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Report for
Arts Victoria

**PERFORMANCE AND
CONFORMANCE OF
VICTORIAN ARTS BOARDS**

**ARTS
VICTORIA**



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Executive Summary

This report explores performance and conformance in contemporary small to medium sized Victorian arts organisations. Research for this project took place in 2006 and 2007, with an initial online survey followed by in-depth case study analysis of selected arts boards. Such a review of the governance of small to medium arts board performance has not been previously researched. While journalistic reports sometimes paint a negative picture of arts board governance (seen as part of charity sector governance), this research found overall strong performance with opportunity for improvement on some boards. Arts boards studied were strategic in approach, see the big picture, are financially responsible, have sound relations between the board Chair and executive officer, do not interfere with management and had a sense of “board balance” in skills and roles, including legal responsibilities.

The study revealed—not surprisingly—that small to medium arts organisations were financially constrained, but nonetheless the boards monitored their financial and non-financial success responsibly and knew how both the organisation and the executive officer were tracking. These results suggest that arts boards in small to medium organisations in Victoria are evaluated primarily inline with expectations relating to their effectiveness and accountability. We also found that while there had been some history of publicly exposed arts board turbulence in the past, the arts boards we studied showed no signs of turbulence reaching the public domain. On the contrary, crises were handled effectively, internally, through organisational and leadership change. It remains true that box office success may be a contributing factor in perceived effectiveness of arts boards, but that this factor is an element for further study.

This study used two methods to gather the data: an online survey of all nonprofit arts organisations in Victoria, and eight case study organisations for detailed analysis. Case studies were selected based on the findings of the survey, and discussions with the reference group members. They included both metropolitan and regional arts organisations from a variety of art forms and governance structures.

The conclusions made as a result of conducting the survey and the case studies are that:

- small to medium arts organisation boards work in an environment of constrained resources but nonetheless work with sound leadership and purpose
- boards are generally functioning well, but express uncertainty as to their role and accountability
- improvement was often hindered by scarce resources
- board members were selected predominantly for their merit or skill
- the motivation for joining the board is largely to make a contribution to a particular organisation and give something to the community
- artistic knowledge and expertise is predominant in board membership
- board members are not volunteers in the traditional sense, but professional unpaid stewards of the small to medium sized arts organisation
- board members demonstrate a high level of commitment to the positions they hold, but spend most time on current issues and operational matters, rather than strategy
- board chairs and executive officers are generally highly skilled and work together as change agents

- members of the board need further development to better fulfil their strategic capability.
- recruitment practices are often ad hoc and reflect the challenges these organisations face to attract necessary talent and expertise
- most boards had introduced innovative assessment approaches and showed an understanding of the importance of induction but resource constraints meant that there were opportunities for improvement in these areas
- boards that have an orientation program and a formal evaluation program are more likely to demonstrate improved board performance
- boards investigated were undergoing considerable change, with a “new generation” of arts leaders introducing board practices that meet the requirements of a complex environment
- stakeholder relationships are not well defined or developed to assist strategic capacity.

As a result of our findings, our study recommends the following actions:

Recommendations for the Small to Medium Nonprofit Arts Sector

- focus on building the strategic capability of nonprofit arts board members to deepen governance capacity.
- develop a “coach bank” across the sector comprising professionals (law, accounting, marketing, fundraising), company directors, or arts business leaders who can be accessed and are willing to provide longer term mentoring.
- upskill board chairs and boards generally in board recruitment strategies, particularly encouraging boards to attract people with skills in law, marketing and accounting.
- undertake annual board evaluation.
- implement a one day board induction program for new arts board members across the sector, to cover legal, financial and ethical matters for board members.
- encourage the business sector to adopt a small to medium arts organisation and mentor that organisation on governance matters, as part of their corporate social responsibility.
- improve skills in fundraising and sponsorship in arts boards by rethinking the relationship with sponsors as partners in capacity building.
- establish a cross sector fund for Board member training needs.

Recommendations for Future Research

- survey audiences and members of arts organisations as stakeholders in board performance, in order to establish how non-financial board performance measures are determined by stakeholders
- investigate the use of external expertise in sub committees by small to medium sized arts organisations
- evaluate the stakeholder relationship of small to medium sized arts organisations to identify levels of engagement or perceived
- explore recruitment and selection strategies for effective board members against a declining pool of available people for volunteer arts boards
- investigate how board performance is boosted by adopting board policies and duties that support effective board stewardship
- investigate sector representation on boards and skill types in relation to board and organisational performance.

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1. Introduction

Governance of arts boards has been overlooked in the study of arts organisations. Nonetheless, it is inevitable that increased attention directed towards corporate collapse and fraud has resulted in more intense questioning of the responsibilities and duties of managers and board directors in other societal sectors. A recent article in the *Business Age* (Gettler, 2007) suggests that arts boards are not strategic in approach, do not understand financial matters and that the board chair and executive officer bicker to the detriment of organisational effectiveness. Such articles put government and industry bodies under political and social pressure to intervene in what is seen as sub-optimal governance performance. This study refutes such findings.

This study of Victorian small to medium arts sector boards included an online cross-sectional study in 2006 and in depth analysis of eight case studies of nonprofit small to medium sector arts boards in 2007. While cross-sectional studies have been popular in the wider corporate and nonprofit literature, this is the first known study of its type of Victorian (or indeed Australian) arts boards.

The study focuses on board performance and conformance. Recent research on sport board performance has highlighted the relevance of evaluation criteria, evaluation methods and who conducts the evaluation. This research has also highlighted the importance of stakeholder perspectives in reducing turbulence on sport boards (McDonald & Sherry, 2007). In the arts sector, as in other sectors such as sport, there are more demands for organisational performance, which puts increased pressure on boards to be effective. There has also been evidence in the media of board turbulence, sometimes caused by dissatisfied stakeholders. That such expectations are relevant to arts boards is evident in the report where 29 Australian major performing arts groups were required to comply with a modified set of Australian stock exchange governance principles with recognition that governance practices also need to improve (Crisp, 2004; Nugent, 1999).

With these matters in mind, this study defines both performance and conformance.

Performance is the strategic contribution of the board, as well as stakeholder liaison and analysis of the external environment to determine its influence on organisational success. As numerous studies have linked the importance of two roles of performance and conformance relevant to non-profit organisation governance (Bosch, 1995; Hilmer, 1993), we also define conformance.

Conformance covers the fiduciary obligations under law, including monitoring and conformance to moral and ethical standards. These include accountability, executive officer-chair liaison and access to resources, use of finance and audit sub-committees for monitoring as well as governance practices. Board member recruitment, induction, training and review operationalise conformance. Grounded in sociology and organisational theory, this role is important as a boundary-spanner that makes timely information available to executives, monitors executive money management and extracts resources from the community, government and sponsors. These activities enhance the organisation's legitimacy and help it achieve goals and improve performance. Given the matters highlighted by Gettler (2007), the interrelationship between the two roles was seen as integral to arts organisation success.

2. Significance

While non-profit organisations have a distinctive and unique set of characteristics and functions that require a different governance framework compared with corporate organisations and the public sector, many of the features of good governance are relevant to all three sectors. In 2003, the Victorian Auditor-General Wayne Cameron defined governance in the public sector as:

More complex, having to satisfy a broader range of economic, environmental and social objectives, according to a greater variety of requirements, and public expectations, than do businesses in the private sector (Cameron, 2004)

Such a distinction relates to nonprofit arts governance in small to medium arts organisations. In these nonprofit organisations, public funds are used, and while there may be a surplus there is no distribution to shareholders. This means that measures of success are more subjective than those of the private sector organisation as the non-profit organisation focuses on mission and non-financial measures of performance in the artistic realm as much as financial success (Cameron, 2004; Halligan & Adams, 2004). For many arts organisations, artistic success is deemed of high value. Such broad measures of performance mean that board effectiveness is difficult to measure. Evaluation of nonprofit arts board performance is therefore more complex than that of for-profit organisations where profitability is the main yardstick for success.

In Victoria, the implementation of the *Public Administration Act 2004* created a changed regulatory environment for governance of organisations receiving public subsidy (Victorian Government., 2004). Victorian public statutory authorities often have particular governance arrangements, which are provided for in establishing legislation and related Acts. The distinction between the public sector and non-profit/profit governance functions and activities is also critical in matters ranging from governmental ownership of intellectual property to governmental trade practices liability (Halligan & Adams, 2004; Halligan & Horrigan, 2006).

There are professional courses available for training and developing directors of organisations, including arts organisations. However, such courses are not always available to board members of small to medium arts organisations due to resource constraints. Board members of nonprofit arts organisations provide their services as professional volunteers. While there is a growing literature on volunteers in nonprofit organisations (see Geroy, Wright, & Jacoby, 2000; Jago & Deery, 2002; Lourdes, 1999; Whitaker, 2003; Williams, 2003), including the arts, much of this literature has focused on volunteering at the operational level rather than the stewardship level of the organisation.

Finally, as nonprofit arts organisations receive government resources, they also respond to government priorities; and provide service delivery that is accountable for performance (Halligan & Horrigan, 2006; Victorian Government., 2004). In other words, board performance of volunteer board members in non-profit arts organisations matters but is little studied, less understood, but subject to journalistic stereotypes of poor performance. This study sought to examine these matters and seek answers.

3. Good Governance

Good governance in the non-profit arts sector has been described as, 'how boards reconcile their value adding responsibilities (strategic direction and business building) with responsibility for financial stewardship (disclosure, internal controls and fiscal rectitude)' (O'Neil, 2002). Previous reviews of the literature (Johnson & Daily, 1996; Zahra & Pearce, 1989) focused on corporate governance, which, as the name suggests, does not include the non-profit literature. The corporate governance literature, which includes such diverse disciplines as management, law, economics, accounting and sociology, is predominantly quantitative or conceptual, with few in-depth studies on non-profit boards, and specifically arts boards. Exceptions to this gap is work by Bieber (2003), Radbourne (1993; 2003), Rentschler (2004), Wood and Rentschler (2002) and Griffin and Abraham (2000). These studies used mixed methodologies, including reflection, case studies, surveys and interviews. They examined boards as part of a larger study on museum leadership, the museum as organisation, performing arts governance in relation to government funding and reporting requirements, and governance as an organisational shift to entrepreneurial activity. However, in general, the arts and cultural sub-sector has paid little attention to governance performance.

4. Methodology

This study used a mix of qualitative and quantitative methods in order to answer two research questions:

- What board structures and processes optimise board performance (financial and artistic) and conformance in the nonprofit arts sector?
- How well are arts organisations equipped to comply with current governance regulatory and reporting requirements?

A 39 item online questionnaire was designed in order to identify the characteristics of nonprofit arts boards' performance and conformance. The study supplements survey data with case studies to add a rich layer of analysis to the cross-sectional data. For example, the case studies provided longitudinal analysis of annual reports and strategic plans in order to examine financial and non-financial performance of the organisations and to build a framework for key board attribute variables such as sources of board membership, composition and tenure.

Both questionnaire and case studies are used to obtain data on board processes such as appointment procedures and board effectiveness such as perceptions of the boards' use of members' diverse skills. Secondary industry data were made available by industry partner Arts Victoria, which provided confirmation of data elicited by the survey or in interviews. This methodology reflects the complexity of board processes and decision-making as recognised by Forbes and Milliken (1999) and Daily, Dalton and Cannella (2003).

Eight organisations in Victoria were selected for case study analysis. Based on prior studies by Radbourne (2003), each organisation was expected to have between ten and fifteen board members. Interviews of two members of each board were a key input from these case studies. Thus the sample size is 17 respondents for the case study component and 82 respondents in the survey of Victorian arts organisations.

