Lunching with Governance

In the autumn of 2010 / spring of 2011 a group of pairs of chairs and CEOs from cultural organisations attended four lunches, each of which featured a different guest speaker and topic. There were organised by Clore Leadership and funded by the Cultural Leadership Programme.

1. Change
2. Young people on boards
3. The board and the SMT working in partnership
4. The board's role in artistic risk

1. Change

A lunchtime talk with Patrick McKenna, chair of the Young Vic, held on 16 September 2010.

Summary: Patrick defined change and warned that it often buckles, in institutions such as the NHS, at the 'permafrost of middle management'. Change is easy to diagnose but difficult to deliver, requiring careful planning, sensitivity and tricky decision-making. If it were easy, it would have been done before. Change is almost always externally imposed upon an organisation, requiring a wide variety of management skills, which often leads to a refreshment of staffing. This is perhaps particularly uncomfortable for the cultural sector, which often attracts 'people people' who didn't sign up to have a tough time hiring and firing.

But fortune favours the brave, and change can be the source of huge inspiration, providing an opportunity to undertake the 'so what' test: to question why the organisation exists and design it again from a blank piece of paper. The leadership challenge lies in effectively communicating the need for change, and outlining the benefits for the organisation and the staff.

Patrick used the example of the traditional media industry and their refusal to embrace technological change to illustrate how we ignore change at our peril: "If you see it coming down the tracks it's probably already there".

For the cultural sector, the change in public funding is the fast train approaching, so our focus now has to be on the development of new revenue and financial models.

Notes from the ensuing discussion:

Embracing change

In the context of funding cuts, how can arts organisations adapt to change and take risks whilst simultaneously taking organisations forward prudently? Patrick advocated that they should strive to be bold rather than take risks; by boldness he meant continually embracing and adapting to change rather than overly ambitious risk taking.

When looking at the prioritizing of resourcing change (such as digital technologies) in the light of aggressive cuts, the answer was to take stock, slow down, do less better and maximise revenue sources, whilst still embracing change. In the current climate, we can ignore it at our peril. We need to develop new and unusual partnerships, share best practice to create efficiency savings, be innovative with products and processes and ask 'who can we share this risk with?'. The National Theatre's 'Live' project was an innovative risk at the time (albeit part funded by NESTA), gained huge acclaim and has been the catalyst for many projects across the sector.

Philanthropy this way cometh

Patrick felt that the sector needed to wake up to philanthropy as a new key funding stream. There was a need to embrace potential donors more readily, spot the trade offs and lobby the government to offer better tax incentives. If philanthropy was going to help keep the whole ecology of the UK cultural sector vibrant, it needed to invest in the risky and small as well as the big and shiny. Patrick was confident that there were younger, less orthodox,

wealthy arts lovers out there who didn't want to give to the bigger organisations and who were interested in supporting innovation.

Thoughts about finding such people and ensuring philanthropy reached tiny, rurally-based community arts organisations, who lack the resources to nurture donor relationships, included: brokering and match-making services; supporting active partnerships between larger and smaller organisations; and encouraging strategic collaboration amongst smaller organisations so they can bid for larger funding and donations as one entity. Partnerships with powerful bodies, be they public or private sector, help generate additional sources of investment. The Manchester International Festival was a great example where the City Council, a key partner, put considerable pressure on corporate bodies to help support the festival financially. Strong partners help shape and influence investments.

He who pays the piper…

There was concern around the table that a greater philanthropic culture could lead to a loss of creative autonomy. Patrick acknowledged that philanthropy had strings attached, but so did public funding.

Cultural organisations needed to defend and enthuse about their vision to funders, donors, board members and the public. It's about getting the right donor match, the right partnership which commands respect from the giver to the maker.

It's a trade-off

In order to develop donor relationships organisations needed to go back to basics and ask 'why do we do what we do?', assessing what makes the various strands of the work compelling: excellence, innovation, children and young people, emerging artists, disadvantaged communities, regeneration, education etc. Then identify people interested in one or more of these aspects, articulate the trade-off and target the ask accordingly. Being explicit about the return on investment (despite it usually being non financial) is crucial.

