Arts Governance - Marching Western Models to Asia

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Abstract
Corporate failures and fraud have turned attention to company governance. While much of the literature is on for-profit governance, there is a steadily increasing non-profit literature arguing for industry specific governance studies, such as this one. Researching arts organisation governance in Asia, where profitability or sustainability are not the only measures for performance, provides a better understanding of these cultures and economies. Here, a comparative review of arts governance is undertaken in order to inform debate in a discipline and in countries less frequently included in analysis. The Hong Kong Special Administrative Region (SAR) and Singapore are included in this brief review of Asian governance. What constitutes good governance and the unique cultural variables in each region are considered.

Keywords
Governance, Arts Boards, Singapore, Hong Kong, Australia, New Zealand.

Introduction
Governance debate has been lively across both the corporate and non-profit sectors in North America, Britain, Australia and New Zealand. This is illustrated by the number of reports and inquiries commissioned by governments in these countries. The challenge is to foster approaches to governance which recognise the complexities of the non-profit sector, and recognise the historical and intercultural differences and the political backgrounds of different countries.
Arts Governance Theory and Literature

Good governance in the arts 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 (Cochran & Wartick 1988; 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 depth studies on non-profit boards, and specifically arts boards. Exceptions to this gap is work by Bieber (2003), Radbourne (1993; 2003a and b), 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, the non-profit sector has paid little attention to governance theory, and the arts and cultural sub-sector even less.

Work to date in the area of governance theory shows that stakeholder theory, stewardship theory and resource dependency theory are most relevant to non-profit arts boards than the other major theories (Cornforth 2003; Radbourne 2003b).

Stakeholder theory is based on the premise that boards are constituted to recognise the various stakeholders the organisation represents. This means that the organisation is able to respond to broader social interests rather than the interests of one group. This theory appears to be strongly applicable in subsidised arts organisations where board composition is often representative of all stakeholder groups, eg. government, business, museums, performing arts, and special interests such as regions, Indigenous communities and youth. However stakeholders have different interests and can find it difficult to develop common goals and policies for the organisation (Cornforth 2003; Radbourne 2003b). Further, there is some evidence within Stewardship theory and Resource dependency theory of their relevance to the arts. Stewardship theory involves the director acting as a faithful steward of the organisation’s shareholders (or in the case of non-profits, stakeholders). Resource dependency theory, grounded in sociology and organisational theory, argues that directors are able to extract resources for successful organisational operations. This theory drives much of the work of directors of Australian performing arts organisations and museums in the current climate of declining government subvention, and expectations of sustainability through commercial and philanthropic activities. It has particular resonance for museums. Empirical evidence in support of the theory is limited, but practice shows that resources are vital to museum sustainability.

Zahra and Pearce (1989) found that attributes determine a board’s undertaking of its roles. There are four board attributes identifiable from non-profit theory that have been linked to meet the needs of the non-profit organisation: determining the mission; initiating strategy; board-executive officer relationships; and community relations. These attributes are also identified separately in the museums and performing arts literature. Developing and maintaining the mission includes ensuring the arts organisation is mission-guided, in an increasingly complex, pressured environment (Ames 1985; Griffin 1991; McDaniel and Thorn 1990). Initiating strategy relates to envisioning the future commensurate with its responsibility, authority and accountability and to meet objectives (Griffin 1991; Ullberg 1984; Kotler and Scheff 1997). Strategy also relates to monitoring outputs, including those related to board structure, composition and process, and how individual board member characteristics influence board
dynamics. *Board-executive officer relations* entails influencing interactions and performance of board and executive officer seeking to exercise power and those who are subject to it (Griffin 1991; O’Neil 2002). *Community relations* includes achieving balance between the needs of the board, the arts organisation, government stakeholders and the community (Ho ye and Cuskelly 2003, Thorn 1990).

Numerous studies have linked the importance of attributes to role functioning. There are two roles relevant to the non-profit organisation, developed from the literature (Bosch 1995; Garrett 1996; Hilmer 1993). These roles are: performance and conformance. *Performance* covers the strategic contribution of the board to performance, as well as stakeholder liaison and analysis of the external environment to determine its influence on organisational success. *Conformance* covers accountability, executive officer supervision, legal, monitoring and access to resources issues. 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. Hence, the interrelationship between the two roles is integral to arts organisation performance.