The population of non-government and nonprofit arts organisations in Victoria represents a significant 20 percent of the Australian population of arts organisations. It includes:

- (i) state agencies/statutory authorities,
- (ii) major non-government arts organisations, defined as having turnover in excess of \$1 million and yielding up to about 11 organisations in Victoria,
- (iii) small to medium non-government arts organisations, of between 50-80 in number.

These three groups all have a relationship with government and thus conform to the definition of a nonprofit arts organisation used in this study. This study looks at categories (ii) and (iii) only.

5. Survey Results

The survey, conducted in 2006 of nonprofit small to medium arts organisations in Victoria, revealed data on the demographics and characteristics of the boards, the characteristics of board directors, their governance practices including conformance and their performance as a board. 82 respondents completed the entire survey. The findings are presented as follows under five areas. These headings are:

- demographics and characteristics of arts boards
- demographics and characteristics of board directors
- board operating characteristics
- governance conformance
- summary

5.1 Demographics and characteristics of Arts Boards

Turnover

The majority of organisations surveyed had an annual turnover of \$100,000 - \$499,999 (46%) followed by 32% with a turnover of between \$500,000 and \$1,999,000. Only 6% had a turnover less than \$50,000, and 5% more than \$2,000,000.

Sector

These organisations belonged to several industry sectors; the largest sector was the performing arts (31% of all surveyed). 13% of respondents indicated their organisation belonged to the visual arts sector, and 12% were museums. Other sectors included festivals (9%), art galleries (7%), and literature (6%). 22% of respondents selected the category "other" which was described as community arts, multi-arts and arts venues.

Geographic location

The majority of organisations were metropolitan (80%) with only 20% of surveyed respondents belonging to a regional organisation.

Legal/Regulatory structure

The governance structure of the organisation was found to be mostly Incorporated Association (63%) with 33% of organisations registered as Company Limited by Guarantee. A further 4% were 'other' which were elaborated on by participants to be not-for-profit, self-appointed, or 'not sure'.

Board size

The most common size of the boards was between 9 and 12 members, with approximately 24% of boards with 6 to 8 members. Very few boards had more than 12 members. The majority (77%) of respondents confirmed the board size as about right.

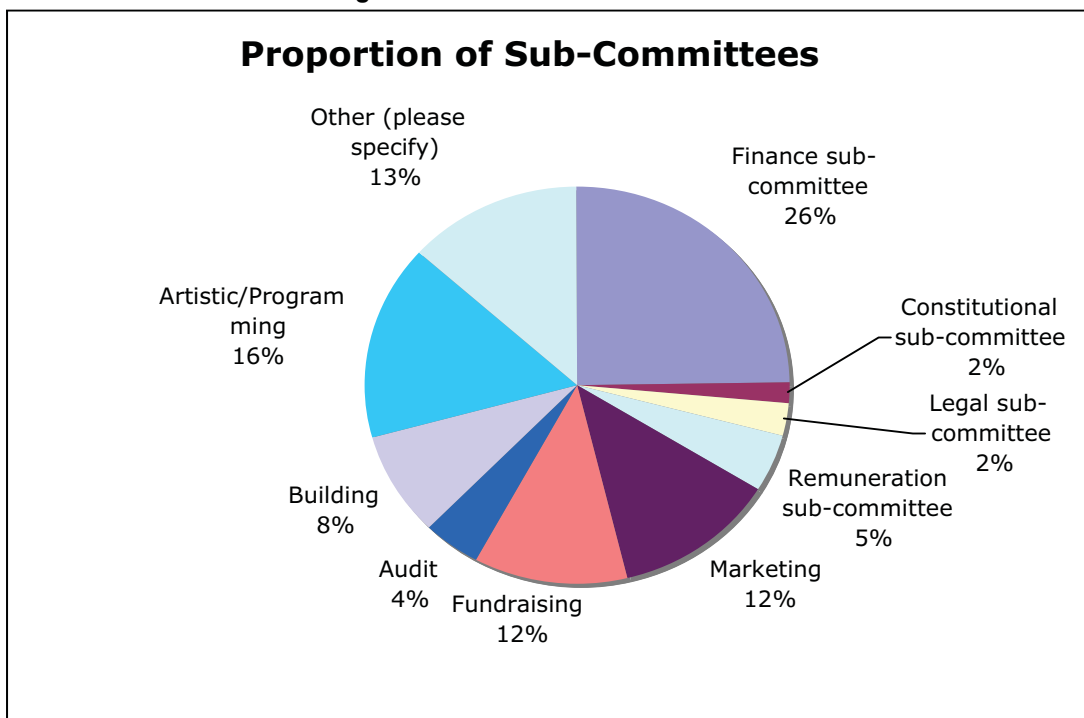
Meeting frequency

The highest response to the number of board meetings per year was 39% who met more than 11 times. 29% met between 7 and 11 times, and 27% met four to six times per year.

Sub-committees

Respondents were asked to identify the Sub-committees of their board. The most common were Finance, Artistic/Programming, Marketing and Fundraising. Fewest respondents identified Constitutional, Legal, Audit and Remuneration (see Figure 1). The sub-committees specified under "other" were Board Development, Membership, Human Resources, Business Development, Strategy and Government Relations. Seven respondents identified a staffing sub-committee.

Figure 1 – Sub-committees



These sub-committees, for the most part, are advisory to the board (88%) with only 12% having the authority to make decisions on the board's behalf. Approximately half of these sub-committees contain external members, indicating the small organisations seeking expertise outside their paid and board member pool. Of the 52% who do not use external expertise, it suggests more investigation is needed to determine the success of using additional external expertise.

Table 1 - Sub-committees containing external members

	Response Total	Percent
No	42	51.21
Yes	38	46.34
Don't Know	2	2.44

Table 2 shows that sub-committees more commonly meet more than three times per year, or on a needs only basis. Few meet before every board meeting, or less than three times per year.

Table 2 - Sub-committees meeting frequency

	Response Total	Percent
More than three times per year	34	41.46
On a needs basis only	29	35.37
Before every board meeting	15	18.29
Less than three times per year	4	4.88

Selection of board members

Respondents were asked to specify the methods used to select board members. Multiple answers were accepted (a total of 174 responses were made) with the most common method being Merit or Skill. Representative selection was the second most frequent followed by Patronage and Jurisdictional (see Table 3). Those responses in the 'other' category (21) described age, time availability, gender, election, willingness, and artistic experience as reasons for selection.

Table 3 - Methods used to select board members

	Total Selections
Merit (Skill)	69
Representative (Organisations or Interest Groups)	49
Other (please specify)	21
Patronage (Political)	18
Jurisdictional (Geographical Location)	17

Results suggest that merit is important to arts boards, followed by representation of particular groups, such as ethnicity in a multicultural arts organisation. This is not surprising given the commitment of people in the arts to social inclusion, which is also part of the State government policy agenda identified in the Victorian Government cultural policy, *Creative Capacity+*. Issues around recruitment were explored further in the case study interviews, and it appears that this is a challenge for boards.

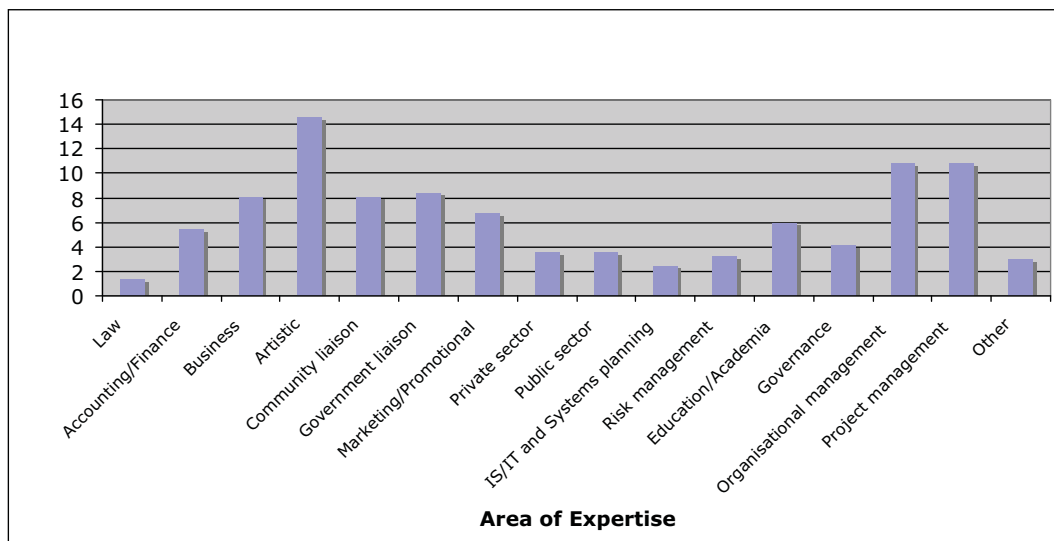
5.2. Demographics and characteristics of Board Directors

Demographics

Of the participants surveyed, 23% were Chair of the Board, 24% were Board Members, and 53% were the Executive Officer and Board Member. Most respondents held only one board position currently; but 38% held at least two board positions.

Respondents were almost evenly male (49%) and female (51%), the major age bracket was 46 to 55 years old (33%) with 30% aged 36 to 45 years. Precisely 50% of respondents had achieved post-graduate education, with the remaining 50% achieving lesser qualifications. 15% of respondents listed their primary expertise as Artistic; Law was the least common with 1% (see Figure 2).

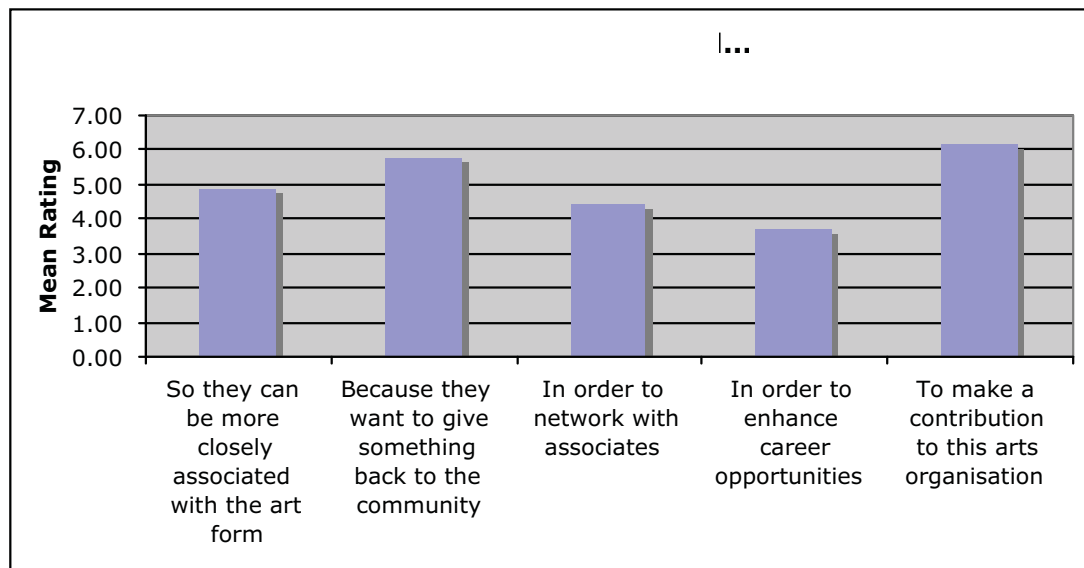
Figure 2 – Primary areas of expertise



Reason for joining

The most common reason members gave for joining the board was “to give something back to the arts organisation (a mean rating of 6.16 out of a possible 7) while the least common was “to enhance career opportunities” (mean rating of 3.7) (see Figure 3).

Figure 3 – Reasons members join the board



It is interesting to note that the notion of service, that is, giving something back to the arts organisation and to the community, is rated higher than being more closely associated with the art form. These responses are common for board members of small and medium sized organisations. Career advancement and personal benefit were of less importance.