Wealthy donors shouldn't be the only focus. Lots of small donations add up and generate a wider pool of advocates. A creative, radical rethinking of friends' schemes is likely to be something many arts organisations need to explore, with explicit highlighting of being charities.

Could more be made of the relationship between the commercial and the subsided arts? If it's true that the latter are the springboard for the former, could the commercial arts give back? Patrick agreed the need for more conversations about the potential of this, but urged that the subsidized sector must convey what any investment will do in return. It's a trade-off.

2. Young people on boards

With Baroness McIntosh (acting chair) and Dave Gamble (young trustee) of the Roundhouse held on 11 November 2010.

When Sir Torquil Norman laid out his vision for the Roundhouse, he put engagement with young people firmly at the heart of its existence. This uncompromising vision made it possible and necessary for young people to be a part of its governance.

Young people have been on the board since shortly after the Roundhouse reopened in 2006. It's something the Roundhouse are proud of but key lessons have been learnt along the way. Drawing on her own experience, Jenny McIntosh suggested a series of questions boards should consider:

- **Why do it? Who is it for?** – Is it about providing important learning experiences for young people, or injecting the board with new and different insights that help keep the mission close? Ideally it's about both, and to test your rationale you will need to ask "how will I know when I am achieving these objectives?".

- **Where will you recruit them from?** – The Roundhouse has a ready-made pool of young people to draw from through structured progression routes: participating in the activities, sitting on the youth advisory board, and then applying to join the full board. Recruitment can be tough but use of social networks is a powerful and cheap way of recruiting young people.

- **What expectations will you have of your young trustees, and how will you support them to ensure their voices are heard?** – Initially the Roundhouse board were concerned that to expect someone in their late teens to take on all the responsibilities that go with being a trustee was too big an ask. They considered a 'trustee-lite' version but in the end took the view that it has to be all or nothing. This decision had to be backed up with good induction processes and ongoing mentoring support so that the new trustees were fully aware of what their role entailed. The board also had to collectively ensure that their processes didn't inhibit new members' ability to listen and be heard. This requires skill, modelled by the chair.

- **When? How long will their terms of office be?** – The Roundhouse wanted a high turnover of young trustees in order a) that the learning experience is distributed regularly and b) to allow for young people's mobility, be that university or a new job etc. The initial cohort term of office was two years and that has now been reduced to a year.

- How will you follow up and give feedback? What are your general appraisal processes and how will you flex them to suit people who don't stay long and may have a different range of expectations? The Roundhouse sees the value in encouraging all parties to be as effective as possible through an iterative process of feedback.

Dave's journey to the Roundhouse board

Dave Gamble was introduced to the Roundhouse eight years ago as a twelve year old, on a school's 'taster day'. He got involved in regular TV and radio initiatives and worked his way through various creative activities to lead on some higher profile projects. He was clear that his role as a trustee was enriched by his love and first-hand knowledge of the venue and its programmes.

The Roundhouse youth advisory board (RHYAB), which comprises young people aged 16–25 who regularly use the venue's studio academy, is the mechanism through which the young members' views are represented on the board by two young trustees. It took a while for the organisation to get RHYAB operating as an effective decision-making entity with a direct line to the board. It needed to learn how to work around the transitory nature of young people and their lives, and also how to instil a sense of purpose in RYHAB's membership so they felt they genuinely had a role to play in affecting decisions.

As a RHYAB member, David successfully applied to be on the board, for which you must be 18+ in order to be legally recognised as a trustee by the Charity Commission. He was one of five applicants who Jenny says "were all excellent, we could've appointed every one".