Taken together, attributes and roles are the four by two theory of non-profit arts governance. The following diagram summarises this theory based on the arts management literature that discusses each aspect. It also provides a framework for analysing primary data from Australia, Singapore and Hong Kong.

**Figure 1:**
Four by Two Theory of Non-profit Arts Governance

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Radboune and Rentschler 2005 developed for this research

**Methodology**

The purpose of case study analysis is to interpret change through practical examples. The selection of cases follows arguments by Eisenhardt (1989) that theory development and the understanding of phenomena can best be achieved by case study methods. The paper draws upon the Fillis (2000) argument that new theory generation can benefit from embracing non-traditional modes of enquiry. Hence our approach in using qualitative case studies in the field of
governance research which is dominated by quantitative studies. It is appropriate and valid research data and an approach suited to theory building rather than theory testing.

The approach outlined here analyses Singapore and Hong Kong as case studies. First, a series of interview questions was designed on governance roles and attributes developed from the literature. Second, a list of major arts organisations was identified in the two case study regions, so that board chairs and general managers could be interviewed. We organised an interview schedule and conducted interviews by telephone and face to face from February to April 2005. The interviews were transcribed, with the permission of participants, and the data analysed for thematic analysis. The interview questions are appended at the end of this paper.

We allowed the interviewees to respond freely on the topics rather than force the analysis into a predetermined pattern. This information provided rich data for case study analysis presented in the second half of this paper. It also allowed analysis of the theoretical model developed for the paper. The limitation in this study is the convenience sample of arts organisations selected. However, as there are few other studies in the field in the arts, it supports the approach taken.

**Arts Governance in Australia and New Zealand**

Findings from primary research on governance in performing arts organisations and museums in Australia and New Zealand (Radbourne 2003; Rentschler 2002) shows that board chairs understand their role of strategic direction, policy making, advocacy and at the same time ensuring that the rules and regulations under which the company operates are enforced. They are rigorous in reporting, measuring performance against targets and using sub-committees (audit, finance, governance) to ensure effective governance. In fact, they acknowledged that the benefit of good governance is credibility with all stakeholders (sponsors, governments, media, audiences, staff). Board directors claim to be heavily involved in strategic development, and expect their executive officer to deliver or implement board policies and decisions, to use the board skills profitably, keep the board informed, and ensure the financial viability of the artistic program and the company. More emphasis was placed on strong financial management and rigorous reporting by the chairman of the board and by the chief executive officer of the arts organisation, than on vision and mission and creative programming. Boards are perceived to require a broad base of skills, with an emphasis on business, community and government skills over artistic skills. Board members are valued and advice is sought from them on strategic issues of importance by the executive officer of the arts organisation. Aesthetic decisions are most often left to the executive officers, who are considered experts in the field. These findings contributed to the development of the four by two theory of non-profit arts governance.

**Case Studies in Arts Governance in Asia**

Cultural values, that is the values of the cultures of different countries, exert differential influences at the individual and organisational levels of companies by legitimising certain patterns of behaviour. (Lachman, Nedd and Hinings 1995). The value orientation of the society is reflected in differences in managerial styles in western and oriental enterprises (Evans, Hau and Sculli 1995). In fact strategy development, categories of thinking and decision-making, and power distance (Hofstede 1980) are all practised very differently in Asia than in Australia and the USA. This impacts on the governance practice of arts organisations, particularly as there is increasing emphasis in the Asian region for western and for profit governance regulation and
application to overcome family and collectivist methodologies for decision-making and accountability.

**Singapore**

The Ministry of Communication and the Arts (MICA) (formerly Ministry of Technology and the Arts (MITA)) is responsible for the National Arts Council, the National Library Board, the Preservation of Monuments Board, the Singapore Broadcasting Authority and the National Heritage Board.