Their highest motivation is that they care about the organisation, the cultural sector and about giving something back to the community they serve.

Sector representation

Respondents were asked to indicate the industry sectors represented by the members of their respective boards. The artistic sector was highest, followed by community, with government representation the lowest. This is to be expected on small to medium arts boards, which usually represent a niche art form. Whether this is appropriate for optimal board performance was probed in the case studies (see Table 4).

Table 4 - Industry sectors included on board

	Yes (%)	No (%)
Artistic	93.90	6.10
Community	87.80	12.20
Non-Profit Enterprise	78.05	21.95
Commercial Enterprise	71.95	28.05
Employees	51.22	48.78
Government	39.02	60.98

Respondents were then asked to rate the importance of each sector in their board's composition. The Artistic sector was again ranked first (a mean rating of 6.28, out of a possible 7), with the perceived importance of remaining sectors decreasing with membership size. Government was again ranked last, with a mean importance rating of 4.16. This ranking has implications for board performance. (see Table 5).

Small under resourced organisations, with difficulties attracting board members who have time and expertise to offer in strategic development, may be inhibiting this capacity by a preference for artistic attributes on their board.

Table 5 - Importance of industry sector on board

	Mean Rating
Artistic	6.28
Community	5.96
Non-Profit Enterprise	5.39
Commercial Enterprise	5.22
Employees	4.96
Government	4.16

The findings of Tables 4 and 5 are interesting when taken in conjunction with the case study investigation. These findings suggest that boards need greater links to government and business. This leads to the question: do some arts boards need to be challenged about the importance of the industry sector required on their board? Does such an order of importance lead to performance on arts boards? Or does it reveal more about the importance of advocacy and business skills in high performing boards seen in the case studies, versus views of the broader cross-section of arts boards who responded to the survey? These questions need to be answered in further study on arts boards.

Skills and capabilities

Boards were characterised by the expertise of their members, which was strongest in artistic expertise, organisational management and project management. When asked to rate the importance of various skills for a board member to possess, the most important skill was Arts (mean rating 6.16 on a scale of 1, not very important to 7, very important) followed by Advocacy and Finance. The least important skills were Human Resource Management (5.05), Accounting (5.12), and Legal (5.41) (see Table 6).

Table 6 - Important skills for a board member

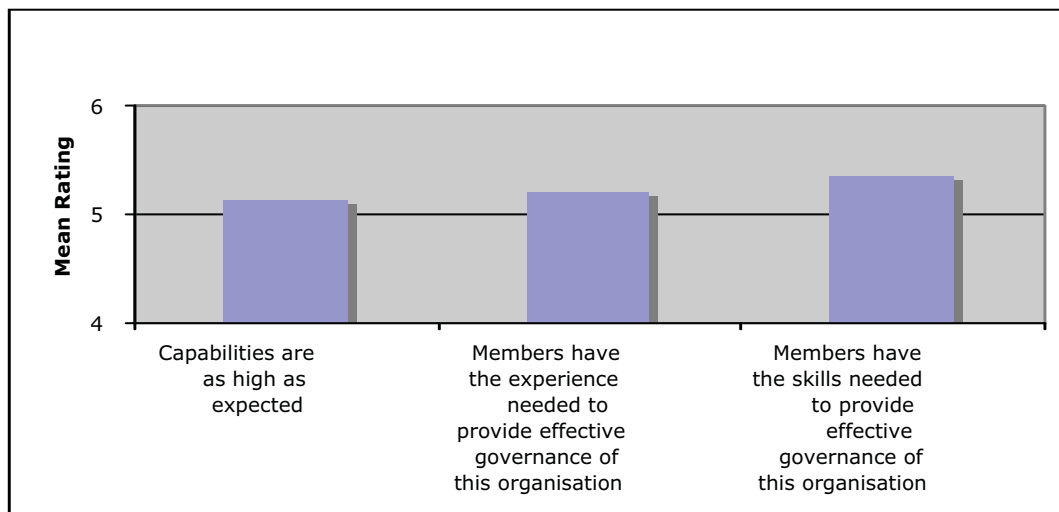
	Mean Rating
Arts	6.16
Advocacy	6.11
Finance	6.05
Marketing	5.70
Fundraising	5.60
Legal	5.41
Accounting	5.12
Human Resource Management	5.05
Other	4.35

Conformance capacity is generally attributed to technical skills, such as accounting or marketing. It is assumed that if these skills exist, then board performance is enhanced. However, arts and advocacy skills are rated the highest in terms of importance. This suggests that these are not technical skills (rated lowest), but are inherent skills required by boards of small to medium sized arts organisations to achieve their goals and audience satisfaction. Advocacy skills support the earlier response of “Fundlers” as most consulted. Again, the responses to this question are consistent with those in previous questions where the money and the art are two matters that are juggled in order to achieve balance and quality outcomes. Advocacy is a skill that is important in lobbying stakeholders and presenting the arts organisation’s case in a dynamic and rapidly changing environment. Advocacy can be a key skill in obtaining increases in funding and promoting the art form to the media.

It is interesting to note under responses on expertise of board members; the important skills do not include law and accounting. Further investigation in case studies revealed the use of external expertise or staff members for these functions.

Following a list of areas of expertise, and a rating of importance of skills, respondents were asked their agreement with statements about their board’s capabilities, experience and skills to achieve effective governance. On a scale of 1 to 7 from strongly disagree to strongly agree, there was agreement of around a mean of 5. This is not as high as the means achievement for important skills of board members (see Figure 4).

Figure 4 – Board capabilities



5.3 Board operating characteristics

Respondents were asked a series of questions intended to describe the duties of the board in relation to annual review, adoption of statements regarding strategic direction, assessment of board performance, policies and codes for the role and performance of the board. The highest positive response confirmed that the board had adopted explicit statements to describe their organisation’s purpose and strategic direction, and most indicated their board undertook an annual review. However, only 28% indicated the board

had written performance objectives with which to assess the board's performance. Three-quarters of boards demonstrate the part they must play in the organisation but less than half of respondents indicated the board had defined how it would operate, in relation to job description and code of conduct. A percentage of respondents expressed uncertainty to the answers to these questions, with a 'Don't Know' response up to 10% across the six questions (see Table 7). Overall responses to this set of questions indicated that board members were generally active in their understanding of their duties, however the researchers felt that case study interviews were necessary here to expand on the quantitative responses (see Table 7), particularly the fact that a percentage of respondents did not know about these fundamental board activities.

Table 7 - Questions regarding board duties

	Yes (%)	No (%)	Don't Know (%)
The board has adopted explicit statements that describe the organisation's purpose and strategic direction	91.46	8.54	0.00
The board demonstrates the part it must play in the success of the organisation	75.61	14.63	9.76
The board has adopted policies that describe its own role and responsibilities	63.41	31.71	4.88
The board undertakes an annual review	62.20	32.93	4.88
The board has defined how it will operate (eg. job description code of conduct etc)	43.90	48.78	7.32
The board has written performance objectives against which it assesses its own board performance	28.05	64.63	7.32

These matters were probed in the case studies. While the case study results provide evidence that there is a link between performance and boards which have adopted these board policies and duties, further evidence is required from a broader sample to ensure the robustness of the findings.

Participants were then asked who the board consults to obtain opinions about the organisation's direction and performance, with Funders the most common answer (82%) and Customers/Audiences second. Both these groups provide resources for operation, and indicate the dependencies of these small to medium sized arts organisations. Particular Stakeholders had a relatively high result (70%) and needs to be further explored to identify who and why. Sponsors were the least asked group (40%) indicating a low sponsorship relationship, possibly driven by the lack of capacity of these organisations to service sponsors (see Table 8). "Others" consulted included major clients, consultants, professional associations, other cultural organisations, artists and presenters. This needs further investigation.

Table 8 - Groups consulted by the board

	Yes (%)	No (%)	Don't Know (%)
Funders	81.71	17.07	1.22
Customers/Audiences	79.27	18.29	2.44
Government	74.39	24.39	1.22
Particular Stakeholders	69.51	23.17	7.32
Sponsors	40.24	50.00	9.76
Others	36.59	34.15	29.27

When asked who the board was accountable to for performance, respondents provided a range of answers including members, artists, the community, funding partners, ASIC and the organisation itself. The highest frequency of responses were funding partners and members of the organisation.

The characteristic Board duties and accountabilities are further defined in the role they most commonly set themselves. Respondents were asked a series of “yes/no” questions about the role of the board. The highest agreement (over 90%) was for the questions relating to members sharing fully in discussion and decision making, the encouragement of different or conflicting views, the active participation from all members during meetings, and a focus on the interests of the organisation as a whole during deliberations. Less than half (43%) of respondents indicated their board had an orientation program to assist new board members in becoming full contributors to the board, and only 40% of respondents said their board had criteria for deciding which matters justified its time and attention. 74.39% of respondents indicated members left meetings with a collective sense of achievement, but 19.51% answered they were unsure if this were true or false (see Table 9). This must be addressed by each board in their self assessment.

Table 9 - The board role

	Yes (%)	No (%)	Don't Know (%)
Members focus on the interests of the organisation as a whole during deliberations	92.68	4.88	2.44
Meetings are conducted so that each member is able to share fully in discussion and decision making	91.46	6.1	2.44
Encourages expression of different or conflicting views within meetings	90.24	6.1	3.66
Encourages active participation from all members during meetings	90.24	7.32	2.44
Provides leadership and direction to the organisation	87.8	9.76	2.44
Has prepared for meetings in advance including reading board papers	86.59	9.76	3.66
Is focused on the organisation's external environment	80.49	18.29	1.22
Meetings focus on long-term policy and strategic issues	79.27	15.85	4.88
Members leave meetings with a collective sense of achievement	74.39	6.1	19.51
Has an orientation program that assists new board members to become full contributors to the board	42.68	51.22	6.1
Has criteria for deciding which matters justify its time and attention	40.24	51.22	8.54

The questions answered in Table 9 related to strategic planning, teamwork, trust, relationships and group decision-making. Responses with the highest agreement relate to matters to do with equity and inclusion. Again, given the focus of the cultural policy, Creative Capacity+, these responses are in line with State Government policy. They further suggest that arts board members value diversity in practice. The responses with the lower agreement relate to matters to do with strategic thinking and planning. The responses suggest that there is a need for more development of arts boards in building strategic capacity and in orientation programs for new boards members. These were probed in the case studies and are discussed in more detail in that section of the report.

The responses from Table 9 were also cross-tabulated with the responses from Table 7, to analyse fiduciary responsibility more deeply. As the question sets included nominal data they could not be correlated, but a chi-square measure of association was investigated. This produced a Cramer's V statistic for each combination, a value between -1 and 1 reflecting the strength of the association. This revealed the following:

- (i) There were statistically significant associations between annual performance reviews and the questions related to board performance from Table 9. The strongest association is between annual performance review and orientation programs (0.421) but when considering scores range from 0 (no association) to 1 (strong association) the association is accepted as medium strength.
- (ii) Medium-strength associations were found between board performance and whether the board had written performance objectives to assess its own performance. The association, showing the strongest was when an orientation program was in place to assist new board members (0.487).
- (iii) Many of the questions relating to board performance have significant associations with the demonstrated ability of the board to play a part in the success of the organisation. Strongest of these is the association between the board demonstrating the part it must play and the perceived ability of the board to provide leadership to the organisation (0.378). The multitude of significant associations suggest this to be a vital criteria.
- (iv) The associations between board performance and the board adopting policies to describe its own role were small. Table 10 shows only two questions relating to board performance to be significantly associated with the criteria of adopted policies, and these associations were not strong.

