

# GOVERNING INDEPENDENT MUSEUMS

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## What is Governance ?

**G**overnance is the system by which an organisation is directed and controlled. A useful definition, based on that used by the Institute of Directors, is that governance is *ensuring a museum's long-term sustainability by the collective direction of its affairs, while meeting public needs and complying with interests of key stakeholders. Governance has four main components, which follow one from the other:*

- *Foresight* – defining the overall direction of the organisation, its vision and mission, and values and culture
- *Strategy* – identifying key performance areas and targets, and the business model (the approach to generating income defined by customer needs) to be adopted
- *Management* – establishing overall structures, and delegation schemes identifying areas of responsibility of paid staff; and
- *Accountability* – to stakeholders, including reporting on the museum's activities and carrying ultimate responsibility for its fortunes.

The work of museum trustees has, in the past, largely been focused on management and accountability, yet in today's climate attention to foresight and strategy are equally important. Nor is this an issue for museums alone: the new century has seen governance rise up the agenda of commercial business as well as the not-for profit and public sectors. Effective governance is now seen to be as fundamental to organisational success as is efficient management. While there is no single model of good governance, this paper identifies some of the themes for debate if museums are to improve as organisations.

Neil Cossons, in his paper *The Case of the Cultural Quango*, given to the 1976 Museums Association annual conference at Bristol,<sup>1</sup> argued that the fundamental advantage of an

independent museum is in its potential for effective governance, characterised by the following six elements. The governing body of an independent museum should, he said:

- wholeheartedly believe in, and be prepared to work for, the museum's best interests
- be free from local politics, but capable of exerting political clout when necessary
- appreciate the vital importance of high-quality, well-motivated staff
- recognise that staff need academic and entrepreneurial freedom to perform creatively and effectively
- be flexible in its response to changing circumstances to enable the museum to adapt and evolve
- be subject to a statutory guarantee of the inalienability of its collections.
- Thirty years later, these characteristics continue to command a broad measure of support.

## The Structure of Governing Bodies

Museum boards (like those of other not-for-profit organisations) tend to differ from those of their commercial counterparts. Business boards tend to be small in size – between eight and 12 members – with their non-executive membership appointed for their experience in similar businesses, or knowledge of relevant technologies, or an investment banking background, or useful political contacts. Museum governing bodies tend to be larger because, besides including a range of relevant skills, they frequently feel the need to represent the many constituencies that have a stake in the organisation – funding bodies, support groups, learned societies, education bodies, and (usually local) government. Such voices can enhance connections with, and be a source of accountability to, the communities of interest they serve.

Yet these benefits are often offset by difficulties. In particular, when making decisions,

their size reduces the likelihood of reaching a quick consensus, and there is a higher risk of potentially-damaging leaks when difficult issues or sensitive topics are discussed. Big boards can discourage candid debate. One of the most common means of tackling these difficulties has been the creation of an 'executive committee' – a small number of experienced board members empowered to deal with business between board meetings.

Yet legally the whole board is responsible for the governance of the organisation, and the 'executive committee' approach risks the creation of a 'them and us' situation, with the executive committee members heavily involved and in the know, but the remainder of the board uninformed and marginalised. In such a situation board meetings can be little more than a forum where the executive committee's decisions are reported. Individual board members, museum members and other stakeholders can feel their active participation is discouraged. Both management and board may look on such misgivings as threats; the louder such concerns are expressed, the greater the likelihood that those voicing them will be shut out in fear of a challenge for control. The consequence can be introversion, secrecy and distrust. This problem is exacerbated when the board meets less than frequently, and has little opportunity to work together as a team.

Another much-used alternative has been to create a structure of supporting committees, each reporting to the full board. Each board member would be allocated to a committee. It is argued that overseeing key development and operational areas can be a useful means of engaging board members in a museum's work, and improving their knowledge of its activities. While all organisations of any size should have an audit committee to oversee the internal audit process and monitor the performance of the external auditors, the case for other committees is less persuasive. The benefits of increased participation can often be offset by fragmentation of effort or, unless

there is regular rotation of committee membership, committee members losing their broad perspective and becoming champions for a single area of activity. In any case, the successful operation of a committee structure inevitably increases the proportion of resources deployed in administration rather than delivering programmes.

Thus the disadvantages of both executive and supporting committees will always make them second-choice to a small board. While it is possible to mitigate the disadvantages of a larger group, it is unlikely that it can ever replicate the effective working relationships and team spirit that can be developed in smaller boards.