He had a full induction with the CEO and chair and felt that the board worked hard to ensure he was consulted and involved. He was clear that his role on the board worked precisely because he is not only representing his own views but also those of the RHYAB members. Also, he and his fellow young trustee brought specialist knowledge. For example, at a recent social media presentation to the board, they were able to ask pertinent questions as the only trustees who found the use and potential of social media 'obvious'.

He warned however, that any tokenistic use of young people on a board would fail. Young trustees must be seen and utilised as people who will enrich the governance. Being one of two young trustees was useful for mutual support. When issues arose in board meetings into which he felt unable to input, he enjoyed sitting back and watching the decision making process unfold. Learning how to ask great questions amongst a room full of quick thinkers was something Dave considered to be an excellent learning experience. "Where else can you sit with such an esteemed group of people?"

Creating space on the board

If the board is full, but the intention is to bring younger members in, could they be co-opted as observers? Jenny suggested that whilst having young observers is better than no input at all, you are unlikely to enjoy their full participation as they are unequal players in the room. Better to change the Memorandum and Articles or move others on.

The importance of a good induction

Confidentiality is a key part of the mandate given to all board members, but particularly needs stressing to young people who inhabit a world of frequent mass communication. In the induction process, Jenny was able to focus on the need to observe certain protocols and be clear about what may and may not be discussed outside the board room.

Sarah Taylor, a recently recruited young board member to Bright Space, talked about her weekend long induction which she found over-whelming in information but very beneficial. She met the staff and some board members, and this was followed by a session after the first board meeting to unpick the process and check understanding. She is still absorbing information, particularly the finances and is grateful for being given this time to learn before

being expected to contribute. Her recruitment came through Birmingham City Council's Young People on Arts scheme which had been running for six years. Unlike the Roundhouse model, their policy around terms of office is more relaxed depending on the availability of the individual.

Avoid assumptions

Young people on boards require ongoing mentoring support, but no assumptions should be made about their needs and expertise. A young trustee could know nothing about social media but bring a wealth of experience in classical music.

The skill of the chair

The chair needs to encourage all board members to park their hobby horses outside the door. It's having the ability to deal with these issues effectively with each individual that matters. To do this, you need to understand what makes people tick, young and old. There is a natural 'checking-in mechanism' that a good chair employs, which needs stepping up a little with the younger trustees.

So has the culture of the board changed since young trustees have joined it? Jenny feels it hasn't, certainly not in the way the dynamic changes with the arrival of a new chair.

Influencing the sector

There may be a need for more schemes like Birmingham City Council's or board banks which actively train up young people. Jenny acknowledged that the Roundhouse may soon have a responsibility to assist their growing cohort of young people experienced in governance to consider further positions in the sector.

3. The board and the SMT working in partnership

With Keir McGuinness (former chair) and Stephen Escritt (former director of strategic development) of the Whitechapel Art Gallery held on 12 January 2011.

The Whitechapel capital project

In 1998 the director of the Whitechapel Gallery, Catherine Lambert, was presented with the opportunity to acquire the redundant ex-library next door to create an enlarged exhibiting space. Her thinking triggered an eleven million pound capital project requiring first class governance. Keir McGuinness, the Whitechapel chair at the time, and Stephen Escritt, former director of strategic development, describe how the board and senior management team worked closely together to deliver the initiative on time and in budget.

Following a negotiated option on the site and significant window of time to undertake feasibility work, Catherine retired in 2000. Iwona Blazwick was appointed director with the express brief to interpret, develop and deliver the capital project, setting up a triumvirate senior staff team and several board committees comprising trustees, senior staff and external expert advisors: building acquisition, finance, design and build and retail and trading. Financial sustainability through retail was a core part of the business model and increased the ability to attract funding.

Committed, skilled trustees

The board at that time comprised a wide variety of specialist talents, and those trustees who headed up each committee were expected to set and deliver targets swiftly. The voluntary time donated by the trustees was significant and at one point – at the behest of a funder – was valued at £600K. All staff (a team of 22 at that point) knew each of the board members because they were around in the building so regularly.