Table 10 - Board role and duties: policy to describe own role

	Cramer's V	Significance Level
Encourages active participation from all members during meetings	.285	0.01
Has an orientation program that assists new board members to become full contributors to the board	.239	0.05

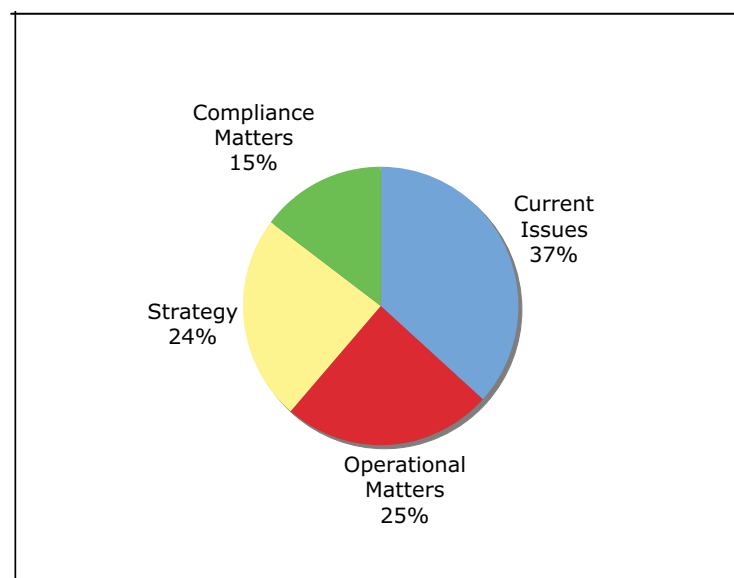
This correlation data has revealed two critical factors:

- A board orientation program and a board evaluation program lead directly to improved board performance
- and, the more the board perceives its role to be one of leadership, the more likely it is to demonstrate leadership.

Division of time on issues

Having analysed the duties and role of the board, it is interesting to compare responses to the amount of time spent on issues coming to the board. The highest response was that most board time was spent on Current Issues (37%), followed by Operational Matters (25%), Strategy (24%), and Compliance Matters (15%).

Figure 5 – Division of time on issues



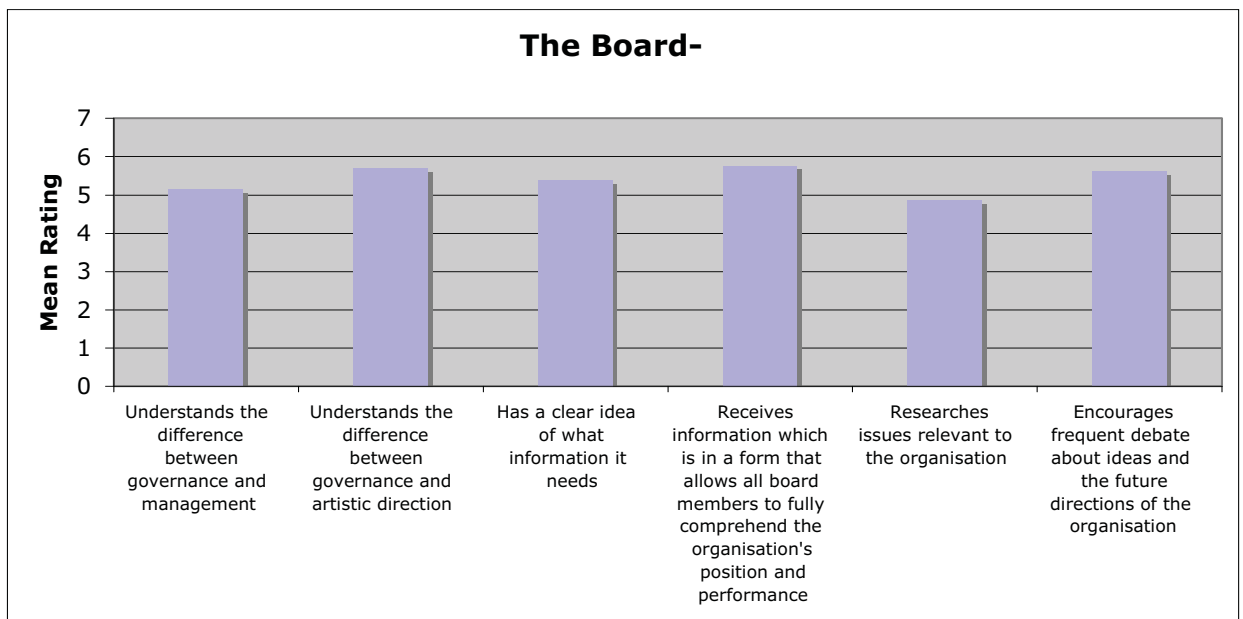
These responses are important. They suggest that arts board members may be driven by crises in current issues, rather than strategy. This is not so surprising, considering the size of these organisations, the resource constraints and the constant pressure they are under. Burn out is not an uncommon feature for managers in small to medium arts organisations. Boards are voluntary and yet expected to provide the same level of performance and conformance as large, well resourced boards. Further, strategy is linked to performance. If time were to be spent on the urgent rather than the long term, higher level issues, how does that compromise the effectiveness of the board? This is an issue that was probed in the case studies.

5.4. Board conformance

The application of board characteristics and incorporation of the skills and expertise of members clearly contribute to the capacity for governance conformance. The survey included questions about the board's understanding of the difference between governance and management, the relationship with the general manager, and their financial and risk management practices.

Responses of agreement or disagreement to a series of questions on governance, highlighted a slight weakness in understanding. With a scale of 1 to 7, the mean was only 5.16 for understanding the difference between governance and artistic direction. The highest response (5.77) was agreement that the board receives the information in a form needed to comprehend the organisation's current position and performance. The following Figure 6 shows responses for all questions relating to dimensions of governance.

Figure 6 – Board understanding of governance



Governance revolves around a separation of board stewardship and operational management. This requires a clear definition of the general manager's role and evaluation.

71% of respondents indicated their board had clearly defined the boundaries or limits within which the general manager was required to operate. Table 16 shows that response rates decreased with frequency, however more boards assessed general manager compliance once a year than quarterly.

Table 11 - Frequency that board monitors General Manager's compliance

	Response Total	Percent
Almost every meeting	44	48.35
About once a year	20	24.18
Quarterly	7	7.69
Seldom	4	6.59
Don't Know	4	7.69
Not at all	3	5.49

It is to be expected that board compliance would be monitored almost every meeting. However, it is surprising, in a strongly regulatory environment, that a few board members do not know how frequently it is monitored or do not monitor it. While 64% of respondents review the general manager's compliance, close to 20% of respondents either "don't know" or seldom review the general manager's performance. This is an area requiring further attention.

The number of staff in the organisation, and how many of these are appointed by and report to the Board is also a measure of effective governance, in that this indicates development of management and access to information for decision-making. Respondents overwhelmingly answered that the board appointed and was reported to, by the general manager or CEO or Chief Financial Officer, and the Artistic Director.

Risk Assessment

Respondents were asked how often the board formally assesses financial risk. Table 17 shows that the highest response rate was for Almost Every Meeting, and the equal lowest were for Seldom, Not at All, and Don't Know.

Table 12 - Frequency of formal board assessment of financial risk

	Response Total	Percent
Almost every meeting	60	73.17
Quarterly	10	12.20
About once a year	9	10.98
Seldom	1	1.22
Not at all	1	1.22
Don't Know	1	1.22

Their regular assessment of financial data is indicative of resource constrained organisations checking financial progress at every meeting, in order to make adjustments in programming and spending.

Participants were then asked how often their board formally assesses non-financial risk. Table 18 shows that once again response rates are highest at frequent meetings, yet not as high as the assessment of financial risk.

Table 13 - Frequency of formal assessment of non-financial risk

	Response Total	Percent
Almost every meeting	32	39.02
Quarterly	23	28.05
About once a year	19	23.17
Seldom	7	8.54
Don't Know	1	1.22
Not at all	0	0.00

This delineates the emphasis on financial accountability, and a greater confidence in the artistic and people assets of the organisation.

5.5. Board Performance

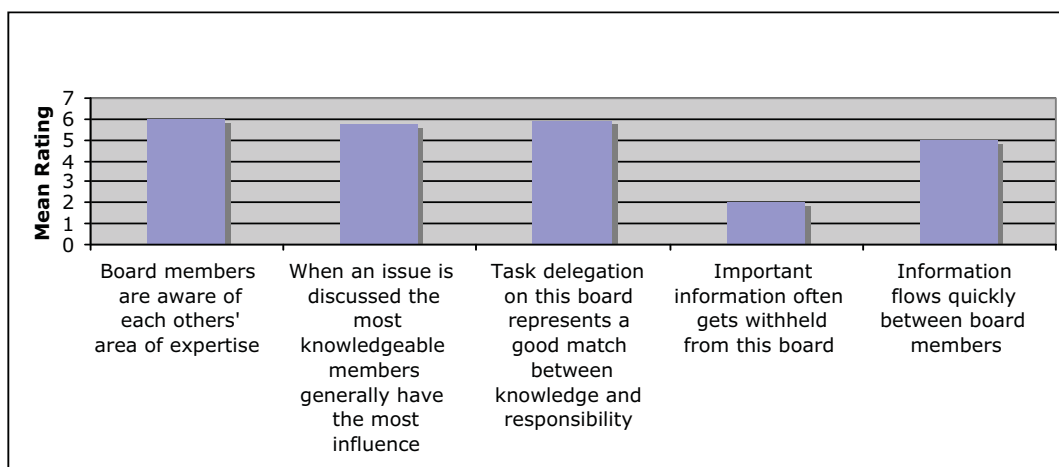
The link between duties, roles, characteristics, skills and expertise combined with the understanding of compliance, are expected to lead to board performance. Performance is the practice that achieves success. This set of questions required respondents to reflect on their individual practices and to define their interpretation of success.

Board discussion

Respondents previously identified what skills and expertise characterise an effective board, and rated the importance of selected skills. A further question sought their perception of how their board used this expertise at meetings by matching tasks to knowledge and how members kept informed and discussed issues.

In general, there was agreement about their value of board meeting discussion, although this was not at the strongest level (see Figure 7). They disagreed that important information is withheld.

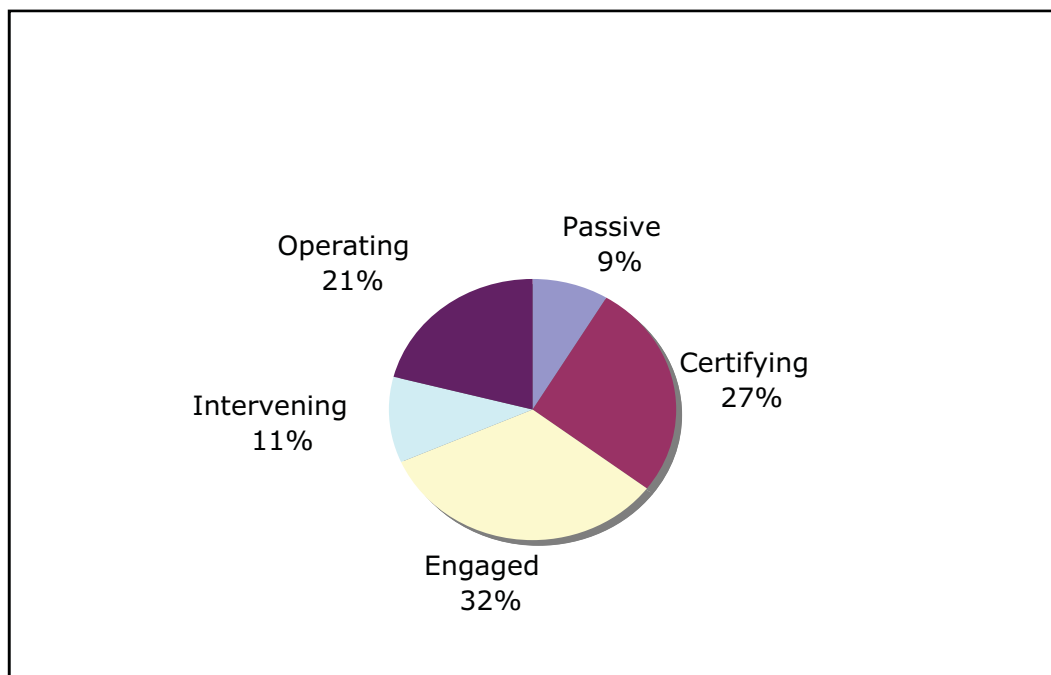
Figure 7 – Board discussion



Board engagement

One of the most important questions for respondents was seeking endorsement of a particular type of engagement that the board exhibited with the organisation. Each of the types—passive, certifying, engaged, intervening, and operating—were presented with a description taken from literature on governance and board engagement. The question required respondents to analyse the performance of the board in relation to the operation of the organisation. 32% described themselves as “engaged”, that is: providing insight into issues and outcomes. 27% believed that they were “certifying”, that is: staying informed and monitoring the CEO performance.