### Managed or Governed ?

Such small boards, especially those employing a 'chief executive' or 'director' as head of paid staff are often highly effective. In the case of this governance style we can refer to the 'managed museum'. Here, the board's key role is to hire, appraise and, when necessary, replace management, whether paid or volunteer. Typically, the board

- exercises only sufficient power to control management
- uses outside advisers as well as senior management to develop its policies and plans
- establishes yardsticks for judging management performance
- works only through the management hierarchy.

The board assumes that unless senior management is inept or dishonest, or has a record of calamity, it should be given room to implement its chosen strategy. Only if it fails will there be a challenge to its control.

This approach is predicated on the belief that failure only arises out of incompetence. That is not so. Most crises arise not from ineptitude, but from the failures of judgement that are the inevitable realities of human decision-making and organisational behaviour. Factors contributing to crisis and failure include

- people, being people, make mistakes
- individuals are biased towards decisions and strategies that reflect personal strengths, which may not reflect the current needs of the organisation
- individuals and groups do not like to admit to mistakes – indeed, psychologists expound the theory of cognitive dissonance, that tells us the more evidence there is to demonstrate a bad decision, the more firmly its authors become committed to it. Simply put, when in a hole, we rarely stop digging!
- senior managers filter bad news before it arrives at the board
- board members, with little evidence on which to work, are reluctant to speak up about their concerns
- interpersonal chemistry can influence decision-making
- any organisation is subject to a cyclical effect – decision makers get tired, managers get set in their ways, people who were once innovators run out of ideas.

The larger board and supporting committee structure, especially where they are run by volunteers, or where the head of paid staff is described as 'curator' or 'manager', are amenable to a governance style that can be described as the 'governed museum'. Here the board's key role is to foster effective decision-making, and reverse failed policies. To do this it

- needs sufficient expertise to add value to the decision-making process
- adopts mechanisms that foster open debate and keep itself informed and attuned to stakeholders' interests and concerns
- uses board members' expertise rather than relying on management recommendations and outside advice, particularly in appraising new policy proposals
- encourages board members to seek information and advice from staff at all levels.

This process involves a partnership between governing body, employees and stakeholders. It is demanding of the board, since its members need to:

- be well-informed about the museum and its sector, as well as bringing in expertise from elsewhere. This requirement may conflict with the representational composition of many boards, whose members are predominantly nominated by local authorities, universities, special interest groups, trade associations or other interests. Effective communication with stakeholders is not synonymous with board representation for each interested party
- focus their meetings as much on policy and strategy as on monitoring performance. Strategic management tends to reduce difficulties – although board members can get a buzz from the excitement that comes from crisis management, living from day-to-day rarely leads to long-term consistent achievement
- ensure they have access to high quality information, and direct knowledge from the 'shop floor' as to how the museum works
- take their commitment seriously, and allocate time to the museum other than that required to attend board meetings
- develop effective means of communication with stakeholders such as museum Friends, local authorities (whether or not they provide financial support), funding bodies, community organisations – all those bodies with an interest in the museum's success.

Many organisations have adopted a utilitarian approach to governance that blends elements of both 'managed' and 'governed' styles. However in too few cases has the style in use been derived directly from the organisation's current mission and board characteristics, and most governance structures reflect historic circumstance rather than the organisation's current strategic goals.

### The Chair's Role

The chair(man) of an organisation should be a key player in its governance. In the governed museum the role can have an executive element; in the managed museum, while

the chief executive manages the organisation, the chair manages the board – ensuring that all its members attend board meetings regularly, participate in its deliberations, and contribute to decision-making. The chair is also the board's spokesperson and its chief ambassador. The trend in recent years – in both government appointments and elsewhere – has been to appoint chairs with no previous experience of an organisation, yet to expect them to take a measure of individual responsibility for organisational performance. This brings with it four potential areas of difficulty:

- blurred distinctions between the chair's role in managing the board and the management of the museum
- potential conflict between chair and chief executive as to where their respective management responsibilities begin and end
- chairs neglecting the practical contribution that can be made by other board members, perhaps fearing that greater participation could be seen to diminish their role, and
- potential alliances between chairs and chief executives that make the scrutiny function of board members difficult to exercise.

Further, chairs lacking previous service on the board are unlikely to understand the culture, traditions and mechanics of the organisation, and without such knowledge will find it difficult to provide appropriate leadership, especially when implementing an agenda that involves fundamental change. Clarity in the chair's role, and distinguishing it from that of the chief executive where there is one, is vital.