Its stated aims are:

- To develop Singapore as a global city for Information, Communications and the Arts.
- To propel the creative economy by developing and promoting our creative industries (arts and culture, design, media) and infocomm technology sector to create new economic value and jobs.
- To foster a connected society by forging a strong sense of community, national identity, rootedness and inclusion among Singaporeans by enriching our arts and cultural resources, ensuring quality media content, and empowering individuals through infocomm literacy and access for all. Additionally by fostering better understanding between the Government, Singaporeans, and international stakeholders through effective public communications.
- To create a gracious and cultured community which is characterised by civic-mindedness, kindness and a vibrant artistic realm.
- To develop and convey relevant ideas and values that a gracious community should espouse. This will lead to a balanced and harmonious society.

(MICA 2005)

There is strong commitment to a long term development plan in Singapore, but there is yet little research on governance and boards in the arts. Government subsidy is very high and the accountability for this is managed at the operational level rather than board level. However, there is increasing emphasis being placed on the diversification of funding sources which will bring with it new issues of governance.

The National Arts Council, Singapore, formed in 1991, is the national agency for the arts in Singapore. It promotes Singapore as a vibrant global city for the arts, provides financial support for arts organisations, manages events and conducts research into the arts. Its Board members are appointed by the Minister and hold a 3 year tenure, they are sourced from strategic partner organisations such as the Singapore Tourism Board and the business sector (ifacca 2004). Government funds the Council with a block provision of money and has control over its allocation. The Council also has authority to develop strategic plans, within the context of the national strategy, and recruit staff. An agreed set of performance indicators are used to measure its performance, detailed in an annual report delivered to government (ifacca 2004).

Historically, there has been an emphasis on art as part of nation building. Since the inception of a specific ministry to govern the arts sector the role of the arts within the wider community has changed very little, in fact the Ministry of Information and the Arts (MITA) perceives its role as assisting the arts to serve wider economic goals (Bereson 2003: 9).
Four interviews were conducted with Singapore board chairs and CEOs in the fields of dance, film, theatre, and museums. The definitions of governance offered were variable, as were the organisations in size, structure and organisational models. Governance is well understood as accountability and responsibility for establishing and achieving the vision and mission of the organisation.

The governance structure of established organisations shows a board, board of governors or council at the top, with paid staff reporting to them. Some organisations are loosely structured, with little formal organisation beyond three or four paid staff which expand to ten paid staff as and when major events are presented. Other organisations were large with up to 300 staff. Not surprisingly the structure and size of organisations and their boards differs markedly, where the structure is formal, large and well ordered.

The legal classification of the four organisations varies from company limited by guarantee to government department and statutory board established through an act of parliament. All organisations described themselves as existing for the public benefit, and membership was limited. The size of the board ranged from four members to 18 members. All boards need to be cognisant of government requirements for accountability and responsibility, however they are nonetheless focused on their mission. The chief executive was always a member of the board.

Appointment of board members varied from being appointed by the minister to being self-appointed in small, informal organisations.

Responses to the question linking mission and the business of the organisation demonstrated that those organisations wedged between Islamic countries tread a fine line between political stability and censorship. While the external perceptions of Singapore are too harsh, creative mavericks are seen to be a concern in the arts. Strategy is developed and measured using the balanced scorecard framework, demonstrating a sophisticated understanding of the latest management theory.

All respondents were very clear on the different roles of the board and the CEO. The Board oversees the management of the organisation through the CEO, other executives and employees. This includes informing, directing, managing and monitoring the activities of the organisation towards the achievement of its objectives. Board members include prominent persons from both the public and private sectors. They represent organisations involved in one way or another with cultural matters or are persons who have a keen interest in the arts. There are also members who help to further develop community support for the activities and programmes of the Board.

Accountability to various stakeholders is maintained through the audited annual report and this role is taken very seriously, ensuring proper management of assets and value for money.

Hong Kong

The Hong Kong SAR government through the Leisure and Cultural Services Department of the Home Affairs Bureau and through the statutory body, the Hong Kong Arts development Council, provide arts venues and funding for arts development in Hong Kong.

The Arts Development Council, established in 1995 and governed by a 27 member council, has the following objectives:
• developing the social functions of the arts,
• expanding the market for the arts and building participation,
• promoting life arts education for all, and
• enhancing the artistic level and social status of artists (2002-3 Annual Report).