Figure 8 – Type of engagement between board and organisation



It is not unusual to expect small to medium arts organisation boards to have a greater focus on operations, due to resource constraints, especially in staffing. However, other boards may not be operating in the optimal space. The responses given here are only a snapshot and board engagement can change as circumstances change, depending on levels of trust, relationships, communication and interdependence. This qualitative type of response required further investigation in the case study interviews, to determine the rationale for such responses.

Board understanding of success

Previous questions tested responses to stakeholder relationships and responsibilities in various areas. Two critical success factors for small the medium sized arts organisations are artistic success and customer/audience satisfaction.

Respondents were asked if they agreed with questions of the board's understanding (1 “Strongly Disagree” to 7 “Strongly Agree”) of these two critical success factors: artistic and customer needs. The question: “The board understands challenges in achieving artistic

success” received a mean rating of 5.65, while the question: “The board understands customer needs of the organisation” received the slightly lower rating of 5.43.

Then, having agreed to these as success factors, respondents were asked to rate the success of their organisation in terms of artistic outcomes, financial performance, organisation and management, and learning and development.

Ratings (ranging from 1 “Not Very Successful” to 5 “Very Successful”) showed that organisations were mostly successful achieving Artistic/Cultural Outcomes (a mean rating of 4.62), followed by Financial Performance, Organisational Processes and Management, and Learning and Development (see Table 19).

Table 14 - Board success

	Mean Rating
Artistic/Cultural Outcomes	4.62
Financial Performance	3.93
Organisational Processes and Management	3.82
Learning and Development	3.77

Artistic success is by far the highest of all areas of possible success.

5.5. Summary of survey findings

Small to Medium sized Arts Organisations in Victoria

<p>Demographics of the organisations</p> <ul style="list-style-type: none"> • Annual turnover \$100,000 - \$499,999 • Performing arts largest sector • 80% metropolitan, 20% regional • 63% Incorporated Associations <p>Demographics and characteristics of board directors</p> <ul style="list-style-type: none"> • Equivalent male and female numbers on boards • Majority aged 46 – 55 years • 50% have postgraduate education • Artistic, organisational management and project management expertise • Most on one board only • Join to make a contribution to this organisation • Represent arts and community sectors most commonly • Arts, advocacy and finance deemed most important skills <p>Board performance</p> <ul style="list-style-type: none"> • Aware of each other’s expertise • Tasks matched to knowledge and responsibility • Knowledgeable members influence discussion • 32% boards engaged, 27% certifying role • Understand challenges to achieve artistic success • Organisation most successful in artistic/cultural outcomes • Reviews board performance (62%) 	<p>Demographics and characteristics of boards</p> <ul style="list-style-type: none"> • Average board size 9 – 12 members • 39% meet more than 11 times per year, 29% meet 7 to 11 times • Most common sub-committees are Finance and Artistic, who advise the Board • Board members selected overwhelmingly on merit <p>Board operating characteristics</p> <ul style="list-style-type: none"> • Has adopted purpose statement (mission and objectives) • Consults funders and customers/audiences most. • Greatest accountability to funding partners and members of the organisation • All board members share in discussion and decision-making • Focus on “whole” organisation • Need more effort in strategic planning • Need board orientation training • 37% of Board time spent on current issues • 62% of Board undertake annual review of Board performance <p>Board conformance</p> <ul style="list-style-type: none"> • Understand difference between governance, management and artistic direction • Information received by board helps decision-making • Assess general manager’s compliance at each meeting • Board appoints and reported to by general manager, Artistic Director and CFO • Assesses financial risk at every meeting • Assesses non-financial risk at either every meeting or quarterly
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In summary, the survey findings for the small to medium arts organisations found that most were in metropolitan areas, had a turnover well under \$1m and were often incorporated associations. It is of interest to note that there were equal numbers of men and women on arts boards, which is closer to government boards but significantly different from the make up of corporate boards. Board members are well educated and take their board role seriously, often only sitting on one board. Board members wish to make a contribution to the community and understand the challenges of achieving artistic success. Boards are small, meet regularly throughout the year, are selected on merit, are accountable and consult stakeholders. Many boards are “engaged” in their manner of operation and maintain open communication with senior management. More effort needs to be put into strategic planning and orientation training, which is not surprising given their size and resource constraints. However, they understand their roles and are responsible in carrying them out. The issues arising from this analysis point to soundly performing boards in many instances, but within a framework of a compliance environment that can take time away from strategic issues and with financial resources that can constrain them from making further changes which could optimise performance.

6. Case Study Results

The quantitative survey was followed by in-depth interviews with the Chair and General Manager/CEO of selected arts organisations to elicit qualifying comments on the survey responses. This provided the opportunity to ask “why” a particular action was taken or put in place, and to balance responses with roles, environment, mission, market and size. While cross tabulation in the survey responses does some of this, it does not provide the rationale, motivation or outcome of decision making. By selecting organisations and documenting secondary data on those organisations, then probing through interviews, case studies are developed. The organisations were proposed by Arts Victoria to the project Advisory Committee, after considering the results from the survey. These were discussed to achieve diversity of structure, art form, size, geographic distribution, and duration of existence. All were funded by Arts Victoria either for operations or projects. All were designated as small to medium sized organisations from categories ii and iii in the Arts Victoria categories of arts organisations.

The case study organisations represent the diversity of small to medium arts organisations in Victoria. The summary aggregated profile of arts organisation staff, volunteers, board composition and sub-committees, organisation performance and income is illustrated in Table 14.

There is considerable variety in the eight case study organisations. This is evidenced in board composition and the numbers of sub-committees shown in Table 20. For example, all case study organisation boards had a finance sub-committee, some had only that sub-committee and no others, while one organisation had numerous sub-committees which met on an as-needs basis. However, the latter incidence was rare in the small to medium arts sector studied. Of particular note is the large number of volunteer hours used by these organisations and the large number of volunteers who give of their time and expertise to the small to medium arts sector.

Table 15 - Case study organisation summary profile

Summary of the organisation's structure	
Staff	
<ul style="list-style-type: none"> • Average permanent full-time • Average permanent part-time • Average casual 	<ul style="list-style-type: none"> • 6 • 3 • 23
Volunteers	
<ul style="list-style-type: none"> • Average number of volunteers • Average number of volunteer hours 	<ul style="list-style-type: none"> • 500 • 18 021
Board	
<ul style="list-style-type: none"> • Chair • Deputy Chairs • Average no. Board Members 	<ul style="list-style-type: none"> • 1 • 0.25 • 9
Board Sub-committees	
<ul style="list-style-type: none"> • Finance • Governance (including Board development, Board recruitment) • Fundraising and Sponsorship • Special projects • Marketing • Other 	<ul style="list-style-type: none"> • 8/8 • 2/8 • 4/8 • 4/8 • 1/8 • 2/8
Summary of the Organisation's Performance	
Non-performance Income	
<ul style="list-style-type: none"> • Average State Government • Average local government • Average Federal Government • Average Private Donation (Philanthropic trusts) • Average Sponsorship (monetary) • Average Sponsorship (in-kind) • Average Membership • Average Fundraising/Donations • Average other non-performance income (merchandise, catering, venue hire, interest, other) 	<ul style="list-style-type: none"> • \$479 092 • \$ 71 238 • \$321 859 • \$ 11 998 • \$ 17 043 • \$ 5 023 • \$ 15 314 • \$ 8 106 • \$ 70 115
Performance Income	
<ul style="list-style-type: none"> • Average paid performance income (box office/contract performances) • Average number of non-paying attendees to performances 	<ul style="list-style-type: none"> • \$316 660 • 60 127

Minimal sponsorship money is earned by these case study organisations. This correlated with the lack of fundraising sub-committees identified in the study and possibly the perceived lack of opportunity for fundraising in this sector. When this perception of the case study respondents is cross-checked with the survey results, it is interesting to note that Table 5 shows that sponsors were the last group consulted by the board. It may well have been a strategic decision to place sponsors last, as small to medium arts boards perceive that they do not have the resources to support sponsors. This is worth further exploration.

The questions on board conformance and performance were linked to definitions in this study (see p.4).

The questions in the in-depth interviews were as follows:

1. Board Governance Conformance

- 1.1 What sub-committees does your organisation have? If any, how are they formalised?
- 1.2 How are your members elected or recruited to the board?
- 1.3 What training is provided for new board members? Please describe the nature and duration of the training.
- 1.4 How does the board review its governance practises? (and how often?)
- 1.5 What aspect of governance do you think your board does really well?
- 1.6 What aspect of governance do you think your board could improve most?

2. Board Governance Performance

- 2.1 Question 26 in the survey on the role/style of the Board identified five board styles of relating to the organisation. What style do you identify with? Explain your style in relation to general performance of the board.
- 2.2 Think about a particularly important decision the Board had to make in the last 12 months. Describe how the board came to the decision, and how it addressed the risks associated with the decision.
- 2.3 Consider the organisation's performance over the last three years (or 12 months), what links can you make between the Board discussion, organisational planning, decisions and actions, and the performance/outcome?
- 2.4 Can you describe your Board participation since joining the Board and today in terms of governance, responsibilities and accountabilities?

Each of the responses to the questions is answered in turn.

Board governance conformance

The eight case study organisations met once a month for 11 months of the year. Some organisations had a board meeting every second month on strategic issues or a "hot topic" for discussion with a board speaker and used the intervening meeting to discuss more routine matters. This approach allowed board performance to be the focus of meetings every second month, while board conformance was dealt with in the alternate months.

1.1 Board sub-committees

Interviewees were asked what sub-committees their organisation has and how they are formalised. This allowed testing of the monitoring and conformance emphasis in governance practice. Most often, the sub-committees established were:

Finance and audit sub-committee

Finance and audit sub-committees had three members on average, met six times per year and had two members and one external person represented on them. Frequently, such committees meet before the board meeting. For example:

We've got a finance sub-committee. That consists of the Chair, the Treasurer and myself. I'm not on the committee of management and we meet prior to each committee meeting, as well as meeting via email. The finance sub-committee is] probably the only sub-committee that we have that meets on a formalised basis. (Chair)

The finance sub-committee meets one week before the Board, every second month. (EO)

Finance sub-committees were used to drive conformance and as a feed-in to a discussion of performance matters.

Other sub-committees

Most boards had formed at least one other sub-committee, apart from a finance and audit sub-committee. Other sub-committees tend to be formed according to need, and included fundraising sub-committees or strategic planning sub-committees to deal with specific operational tasks.

Constitutional sub-committee

Three case study organisations had changed their constitution as they considered that it did not reflect the needs of the organisation. Constitutional change occurred after a new board chair and executive officer were appointed. It was an important part of leading the organisation in a new direction, once the compliance matters had been put in place. It was perceived by the board members interviewed that constitutional change led to improved board and organisational performance.