### The Essentials of Museum Governance

The responsibilities of the governing body are to:

- provide a framework of plans and policies that define the museum's purpose, monitor achievement of these objectives, and to communicate these to all who work for the museum, and to external stakeholders
- act as an advocate for the museum within the community and elsewhere
- provide for the safety, security and preservation of the museum collection
- secure adequate resources to enable the museum to carry out its work, and ensure that these are managed effectively and efficiently
- ensure the museum serves the public, and
- assure the museum's financial stability.

In discharging these responsibilities, the governing body has four key roles:

- ensuring a balance between benefits to present and future generations – what can be called the 'intergenerational equity'
- maintaining goals consistent with financial resources
- matching sources of funds with their uses, and
- providing a sustainable organisation.

## Benefit between generations

The doctrine of intergenerational equity is fundamental to museum governance and management. It balances the duty to past donors and the museum's obligations towards generations to come, with meeting the needs of the people of today. It should be considered in every major decision taken by a museum board, and evidenced in its published policies. It should also be reflected in key documents, such as the Museum's annual report and accounts. This might include providing Notes to the Accounts:

- relating to any capitalisation of collections on the Balance Sheet, especially when those values represent Restricted Funds, and making it clear that, in any case, it is not the museum's policy to treat such collections as operational assets; and
- adjusting balance sheet values to reflect inflation – in effect, ensuring that the amount on the current year's balance sheet carries the same value as that of the preceding period. Where the current-cost value has neither increased or decreased, there is intergenerational equity. There are, of course, going to be variances. For example, start-up costs in the case of a new museum, or expenditure on a periodic major refurbishment, will inevitably have an impact. However, the extent to which balance sheet values are consistent over a period of time might provide a useful indicator for boards reviewing their policies and activities.

## Maintaining goals consistent with financial resources

Museums are always at risk of having over-ambitious goals in relation to the resources at their disposal. Can a board know whether it is over-stretched? One way may be to look at the museum's liquidity, and identify the notional period during which it could continue to operate were it to receive no further income. If, without expending restricted funds or special trusts, it were able to exist at present levels of turnover for a long period of time, then arguably its assets are too high, and its goals too modest. On the other hand, an organisation with low liquidity may be excessively ambitious, and be at risk of over-extending itself. There is, of course, no absolute 'right' level of ratio, just as there is no absolutely correct blood pressure for a board member. However, as a diagnostic for an individual museum – and especially if it can be compared with like institutions – such a ratio can provide a useful indicator in a board's deliberations.

Sometimes financial resources are not well-matched because they are derived or used in ways inconsistent with the museum's mission. One area of risk is investment of resources in subsidiary activities whose sole purpose is to generate funds. Such activities may develop a life of their own, and come to dominate a board's agenda. For example, it must be questionable whether a museum with a retail operation that generates an income 15 times higher than its admission revenues is not concentrating more on merchandising than museums. It

would also be open to question whether charitable, tax-exempt museums should, whether directly or through subsidiaries, be competing with taxpaying businesses primarily on the basis of lower costs due to their tax-exempt status and other benefits.

Another indicator is the distribution of expenditure. The bulk of expenses should be incurred in providing services. Growing organisations risk increasing administrative overheads while expenditure on services shrink – a trend evident in local authority museums in recent years. While, once again, there are no magic formulas, it should be possible to establish comparative figures between museums that can inform board discussions as to whether the size of their administrative expenses are appropriate to their nature and scale. However, it has to be recognised that such a process can only be successful when board members understand the costs of providing different services, and the accounting methods used to compute them are robust and reliable.

## Sources matching uses of funds

Fixed expenses should be funded by sources that can be controlled, and deliver a steady stream of income over a period of time. Variable expenses should only be linked with variable revenues. There is a high risk in creating fixed costs funded by variable income, which is well-illustrated by the adjustment required of many museums during the late 1980s to compensate for the loss of Manpower Services Commission Community Programme funding, or today at the end of activity projects funded by the Heritage Lottery Fund.

The long-term responsibility for museum collections makes this a pressing concern. However much one might admire the entrepreneurial spirit that typifies most independent museums, it has to be asked whether the proper care of the inheritance embodied in a museum collection should rely on the proceeds from the sales of marmalade at the museum shop. Though such activities can make an important contribution towards the cost of development, or 'one-off' projects or costs, they are a poor substitute for the secure income needed to enable the museum to meet its primary purpose.