Not all trustees and advisors were able to give this quantity of time, but their occasional interventions of expertise were often crucial to the success and momentum of the initiative. For example, the leader of Tower Hamlets Council and John Newbigin (then head of corporate relations for Channel 4) were very instrumental in effectively navigating the local and regional political landscape, as well as the media machine.

The power of delegation

The structure and composition of the committees (staff, trustees and experts) meant the board and senior staff worked very closely together, enabling trust and ideas to be rigorously road tested before being presented to the board. This in turn fostered a strategically focussed and problem solving culture in board meetings, able to leave the detail to the committees. Notably, the board's relationship with the senior staff wasn't mediated by the director. Her generosity of spirit, and need to focus on curation, meant the directors of strategic development and operations had as much to do with the board and external partners as she did. As Stephen described

In many organisations, the SMT is wheeled in and out when required which can be dispiriting, but at the Whitechapel we were a triumvirate, saving the director time whilst building our confidence and sense of worth as key players.

Keir reiterated

This absence of hierarchy didn't just emerge. It happened because the director let go, unlike others who tend to put up unnecessary shields between senior staff and the board. However, partnerships are difficult so getting a clear structure and explicit roles was what made it work.

This structured, communicative, collaborative approach made it possible for the board and senior management to take tough decisions, such as appealing a decision of HMRC regarding payment of VAT on capital items, and going ahead with the build despite being two million short of the total monies required. The sustainable, proactive and networked culture led by Iwona and Keir gave the team the ability to cash-flow the project from reserves, confident that the remaining funds would be found. In Keir's words; 'It's not about taking the risk, it's about quantifying it.'

The portfolio board

The Whitechapel capital development was a 'project', which not only helped drive a results focussed and collaborative culture, but also required specific, new skills at board and senior staff levels. Once the project was over, the skills needed reviewing again, a kind of 'war and post war'. Keir was clear that as milestones are reached, boards need to follow suit and refresh regularly to ensure they have the right people for the current objectives, Making use of the Whitechapel's five year term of office. Espousing the efficiency of 'portfolio boards', he stated that boards need to be explicit about their range of skill requirements at any given time, recruit carefully and seriously to this agenda and give people clearly defined roles to get their teeth into, which the staff can appreciate and draw on. Being a trustee simply to support the general wellbeing of an organisation is too woolly, and often results in people feeling powerless. At the Whitechapel, appraisals of the chair and all trustees are annual and linked to their specific roles. If people aren't performing against targets they may be asked to leave.

Keir offered a couple of other governance tips. Firstly, as chair, if you see something going wrong or relationships being strained you have to deal with it promptly, starting with talking it through. The key, he says, is to give disgruntled trustees a role they can focus their energies on.

Secondly, Keir abolished the concept of 'any other business' which he believes provide those trustees with a hobby horse the perfect opportunity to hijack meetings. board meetings should have clear agendas for which all relevant parties make the necessary preparation and planning, which in turn allows the best use of everyone's valuable time to reach informed and considered decisions.

Trusting in change

Projects help create change. Organisations need projects to reinvent themselves and avoid decay, now more than ever. To be effective boards and staff have simultaneously to understand and support the need for change. Where there is a fear of change at board or

staff level, and therefore a dishonesty between the operators of the mission and the guardians of the ethos, an organisation will cease to function adequately.

The current climate is as strong a reason to champion and instigate change as any, and the trick is to create forward momentum by getting the staff and board to focus on 'the project/s' which will bring about change, rather than the change itself.

4. The board's role in artistic risk

With the Rt Hon Lord Smith of Finsbury (former chair of the Donmar Warehouse and the Environment Agency, and the inaugural director of the Clore Leadership Programme) held on 15 February 2011.

A board's role in artistic risk is difficult to pin down because it is dependent on the organisation and personalities of the senior staff and board members involved. However, to be effective in any context, it requires a strong sense of trust between both parties, and crucially, between the chair and artistic director. To illustrate good governance in artistic risk, Chris drew on his experience as a previous trustee of the National Theatre and as current chair of the Donmar Warehouse.