We recognised that our constitution did not meet the needs of the organisation, so we set about changing it. Change meant bringing the membership along with us and getting it through at the annual general meeting. (EO)

Fundraising Sub-committee

The fundraising committee is not a common sub-committee formed on small to medium arts organisation boards. Given resource constraints, dependence on government funding, as well as private sector and philanthropic support and project funding for effective strategy and operations makes this a surprising finding at one level. The sourcing of additional funds is imperative in a changing, dynamic government funding environment. However, sourcing funds for small to medium organisations is difficult. Fundraising is increasingly competitive and small to medium organisations have less leverage, lower profiles and fewer opportunities for aligning themselves to for-profit organisations. Nonetheless if a point of distinction is found, success can be achieved in fundraising. The variety of quotations shows the different positions of some of the case study organisations in fundraising:

We have a Sponsorship and Development committee...they don't have external people...they are absolutely Board committees and we may invite along the GM in certain situations. (Chair)

Fund-raising which hasn't really got off the ground at this stage. There are so many other issues to deal with. (Chair)

There have been some really exciting [fundraising] milestones along the way that have really lifted the energy around the [fundraising] project. (EO)

Project based sub-committees

A number of organisations had project-based sub-committees which had been formed to meet specific needs within the organisation. Examples included a building sub-committee, a performance review sub-committee and a touring sub-committee.

We have task-based sub-committees. A building sub-committee and a touring consultative committee, comprising of two board members, two from our professional association, three venue representatives and two producer representatives. (Board member)

We have had other sub-committees on a needs basis, for example a Marketing Executive review sub-committee, to review AD and GM positions and expectations. (EO)

The building sub-committee] is a working committee of four...it's a pretty important committee for this Board. (Chair)

Other sub-committees were also formed for specific tasks with the majority of these meeting as and when required. For example:

We have HR, legal, finance, artistic, Board development sub-committees. They tend to be standard committees, ad hoc aside from the planning committee which tends to meet on a regular basis. (Chair)

The Board development sub-committee which worked last year on the change of constitution met very, very regularly and then also a few times before our AGM. (Chair)

Some organisations reported constitutional requirements for the establishment of additional sub-committees, for example:

We've got a strategic planning sub-committee, a marketing sub-committee, a building sub-committee, a scholarship sub-committee, an executive performance review sub-committee ...they all have one Board member on them and are prescribed in the constitution. (Chair)

The type of sub-committees found in the case study organisations showed that the boards were strategic in forming sub-committees that met their current needs, such as those for a particular project. One project was a major extension to facilities which required resources and time commitment of Board members. The number and type of sub-committees also showed that boards did not add a sub-committee if it was not warranted but only if it served a purpose. This was a characteristic of the small to medium nature of the organisations studied and the resource constraints under which they operated.

1.2 Election or recruitment to the board

Interviewees were asked how members are elected or recruited to the board.

Composition and term

Most often, the majority of board members were elected to the board, half each in alternate years, with a smaller number being able to be co-opted to fill specific strategic

skills requirements. Strategic skills requirements could include the need for Certified Practising Accounting skills or media connections. Board members usually serve for between one and three years. For example:

There was originally a position that the GM and the AD would be on the board, I didn't support that. [We need] to sell the board on a vision for the company that the board then needs to [agree to]. Being part of the board sets up an inherent conflict. (EO)

We have a maximum of ten members on the committee. Seven of the members are elected. Approximately half are elected in alternating years for two year terms. They serve for two years and then can serve for up to three consecutive terms before they have to retire from the board. They can then run again the following year, but they've got to have a period off. (Chair)

9 years serving on the Board is] our new constitutional maximum. (Chair)

There is a representative from the staff, there's a representative from the Committee and there is a representative from the Friends. There are four elected positions and then there are five co-opted positions (EO)

Recruitment

Responses indicated that board member recruitment remains a challenge for small to medium organisations. It is also an aspect of governance that could be professionalised more than it is. It varies from a casual approach to a more formal approach in some organisations. The way board recruitment is handled is partly related to resourcing, in that small to medium organisations often lack sufficient resources to staff all the functions and roles required in a compliance-focused environment. Comments included:

I probably have three meetings with people where I've been asked: 'Look, we'd like you come along to the organisation meeting' and then see if it's good for both of us and I hope you might join us.' (Chair)

My experience has been quite often you'll approach somebody to come on board and they'll say, yes. But later they say, oh it's [not for me]. (EO)

Our policy is that once a gap has been identified on the board [is that] we identify the skill that we want, the sort of person that we want and then we'll go out see if that person is [available]. (Chair)

Voluntary Service

Board members provide voluntary service to small to medium arts organisation boards. Recruiting board members with the expertise required and who are prepared to serve voluntarily is another challenge for small to medium arts boards. However, with a "changing of the guard" in both board chairs and EOs, there is far greater recognition of how to approach potential board members for a voluntary role. For example:

I think that in my first few years here we were dealing with such change... there was inexperience on the Board...that has changed now, I really do think our Board members have particular expertise when there's a crisis...we've commissioned two reviews to make sure we're on the right track. We brief

potential board members on the voluntary nature of the role to ensure they are prepared for it. (EO)

Skills mix

Board selection also is not handled randomly. It is carefully thought out so that people with particular skills are identified and sourced through a variety of methods. The manner of selecting board members is a leadership skill that is not shirked. Nonetheless, it remains a challenge. For example:

We look at things like board compositions, is it representative? We look at what would be [best for] the health of the company? (EO)

They're in the process of expanding the board at the moment so their purpose is identifying a gap in the board in terms of the skill and knowledge. We have a variety of sources to identify who might be suitable and/or interested in being on the board. (Chair)

Getting the right person on board makes a huge difference. The board's primary function has been in helping the management to take the organisation in a different direction and helping the management to nut out certain things. (Chair)

1.3 Training provided to new board members

Interviewees were asked what training is provided for new board members. They were asked to describe the nature and duration of the training. Training took different forms, from formal orientation training to the 'participant observation' form of training for new board members.

Orientation training and induction kit

Orientation training was provided in a variety of ways. It included provision of a letter of welcome, basic information about the organisation, calendar of board meetings and sub-committees, constitution, business plan, meeting procedures, skills and knowledge of board members, budget, newsletter and annual reports. Most often organisational information is compiled into an induction kit, given to new board members. Such information is comprehensive and professionally presented. It is most common to provide an induction kit rather than to provide a formal program, for obvious reasons.

We have an induction kit which all new members of the board get whenever we've looked at a new board member. The induction pack has got things like the job description for a board member, what are your responsibilities, what are the subcommittees? Has that worker got a copy of the constitution, has a copy of the plan? It's got a copy of the risk management plan, it's got a copy of... that year's business plan and application. It has details of the director's liability insurance. (Chair)

We have a Board induction kit. The strategic plan is discussed. The GM has a two hour introductory session, covering statutory obligation, the role of Board members, conflicts of interest, guidance for process of meeting conduct. There is no formal training, but there is informal encouragement. (Board member)

Board member orientation remains an area in need of greater development for small to medium arts organisations. It is resource intensive, requires extra commitment from volunteers and paid staff alike but is vital to the retention of new board members and their integration into the effective functioning of the organisation. More often than not orientation is handled informally, out of necessity. Comments included:

[They come] to a meeting and, at the first meeting; many questions would have to be answered, but hopefully if their concerns are conflicts of interest that would have been dealt with in a conversation prior to the meeting. (Chair)

There is no training. Their role is examined, their expertise in the field is examined, as is their standing in the community and how much they value contemporary arts. (EO)

but contrast this with:

The person is given a manual on how the company works, as well as a business plan, DVD, names of other Board members, copies of programmes and audited accounts. If inexperienced, they are sent to an AbaF master class and the Chair always has one session with them. (EO)

The induction process is extensive. For example, recently a legal expert was invited to review all the contracts, as a test of commitment. (Chair)

While it is assumed that there is a correlation between good induction and board performance, the nature of the induction processes undertaken in the case study organisations leaves this question unanswered. Case study organisation boards were performing well. The question is, would they perform better if they were able to conduct more rigorous induction programs?

Governance training

Training in governance matters is limited although all interviewees recognised its importance. There is sound understanding of the need for not only different skills but also working as a team to make the best use of particular skills. There is recognition that resources do not always allow for optimal development of board members and that some board members do not bring the full range of skills to the table. For example:

Some people on the committee who don't understand the P[rofit] and L[oss] statement and we have treasurer who's really good at speaking English. I'm very good at reading P and L's, but I'm not good at accounting speak (EO)

Our treasurer...was recruited because we wanted somebody with specific financial background and he's a CPA and at that stage was financial manager for a church based organisation. He's actually now their CEO, but he's got a very strong financial background. (Chair)

but by contrast:

What we're doing is utilising the board as an opportunity for people who don't necessarily have board experience to get some board experience. ... We

actually have an allocated budget for board development...people identify a need, a development need... (Chair)

Board development is stretched by the need for more resources. Board chairs have a well developed understanding of governance. But skills of other board members still need further development. Small to medium arts organisations cannot afford the costs of sending their board members to the Australian Institute of Company Directors (AICD) for training and development. Nor do the training programs offered by the AICD necessarily have the appropriate focus for nonprofit arts organisations. Further, few have attended such development opportunities. But board development is needed. Comments included show that some have serious legal implications if they are not acted upon:

I think what we really put a lot of effort into over the last six months is getting the board "on board" with the whole organisation. Understanding our vision and mission, really understanding it. In terms of financial performance the organisation has performed well but I think the board were at risk in the past of legally being liable for not actually knowing what was going on from a financial point of view. (EO)

Overall, the questions asked from the need for but lack of governance training and development for this group of arts organisation boards, is whether good induction, training and development of board members leads to better performance? It is a reasonable assumption to make that board members will operate better if they are thoroughly inducted. But this assumption remains one that needs to be explored in future research.

1.4 Board review of governance practises

Interviewees were asked how the board reviews its governance practices and how often they are reviewed.

The answers are as follows:

Board procedures

Overall, the boards we investigated had developed effective and efficient board procedures as a result of the changes in leadership, discussed above. Comments on this matter included:

We get to the end of business in an hour and a half ... and then have a focus for discussion if you want to continue. With the current structure there's an opportunity for everyone, whatever their knowledge, to ask a question. (Chair)

We have put into place [a system] where we review it at the end of each board meeting. We talk about the meeting. We talk about the decisions and the way things have gone. With the CEO we have an external review once a year, which I think we will look at for the Board as well into the future, but at the moment it is self-appraisal. (Chair)

Every 18 months [the] Board Review Committee drives a Self-Assessment Process [comprising of] a questionnaire, followed by open discussion of

contributions. ... There is some external review, for example at changeover of Executive Producers. (Chair)

[We have] a questionnaire for self-appraisal...there is also a section for sub-committees... The structure's set up to operate quite successfully. (Chair)

The convenor looks at the description of the committee and there is a self-appraisal assessment of how it performed. It's been much harder to drive the review of the sub-committee. (Board member)

1.5 What aspect of governance is done well?

Interviewees were asked what aspect of governance they thought their board did really well. Aspects performed well include:

- Board structure and design
- Board commitment
- Governance concepts and tools

Board structure and design

Three of the boards investigated during the case studies had restructured their board, including redesigning the constitution to better meet the needs of a changing, dynamic environment. Boards were found to be structured appropriately, with board size, key roles and responsibilities identified, often through constitutional change in order to bring the board and the organisation into better alignment with a rapidly changing environment. Interestingly, there were no regional differences, with regional arts organisations studied being leaders in the field of board structure and design.