Without secure and reliable revenue funding from public authorities, a capital sum sufficient to generate an adequate annual income is needed. The sum to provide an endowment that enables the capital to hold its long-term value, while meeting the revenue requirement, is probably 25 times the annual income needed. So the capital sum needed for an adequate endowment will be large. Legacies and charitable giving can be primary sources of the money needed for such endowments. Yet most museums appear to have been slow to create the relationships necessary to stimulate personal giving, preferring the shorter-term potential of hits on government and Lottery funding.

## A sustainable organisation

If there are satisfactory results from the first three elements, the *status quo* can be maintained. This viability should be demonstrated

by the financial projections in the museum's forward plan, which should demonstrate that continuing present policies will enable the museum's survival. When development proposals are made, the financial consequences of each proposal should be discussed, as well as their combined impact on the museum's condition. The very discipline of creating a plan that integrates strategic and financial planning often identifies some activities whose impact has not been realised or considered.

One of the major impediments to sustainability is excessive concentration on a single activity. Boards have a habit of becoming entranced with one project, activity – or even person. For example:

- investments in shares are vulnerable to stock market cycles
- over-reliance on a senior manager can be subject to that individual's escalating requirements, or excessive disruption when they leave
- investment exclusively in high-tech, interactive displays risks rapid deterioration and obsolescence
- dependence on one source of funding – such as a local authority – can compromise viability if it is lost.

Sustainability means not putting all your eggs in one basket.

## Clarity in Action

The common strand that runs through all aspects of successful governance is clear and open communication. Debate and discussion, both within the organisation and with its external stakeholders, should be regular activities. Without this, museums can lose sight of their mission, misuse the funds for which they are responsible, or focus on issues tangential to their core business.

- Some of the means of achieving clarity and enhancing communication are:
- training and induction programmes to ensure that all board members understand the museum's traditions, mission, goals and values
- pairing board newcomers with a more experienced member who can act as mentor
- evaluating the board's performance (both collectively and individually) to see how well it carries out its operations
- developing a social theme outside of board meetings to enable informal interaction between board members
- basing decisions on evidence rather than hearsay, consulting externally, and having an internal mechanism for critical evaluation of all significant decisions
- keeping a balance between operational and strategic issues, and not neglecting the latter.

## New Blood

Many museums are finding it harder to recruit new board members, especially smaller charities. The growing demand for people to undertake public service, set against per-

ceived reduction in free time makes this an increasingly important issue. However, only a few museums have changed their trustee recruitment practice. By far the most common method remains word of mouth and networking. While this facilitates board coherence, the lack of transparency can alienate some stakeholders, and a self-perpetuating group of friends and acquaintances can lead to stagnation. Boards should review their recruitment practice on a regular cycle, always seeking to broaden their net.

Similarly, relatively few boards have either formal induction programmes for new members, and board training and development programmes are the exception rather than the rule, especially in smaller organisations. Members who have been supported in this way not only improve their contribution to the museum's work, but can increase their personal satisfaction.

### **A Framework for Good Governance**

Taking all these issues into account, the following 10 elements provide a useful frame-

work for good governance:

- a well-publicised mission statement based on the museum's governing instrument, regularly reviewed and revised to take changing needs into account
- realistic strategic goals and plans based on a prioritised long-term strategy, revised in the light of changing circumstances
- decision-making that relies on evidence while recognising the importance of enthusiasm and emotion in achieving the museum's mission
- agreed criteria used systematically to monitor performance
- a clear structure for governing the organisation, defining the role of office-holders, the board, its committees and staff
- awareness by the board of its legal obligations, individual and collective
- board members with appropriate skills and experience, and training and appraisal systems
- regular board meetings, supported by papers circulated in advance of meeting

- communicating with, and understanding the needs of, the museum's stakeholders, who are involved and consulted
- a partnership between the board and the chief executive (where there is one), whose role is defined by, and who is supported and appraised by, the board, and
- a solvent museum, with adequate reserves, and effective financial management systems in place.

No organisation – even a museum – has a right of immortality. Only an informed and proactive board can ensure a healthy, self-renewing and flexible museum able to provide useful service to generations to come. It takes some effort to find appropriate members of a governing body, sustain their interest, and equip them to play a full and useful role. Effective governance, no less than any other part of a museum's operations, requires care, trouble and application.

1. Cossons, N 'The Case of the Cultural Quango' in Museums Association Conference Proceedings 1976 (1976), 26 – 27

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