers' consulting practice. Many of the issues referred to earlier in this guide are explored in greater depth along with practical tools and techniques. A subscription is easily accessed, along with back issues, from the BoardWorks International website ([www.boardworksiinternational.com](http://www.boardworksiinternational.com)).

## 13.4 Websites

### BoardSource (formerly the National Center for Nonprofit Boards) | [www.boardsource.org](http://www.boardsource.org)

Although focused on the governance of not-for-profit organisations this US-based site has much to offer anyone interested in improving governance effectiveness. Of particular value for quick access to advice on particular issues is the comprehensive and well-archived FAQ (frequently asked questions) section. From this section, for example, it is possible to pull down sample job descriptions for board officers that would be of immediate practical application.

BoardSource is also a prolific publisher of hard copy support materials for boards and their senior executives and these can be purchased via the site's bookstore. It has produced, for example, a 10-booklet governance series, which includes such titles as 'Creating Strong Board-Staff Partnerships' and 'How to Help Your Board Govern More and Manage Less'. BoardSource also publishes a monthly magazine and a selection of articles is available online. Of particular interest are the real-life case studies that are reported in the magazine. Past issues have included illustrations from the arts sector.

### BoardWorks International | [www.boardworksiinternational.com](http://www.boardworksiinternational.com)

Closely associated with Creative New Zealand's governance

capability building initiatives, BoardWorks International is a specialist governance effectiveness consulting group with personnel throughout New Zealand. This site includes a range of material for those interested in boardroom effectiveness.

### Blue Avocado | [www.blueavocado.org](http://www.blueavocado.org)

This site is the source of the electronic newsletter targeted to members of not-for-profit boards formerly called *Board Café*. It has been published monthly since November 1997 and is made available by e-mail without charge. A subscription form and back issues can be accessed from links within this site. While some material is specifically relevant to the United States, much is of wider interest and application.

### Free Toolkit for Boards | [www.managementhelp.org](http://www.managementhelp.org)

This site provides links to various resources, often including articles and specific board effectiveness tools. It is a useful inventory of resources focused on the not-for-profit sector.

### Policy Governance | [www.carvergovernance.com](http://www.carvergovernance.com)

John Carver's website advocates the use and application of Carver's Policy Governance® model. It often has at least one substantive article on a governance performance issue which can be downloaded without charge. Of particular value is the opportunity to observe or even join in the debate on particular governance issues that have been raised by site visitors. The site also provides information on Carver's publications and the courses and seminars he runs on policy governance.

## 13.5 Online governance communities of interest

Since the first publication of *Getting On Board* there has been an explosion of online materials about corporate and organisational governance. Of increasing value are the various discussion groups that exist via social media like LinkedIn and Facebook. The former is particularly valuable and interested readers should look to join one of the many governance-related groups. Not only is there informed debate about topical issues but also links to other material that reflects members' interests. Of particular value is the LinkedIn group 'Boards and Advisers' moderated by Canadian academic Richard Leblanc (see books list above). Although it tends to focus on the governance of commercial entities it does not do so exclusively. There is a wide range of other groups more exclusively focused on the governance of not-for-profit entities.

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