When I first came on board, we had staff on the Board—this was a mish-mash of people and members and self-interest groups that were on the Board and I think within the next two years we will have turned that Board completely over. (Chair)

[We had several sub-committees] in the past when the Board was dysfunctional 12 months ago. Currently we have the ideal mix. AbaF helped identify the mix for the Board and suggested names. (EO)

Board commitment

As volunteers, Board members' commitment to the organisations on which they are board members presented noteworthy challenges for both the organisations and the Board members. The nature of their volunteer commitment means that the way in which board members are asked to contribute is key to them contributing effectively. This is also linked to the level of trust between the chair, board members and the executive officer, as discussed above. Comments were made such as:

We did our Strategic Planning over a weekend, and it is a really big ask. It is a voluntary board, and even though it is only one or two weekends in a year, it is still a big ask to ask people to go away for the weekend to work on whatever it is that you are working on. (EO)

I think it's a good group. Very professional. And there are other boards that I have worked with in the past where the people were much more experienced (Chair)

Board members do not have enough time. (Board member)

The Chair is very good, very effective in the role and Board members are genuinely committed to the organisation. (Board member)

These quotes from case study interviewees support the notion that there is a high degree of commitment to the organisations and their boards. Board members are prepared to commit additional time over weekends to planning days among other matters of value to helping the organisation perform.

Governance concept and tools

In most cases, the board members interviewed had sound understanding of governance concept and tools. This is especially so at the level of chair and executive officer, although not in all cases. However, there was evidence of a need for further development of other board members who brought a diversity of skills and experience to the boards but not always a sound understanding of governance concept and tools. For example:

It's around being very professional as a board, but understanding that the board's role is not to do the hands-on management, that's what we employ people to do. What you do is advise and assist them ... but you don't wade in there and start to manage the organisation. (Chair)

[The Board] ensure[s] the company is solvent, attract[s] good business heads and show business 'nous' and provides this expertise and experience for staff to support decisions. (Board member)

[They are] supportive of Executive. Do not micro-manage. [They] take advice from front-line. The Board support, advise and have respect for the creative side. (EO)

Good at identifying what is not working. (Chair)

I do call on the Board for their expertise often. It is a very complex organisation. There are major strategic issues that I can't make on my own. (Chair)

Given the nature and role of some small to medium arts organisations, it is not surprising that the culture of organisation supports the development of people. One organisation has a target audience of young people and therefore recruits young people to its organisation's staff and board. This presents particular challenges. For example:

I came into this role never having been a general manager so the board were my sounding board, the board were my answers, the board were my knowledge for all sorts of things, from staff management through to stakeholder management. (EO)

... we've also been quite strict about making sure the board's not involved in the micro and part of what we've done, in restructuring reports and agendas and all that sort of thing, is to let the board know [that]. For example that

we've hired staff but it's not the board's responsibility to decide what sort of staff there should be. (EO)

Nonetheless for other boards and their senior officers, board members provide a source of advice, insight, guidance, expertise and trust. These commitments follow through from board meetings to the workplace. For example:

The Board provides insight, advises and guides the CEO; seeks industry expertise to value add to decision; takes time to define roles and behaviours required by the Board and the boundaries of CEO responsibilities. (Chair)

and in contrast:

I used to view board meetings with trepidation, fear and stress because they involved so much preparation, they ended up with so little thanks, so little understanding and long complicated discussions about what I felt were irrelevant things and decisions were not made on key issues. (EO)

Having a clear concept of governance and also possessing the tools to “make it happen” are keys to board effectiveness, according to some respondents. Not everyone starts out with the same level of confidence, skills and experience, not surprisingly, given the small size of these organisations. For example:

[We are] very much clearer around what management is responsible for so that enables us to build a first stage in developing a full key performance indicator process for management. We have got that division pretty clear now. The division is around what's the board accountable for 100%, what the management's accountable for 100%, where does the board advise that the management can make their own distinctions. (Chair)

I think what we really put a lot of effort into over the last six months is getting the Board “on board” with the whole organisation; understanding our vision and mission, really understanding it. (EO)

I think [the Board] is good at planning. I think it's got much better at understanding what its role is versus what the operational kind of roles are. It's very keen to drive policy. (EO)

1.6 What aspect of governance could be improved most?

Interviewees were asked what aspect of governance could be improved most. The three categories included:

- recruitment and selection
- board training
- board assessment and evaluation.

The answers were as follows:

Recruitment and selection

The recruitment and selection of Board members was an area in which improvements could be made. There were a variety of reasons for the need for improvement in recruitment and selection. First, the pool of available talent is small given the voluntary nature of the role, the smaller size of the organisations leading to less opportunity for career advancement for potential board members from these organisations, the time

commitment required as well as the policies of some large organisations regarding board membership of their staff. Second, the informal nature of the approach to potential board members often led to a deficiency in skills and to the recruitment of board members who are over-committed, as exemplified by the following comment:

The Board doesn't have enough time...some things are not done. (Chair)

Third, there is often an expectation that board members will have an understanding of the arts (or at least the art form in which they will volunteer their time), as the statistical responses to the survey showed (see Tables 7 and 8) while there is also a recognition that board members of arts organisations need broader links to boost performance:

The Board lacks government liaison. (Chair)

We need better links to advocacy and business. (EO)

We need more skills in law, accounting and management. (EO)

Hence, recruitment and selection of board members is not an easy challenge to resolve. Its impact on board performance is complex and requires greater exploration than was possible in this study.

Board training

Board training is constantly requested by board members. Comments show that the interviewees perceive that board training leads to better performance. Some smaller arts organisations provided no training at all, as this comment shows:

The first year I spent finding out what goes on. (Chair)

Some case study organisation boards actively encouraged established board members to mentor others:

I would always say to a new Board member, it's going to take you 12 or 13 months to learn the company. It's about being actively engaged in all the Board meetings...that's self-learning...it's about having board members that are prepared to take others on a journey with them. (Board member)

There was recognition of the value of AICD training and also AbaF training, although it was often left up to the initiative and personal pocket of individual board members to attend such training:

I am going to attend the AICD training and do the program online. I will pay for it myself. (Board member)

Strategic planning days and information sessions for board members were common among the case study interviewees. Some were highly successful and valuable. Others were not:

The planning day was not successful as the staff and the Board have different cultures and different ways of thinking. The Board needs to understand its role better. (Board member)

Other comments pertain to the expertise of boards in relation to particular skills such as finance and accounting and the need for training in understanding them at board level:

There's not enough sharp focus in detail. For example in the financial area, they must be able to answer "why?" and provide details. We have only just moved to accrual accounting. (Chair)

Although a small number of organisations had funding available to them for Board development, it was more typical that training was "done on the job". Board member training, provided by such organisations as Australia Business Arts Foundation (AbaF) or the AICD, needs to be formalised, structured and ongoing for smaller arts organisation board members.

Board assessment and evaluation

Board assessment is also an area that is handled in varying ways, from highly professional to not at all. This is a function of the stage of development of the boards under new leadership, but also of some fear and resistance to assessment. The types of assessment used in the case study organisations included individual self-assessment by questionnaire or by interview, internal whole of board assessment, externally mediated assessment or no assessment at all.

An example of individual self-assessment by a mix of questionnaire and by interview for one organisation is as follows:

It is about being able to assess whether individual members of the board actually understand that forward drive, and what it is that they need to be thinking of, rather than just the more kind of operational: what's happening this year? (EO)

Examples of whole of board (or whole of committee) assessment was seen in some cases:

[It] will commence in November 2007. Four years ago we evaluated directors formally—addressing job description. The handbook for Board will include an evaluation process for the Board. This will be a Self-Assessment against a set of criteria based on ideas from other arts boards' documents. Then each will evaluate a committee as a whole. (Chair)

Each of our sub-committees has an opportunity for assessment and that's reviewed by the... committee. [It is] all done before the AGM with a view to looking at our board members and our board structure. (Board member)

Another organisation has invested in external assessment:

Somebody comes in and mediates it, and the Board puts a series of questions together and we look at our Key Performance Indicators that we expect to see and achieve for the year, and we just judge her on performance and see how it goes. It has been very good. (EO)

Another organisation does not yet assess the board or board members against performance at all:

Because we are in that growth stage, we are re-invigorating the board as such, we haven't got to that second cycle of people moving off and people coming on. How we envisage that occurring is we will be running a very strong board evaluation process. (Chair)

While others are planning to introduce assessment in one way or another:

we're starting to develop now. ... in terms of their broad role and also in terms of have we got the basics covered. (Chair)

Given the small size of the organisations studied and the scarcity of resources, it was impressive that board assessment was conducted in a professional and innovative way in a number of case study organisations. The use of assessment in these organisations was evidence of the new wave of board members and their interest in performance and its evaluation as a means of helping to achieve the artistic mission.

Board Governance Performance

2.1 Role or style of the board

Question 26 in the survey on the role/style of the Board identified five board styles of relating to the organisation. Interviewees were asked what style they identify with. They were further asked to explain their style in relation to general performance of the board.

The majority of respondents identified the style of their Board as one which provides insight, advice and guides the CEO; it seeks industry expertise to add value to decisions and takes time to define roles and behaviours required by the Board and the boundaries of the CEO's responsibilities. Comments included:

This describes good governance and encouraging deep engagement between the Board and management. (Chair)

[It's about] being involved and not getting involved at that micro-management level. (EO)

To advise... The Board seeks external expertise, yet understands its appropriate role in governance. (Board member)

Understanding that the Board's role is not to do the hands-on management, that's what we employ people to do...What you do is advise and assist them...you don't wade in there and start there to manage the organisation. (EO)

The Board approves the budget, sets the strategic plan and approves the program. This is then given to the manager to operate within these boundaries. The role of the Board is to see the "big picture". (Chair)

Some respondents felt that being informed and overseeing the activity of the CEO was the appropriate course for Board involvement:

We rely heavily on good management and reports being presented to the Board. We defer to [management] for advice. With so many changes and so many new people, it is the most logical way to proceed. (EO)

In contrast, a number of respondents described their role as being intensely involved: making key decisions, in certain areas, and filling gaps in managerial expertise.

[We make] key decisions that are then implemented by our management team...We sign off on the strategic plans...We fill gaps from time to time. (Chair)

[We] try to fill gaps in management expertise with our matrix for Board recruitment. (Chair)

In conclusion, the results here are encouraging. Boards are engaged with the organisation and strategic performance orientation as well as focused on conforming to fiscal and other requirements. Boards understand their role and how it is distinguished from that of the executive officer. Overall, there was a sense of trust perceived between board members and their managerial colleagues.

2.2 Decision-making of the board

Interviewees were asked to think about a particularly important decision the Board had to make in the last 12 months. They were then asked to describe how the board came to the decision, and how it addressed the risks associated with the decision.

The examples given by respondents typically showed a high degree of co-operation and exchange of expertise between the Board and the management, as shown in the following representative cases in point:

The company presented itself in New York a year ago, self-represented at enormous risk. There was financial risk but it paid off and the company won an award. It established a profit. It was a gutsy move by the Board. Decision making is strategic. The finances are well managed and the Board is well informed. The Board is open to change and risk but is not careless. The Board is very balanced and has high level of communication skills. They mediate, talk through issues on the table. (EO)

[As a result of a dispute between a performing arts organisation and arts organisation about the development of a touring programme] the Board moved very quickly [upon receiving reports from the General Manager (GM) regarding industry concerns, funding concerns and concerns from key stakeholders from whom information had been gathered] to establish a sub-committee to work with the GM. The Board clarified the role of the sub-committee and established a timeline for resolution. The sub-committee was jointly created for the purpose of a new Touring Consultative committee. The GM felt supported by the board and all stakeholders were able to have input. The sub-committee was very thorough, reached consensus and its recommendations to the Board were adopted. (Chair)

[The organisation was in negotiations with another organisation to procure usage of a building which required much building work to be undertaken. The centre applied for and was granted funds to upgrade the building from a number of sources. A potential problem was diverted as a result of Board input.] The treasurer was looking at it from a financial point of view and the committee member ... looked at it from a contractual point of view ... the end result being that the agreement was signed off .. and gave us surety of being in the premises for five years. ... I had been satisfied with the handshake [agreement] .. The board rightly said no we need more than that...we need a signed agreement. (EO)

The founding director of 12 years left at the end of 2005. The negotiation regarding royalties has taken 18 months to sign off on. The Board stepped up and pushed for resolution. The complex nature of the issue meant this is a

board of management issue and decision. A lawyer on the board provided expertise. This enabled the Board to understand the company and to work as a team. (EO)

2.3 Organisational performance

Interviewees were asked to consider the organisation's performance over the last three years (or 12 months if they had not been in the organisation for three years). They were then asked what links they could make between the Board discussion, organisational planning, decisions and actions, and the performance/outcome.