Convincing a board by stealth

Shortly after Nick Hytner had been appointed as artistic director of the National Theatre, but before he had taken up his post, he wanted to propose the ground breaking idea of a £10 season in the Olivier Theatre. He needed to convince the board that this would pull in new audiences and be financially feasible. After checking with the chair, Nick took each board member out to lunch individually, presented his idea and outlined proposals for mitigating the risks. By the time he was in post and ready to start work, the whole board were signed up and publically advocating this radical approach. A great example of good communication with the board in its entirety, particularly important as a new appointee.

'Raising an eyebrow': the extent of the board's ideal role in artistic risk

At the Donmar Warehouse, the then artistic director Michael Grandage presented his proposed seasonal programme of six in-house productions to the board on an annual basis. Despite attracting 95% capacity audiences, the risk for the Donmar is significant because the theatre houses just 250 seats and employs high production values. All productions make a loss, bridged by significant fundraising with individual donors and an annual grant from Arts Council England. Despite the scale of the fundraising, the board never opposed Michael's artistic decisions. They grilled him occasionally, but his artistic judgments repeatedly proved themselves, resulting in a high level of trust. With regard to the board's role, Chris said that "it had never done more than raise an eyebrow". When a new artistic director, Josie Rourke, was appointed to the Donmar, a similar trust between her and the board needed to become established through the success of the programme.

A duet: the artistic director and the chair

Having negotiated a provisional deal with Cameron McIntosh, in 2007 Michael Grandage was keen to present the 'Donmar at Wyndhams', a season of four carefully selected, star-studded productions playing to a wider audience of up to 700 per night in the West End. This was a big undertaking involving a significant risk, not least because the intention to keep the ticket prices affordable meant the profit margins were minimal and required an 84% capacity audience to break even. The Donmar also needed to be able continue its usual programme at the same time.

Michael went to Chris as chair and presented the idea, complete with all four play ideas and three signed-up stars (Kenneth Branagh, Jude Law and Derek Jacobi). He hadn't yet

confirmed Judi Dench. Chris liked the idea but asked that before taking it to the wider board, Michael should mitigate two key risks. Firstly to confirm Judi Dench, and secondly to find a way of guaranteeing that the Donmar-based programme would remain as strong as ever and not play second fiddle to the prestige of, or costs involved in, the Wyndham season. Michael worked through these requests and then both he and Chris were able to take the idea to the wider board with greater confidence. The board agreed but then had to decide how best to finance the Wyndham season. Should they entice an investor who would then carry much of the risk (but also any profits made), or 'gulp hard' and finance it out of their own savings hoping to attain at least 84% audiences to cover cost? They chose the latter and achieved 97% audiences; 13% above the breakeven target.

The good governance lesson here is that the strong relationship of trust between the artistic director and the chair meant they were able, as a duo, to identify and mitigate some potential risks in advance of taking the idea to the whole board. This in turn reassured the board and made it easier for them to take key decisions around financial risks.

The board's role in artistic risk: some key lessons

- The most important thing the board can do is focus on appointing the right artistic director;
- Once the appointment is made, the board confirm the broad thrust of what the artistic director will do artistically, agreeing a sense of 'the flavour' (not the minutiae) going forward;
- The artistic director proposes programmes and the board, if necessary, questions the programme (particularly around financial risk). The board then signs off the programme and trusts that the artistic director will get it right;
- The artistic director proves themselves through the success of the programme. This will allow the board to build trust in his or her ability to make joined up artistic and financial judgments;
- However there needs to be room for occasional one-off 'failures'. The board need to watch the trajectory. If the programme is heading in a tricky direction i.e. two to three failures in a row, then clearly the wrong decisions are being made and the board need to step in and either provide support to the artistic director to get the programme back on track, or change the personnel;
- The board must never micro-manage.