Some of the links identified by respondents were practical outcomes for the organisation which arose either from expertise contained within the Board or from the Board's adherence to the organisation's mission statement:

Increased funding from Arts Victoria resulted from an Executive of the Board playing a significant role and giving advice to GM in the preparation of submission to funding bodies. (Board member)

There is a direct link between Board planning and discussion and outcomes in terms of script assessment and writers' studios. [discussion surrounding] the financial position at the end of 2005. The Chair identified that losses are not last minute...the outcome is to build a surplus and to change the financial reporting process. (Chair)

[Our] mission is "to surprise". The Board expects to be surprised. Three years ago we decided to present in New York. Our reserves allowed for this risk in New York. There was much research done on "where", "when" and promotion. The result was sold-out shows, awards and further invitations. The Board's decision was linked to productivity. (Chair)

Some of the links were centred on building relationships between Board and organisation with positive outcomes flowing from there.

It's a mix of things. The company is managed well by the executive, not just the board. The Board only react every two months. The product is successful and the artistic director is talented. You need these three interacting (not just the Board) to achieve performance, the Board needs to be supportive. (EO)

The co-operative and supportive nature of the Board means staff get on and do it. Productivity is increased as staff are driven and the Board have faith. (EO)

2.4 Governance, responsibilities and accountabilities

Interviewees were asked to describe Board participation since they joined the Board and today in terms of governance, responsibilities and accountabilities.

I've been on this Board for nine years, I'm a founding Board member. I have always been on Boards or accountable to Boards in my career. An understanding of governance has always been there – I have a strong respect for it. (Chair)

I've been on the Board for two years and accountability and responsibility has improved. It is a learning curve for Board members (and staff) to operate within a host of regulatory environments. (Board member)

As the Executive Producer and General Managers we are not on the Board. Our governance responsibility is to provide honest, accurate and relevant information to the Board. (EO)

I was invited to be the Chair which meant changes in role and responsibility. The first year I spent finding out what goes on, the second asking what I can do and the third year doing this. I set in place a three year plan for surplus and developed a "Board Members' Handbook". If the Board hadn't been interested in putting these changes into place I wouldn't have stayed. (Chair)

I think the production of a charter [has given clarification on responsibilities]. We've tried to be really clear on what is the business of the Board as opposed to what is the business of the management. While we've had responsibility with things for the different Board roles like the chairperson, the treasurer and things like that, in the charter process we've really tightened up on that. (Chair)

Summary of Case Study Findings

Small to medium arts organisations in Victoria

Conformance		Performance	
Aspect	Response	Aspect	Response
Sub-committees	Finance and audit Project-based	Role/style	Dominant role is to provide insight, advice and guidance
Board appointment	Election Co-option	Decision-making	Strategic
Training	Induction kits Ad hoc due to resource constraints	Organisational performance	Mission-driven
Governance review	Board procedures reviewed with change in leadership	Accountabilities	Focus on the business of the Board rather than the business of management
Strengths	Board restructure and design Commitment Trust		
Areas for greatest improvement	Resourcing Board evaluation Training		

In summary the interviews revealed that there is strong support by the Boards of all case study organisations for their general manager or chief executive officer. High level communication skills are demonstrated in board discussion and between Board and management. The nominated style of Board performance was “engaged” and “certifying”, which is stronger in the case study cohort than in the survey result. Most organisations had an orientation pack and sound instructions or guidelines for new board members. More formal induction was hindered by resource constraints. All interviewees understood the concept and practice of governance, and of strategic planning. The size of the organisation seemed to have a relationship to the organisation’s ability to implement effective governance and procedures. Smaller organisations were less explicit in regulating governance processes. For all these organisations, good governance includes artistic vision and includes democratic processes for decision-making and a culture of trust.

Anecdotally the research showed that these small to medium sized arts organisation boards are at a stage of board governance development where they are clearly meeting governance conformance requirements. However, there are also opportunities for greater performance in some areas in some arts organisations. These comments are made while recognising the importance for Boards to meet the artistic vision and strategic direction of small to medium arts organisations. While artistic direction remains paramount and dominates resource allocation in small cash-strapped organisations, performance and conformance are nonetheless heeded.

Common **themes** emerged from the interview research. These were clearly linked to the size of the organisations and their responsive relationship to the environment in which they operated:

- Resourcing
- Leadership
- Trust
- Role of board members

Resourcing was frequently referred in the tension the Board face in achieving the artistic vision and mission with inadequate resources. Small to medium sized organisations fulfilled a specific artistic need in a niche market. Often the market segment had limited resources to pay for the artistic product. This required the organisation to be innovative in using scarce resources, to achieve compliance through creative use of the people resources, and to seek sources of revenue and partnerships outside the usual consumer market. Many board directors/members were from the small to medium sized sector (not necessarily in the arts), that is self-employed, or in microbusinesses, and while they had an acute understanding of the organisation’s needs and plans, and the required skill set, they also had limited time to invest. Examples of resourcing issues discussed by board members and their executive officer include:

You probably do a lot more as the chair than a lot of the other board members, but everybody has got their priorities, and it has to fit in some way, so it is difficult on that level to raise money for sponsorship and publicity—it is really something you have to be at all the time. You can’t just do it in bits and pieces. (EO).

Leadership was seen by these organisations as critical to achieving their goals, and to manage the change and transformation these organisations experience in delivery of their arts products and services. Small organisations are expected to be innovators, and drivers of a new approach to the arts, and to maintain a strong relationship to their community of stakeholders. This requires particular leadership that can deal with change (both managing and creating) and explore creative thinking and strategic thinking. In some organisations the leadership is shared and collective; in others it is charismatic and transformational. The organisations themselves often have a cult following, and leadership at board level must manage this stakeholder loyalty and reputation against resourcing the artistic vision, and compliance with regulation and funding accountabilities. Examples of leadership discussed by board members and their executive officer include:

When the company went through its last major strategic planning exercise, it was the most comprehensive process the company had been through. It involved consultation with the board, with community stakeholders and the like ... The plan that came out of that was the most forward thinking plan that the company had done. (EO).

and

One of the things there that I think we do really well is we are we work well as a unit as a team, that the culture of the board is very inclusive and transparent. (Chair).

Trust, a culture of inclusiveness and transparency, a strong relationship between board and management, and a board role of engagement and insight, were repeatedly described by interviewees. It is possible that the small to medium size of the organisations, the small number of staff, senior staff, and board members, lend themselves to the need for greater transparency, discussion, communication and understanding. But the use of the word trust and descriptions of behaviours linked to trust between board and manager, made explicit the presence of this attribute in managing the performance and compliance of governance in these organisations. Examples of levels of trust displayed by board members and their executive officer include:

I want to know that somebody is actually really going to put in. We're quite upfront about the level of commitment it requires and it's not just turning up once a month to board meetings; that every member of the board has to be on a subcommittee; that they have to be active on that subcommittee. (EO).

and

There are major strategic decisions that I can't make on my own, but I need to call on the Board to guide me. I am trying to realise their vision, so often I will have an opinion, but I will call the Board together, or a group of the subcommittee of the Board and say, "Here's the situation. Here's what I think we should do, but let's all sit around and see what's the best way forward". I think that's a really good approach. (EO)

The **role of the board directors/members** was attributed as “engaged” and “providing insight” for the organisation. This was described more fully in discussions of recruitment, committee functioning, crisis and change management, and governance practice, through a consultative all involved decision-making process, a respect and value for each member’s expertise and skills, a genuine commitment to this organisation’s mission, a

sensitivity to the organisation's art form, and a true practice of advocacy and stewardship of the organisation with sponsors, audiences, funders and the community. These board directors/members had moved far beyond volunteers performing operational functions for a small non-profit incorporated association. They performed their governance role with responsibility and purpose, not intervening in management, leading in times of crisis, and contributing to decision-making effectively. The **functions** that board members perform are related to the new, extended role that they are playing. Examples of levels of roles of board directors/members include:

If I look back on when I came onto the Board and what they do now really well is stay out of the artistic part of the organisation. ... the Board looks at governance and does not get involved with what happens with staff and programming. You leave that to the CEO to handle. (EO)

and again

The Board now understands their role and their role is to monitor the performance of the organisation and monitor my performance. Whereas previously they had a hand in everything, and now they actually know that they govern, they lead, they make strategic directions, they monitor; they're fiscally responsible. They're prepared to ask the hard questions; it is not consensus driven—it is great. (Chair)

Conclusions and Recommendations

Conclusions

The conclusions made as a result of conducting the survey and the case studies are that:

- small to medium arts organisation boards work in an environment of constrained resources but nonetheless work with sound leadership and purpose
- boards are generally functioning well, but express uncertainty as to their role and accountability
- improvement was often hindered by scarce resources
- board members were selected predominantly for their merit or skill (see p.6)
- the motivation for joining the board is largely to make a contribution to a particular organisation and give something to the community (see p.8)
- artistic knowledge and expertise is predominant in board membership (see p.9)
- board members are not volunteers in the traditional sense, but professional unpaid stewards of the small to medium sized arts organisation
- board members demonstrate a high level of commitment to the positions they hold, but spend most time on current issues and operational matters, rather than strategy (see p.29)
- board chairs and executive officers are generally highly skilled and work together as change agents
- members of the board need further development to better fulfil their strategic capability
- recruitment practices are often ad hoc and reflect the challenges these organisations face to attract necessary talent and expertise (see p.31)
- most boards had introduced innovative assessment approaches and showed an understanding of the importance of induction but resource constraints meant that there were opportunities for improvement in these areas
- boards investigated were undergoing considerable change, with a “new generation” of arts leaders introducing board practices that meet the requirements of a complex environment.
- stakeholder relationships are not well defined or developed to assist strategic capacity

As a result of our findings, our study recommends the following actions:

Recommendations for the Small to Medium Nonprofit Arts Sector

- focus on building the strategic capability of nonprofit arts board members to deepen governance capacity.
- develop a “coach bank” across the sector comprising professionals (law, accounting, marketing, fundraising), company directors, or arts business leaders who can be accessed and are willing to provide longer term mentoring.
- upskill board chairs and boards generally in board recruitment strategies, particularly encouraging boards to attract people with skills in law, marketing and accounting.

- undertake annual board evaluation.
- implement a one day board induction program for new arts board members across the sector, to cover legal, financial and ethical matters for board members.
- encourage the business sector to adopt a small to medium arts organisation and mentoring that organisation on governance matters, as part of their corporate social responsibility.
- improve skills in fundraising and sponsorship in arts boards by rethinking the relationship with sponsors as partners in capacity building.
- establish a cross sector fund for Board member training needs.

Recommendations for Future Research

- survey audiences and members of arts organisations as stakeholders in board performance, in order to establish how non-financial board performance measures are determined by stakeholders
- Investigate the use of external expertise in sub committees by small to medium sized arts organisations
- evaluate the stakeholder relationship of small to medium sized arts organisations to identify levels of engagement or perceived
- explore recruitment and selection strategies for effective board members against a declining pool of available people for volunteer arts boards
- investigate how board performance is boosted by adopting board policies and duties that support effective board stewardship
- investigate sector representation on board skills and types in relation to board and organisation performance

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