Appointing the right artistic director

Building up trust in the artistic director's programme stems from feeling confident that the right choice of personnel was made in the first place. The process of appointment is crucial:

- Change is good, but an outgoing artistic director can often feel like a hard act to follow. The board needs to look inward to agree how to appoint with a renewed sense of direction. "What are we looking for? Revolution or evolution?";

- Who should sit on the interview panel? It was felt that a small group of available trustees should be selected for their skills in appointing, not for their specialisms. Therefore, artists on the board should be on the panel not because of their artistic knowledge (which will be subjective) but because they are right for the panel.

Funders will often be invited to sit in on an interview of a key appointment (usually at the latter stages) but will not have a vote;

What skills are needed in an artistic director?

- A compelling interpretation of the mission;
- Programming;
- An understanding of how artistic and financial decisions are inextricably linked;
- Directing productions or curating exhibitions;
- Leading a team;
- An appreciation of the diversity of the area and the desire to be inspired by this;
- Schmoozing with donors, partners and funders;

Candidates should be grilled about the artistic flavour they will bring to the role.

What is their vision? Give an example programme. What will the programme and audience make-up look like in five years' time under their leadership?

The board's role in the first year

Once appointed, the board's role in the first year is to advise and support the new artistic director, making it easy for him or her to make the right artistic decisions in the knowledge that they are trusted to get on with the job. People respond well to trust; clipping wings rarely pays dividends. The board have another crucial role to fulfil at this stage: to help win the audience and supporters' trust in the new artistic director by taking every opportunity to repeat publicly their faith in the new appointee.

The influence of donors and funders

At the Donmar, the artistic director is expected to stand up in front of Director's Forum of principal supporters from day one, and convince them that the organisation is in good hands. After all, their donations are a vote of confidence in the person developing the artistic product.

When Michael Grandage announced his resignation to Chris, Chris asked that he phoned their principal sponsor (with whom they were in the midst of a four year agreement) to let them know personally before the news was made public. Their response was that as long as the process for finding his replacement was sound and led by the chair then the sponsorship deal would remain. They trusted the board's judgement, but for financial and reputational reasons it was vital that they were amongst the first to know.

Encouraging risk in a penny-pinching climate

When finances tighten, risk seems tougher to take. However the purpose of subsidised organisations has to be to take risks, particularly when there is less subsidy to go around. Accordingly, the funding system needs to become more focussed on investing in risk-taking and growth. The role of the board is therefore crucial: to encourage (rather than dictate) the artistic director to take enough risks and avoid retracting to what is 'safe'.

Artistic expertise on the board

The value of having artist trustees was also discussed, in line with Brian McMaster's recommendation (in his 2008 Supporting Excellence in the Arts report) that two artists and/or practitioners sit on the boards of all cultural organisations to provide appropriate expertise. The challenge for the chair is to ensure their voices are not dominating.

Although the board should buy wholly into their artistic director's vision, sometimes they might not feel artistically knowledgeable enough to discuss or question his/her programming and this could be where the involvement of artist trustees might help. Rarely do any board members know more about artistic programming than the artistic director, so their questions tend to be about financial risk rather than artistic taste. The crucial thing is to keep the board artistically updated and inspired, particularly if they are to advocate with passion.

The board's role in reviewing

To what extent might a board collectively review a production or season after it is over? Whilst positive feedback was felt to be welcome at any board meeting, there needs to be a sensitivity around those events that were less enjoyed by audiences or critics.

Chris advocated a carefully worded, personal discussion between the chair and artistic director rather than with the whole board, which could sap morale. He reiterated that the job of trustees is to remind the artistic director that the critic's view is one of many, and to be there for the artistic director when the going gets tough. Chris acknowledged that there may come a point when, as chair, you can't defend the artistic director any further, but up until that point you have to be their chief supporter. He also argued that there needs to be a philosophy of failure, whereby occasionally panned productions are seen as part of the mix and the risk; a hard, but necessary ask for a board who carry the long-term success of the organisation on their shoulders.