It provides three year operational grants to the Hong Kong Sinfonietta, Hong Kong Ballet, City Contemporary Dance Company, Chung Ying Theatre, Theatre Ensemble and Zuni Icosahedron, and one year funding for a further 27 arts groups. Individual artists and arts groups also receive project grants.

While Hong Kong arts organisations have enjoyed government funding of up to 80% of their revenue, this is now declining. The Hong Kong Museum of Art reported a decrease of 25% in 2004-05, compared to 2002-03 (Chan 2005). The museums are managed directly by the Leisure and Cultural Services Department, but other organisations, including the ballet, repertory theatre, Chinese Orchestra and Chinese dance have their own boards registered and reporting annually under the Companies Ordinance, and actively seeking additional revenue sources. Government funding for the performing arts is made more complex by being tied to the use of government venues, which are not centrally located for the demographically identified performing arts audiences. Performances in venues not tied to the grant must be fully funded by the organisation.

In 2003 an external consultant recommended that statutory boards be established for the libraries and museums (Culture and Heritage Commission 2003) but by 2005 this has not occurred. There are increasing calls for changes in governance of the arts and heritage museums, proposing a shift away from direct management by civil servants, to companies or statutory trusts with their own boards, funding sources and accountabilities. (West Kowloon Cultural District Forum 1/2/05, South China Morning Post Editorial 12/2/05, South China Morning Post Editorial 18/11/04). Accountability and governance have been under increasing scrutiny by the media in Hong Kong such that the Arts Development Council, arts organisation executives, and academics consider a corporate governance investigation timely.

Six face to face interviews and one telephone interview were conducted with board chairs and CEOs of four Hong Kong arts organisations in late February and early March 2005. The respondents were most generous in providing information and demonstrated familiarity with the governance activity and responsibilities in their organisation.

The definitions of governance were offered confidently by respondents at both board and CEO level. These included “overseeing the structure and management of the organisation for accountability of the government grant”, the overall outcome of an organisation, to make sure it is line with the plan and mission”, “it is about direction, policy and monitoring”, “crisis prevention and also a clear line between the board and executive director”, “leadership and direction of the corporation”, “a self discipline process that follows the structure and regulations of the government ordinance”, “monitoring of the work process of the company under defined policies” and “a system of checks and balances”.

The governance structure of three of the four organisations shows a board, board of governors or council at the top. The fourth organisation reports directly to the Heritage and Museums Division of the Department of Leisure and Cultural Services and has no Board. In other respects, the structures vary. One organisation has a small board of ten members which meets every two months, and devolves to an executive committee of the board between meetings. This organisation has an Executive Director and an Artistic Director, both reporting to the board,
and both with particular responsibilities. The other two organisations have a CEO and several permanent sub-committees of the board with particular ongoing responsibilities. These sub-committees are chaired by a board director with membership external to the board. The Finance sub-committee is common, but the other sub-committees relate directly to the mission and activity of the organisation, for example audience development, artistic planning, the building, the arts school or the “friends”.

The legal classification of the four organisations varied from a Company Limited by Guarantee, Statutory Organisation under Government Ordinance, two non-profit Charitable Organisations, and a government managed institution.

All organisations described themselves as existing for the public benefit, and only one had a membership structure for individual and corporate members. Three had formal “friends” membership associated with the organisation. The “friends” raised funds and were loyal supporters of the organisation.

The size of the board ranged from 10 directors to 22 directors. The small board met more frequently (every two months) and worked without sub committees. The largest board met four times per year, and relied heavily on the board chaired sub-committees to carry out studies, develop policies and proposals on designated areas of business.

Only one of the CEOs was a voting member of the board.

The number of paid staff, which included curators, dancers, actors, other artistic and technical staff, and administrative staff ranged from 51 to 100. Twenty three actors had one year full time contracts. Some work was carried out by the volunteers, or “friends” or docent guides. Some work was outsourced, such as cleaning and security. Some staff were casual appointments for particular productions. The total number of full time employees in these four organisations was 296.

All boards have at least one government appointee, with the norm being three. The remaining members are selected for their expertise in finance or business and their interest in the arts. The committee system provides a pool of interested persons who may then be invited to join the board at the annual meeting. The term of office is three years, and board directors complete two terms. The organisation with 22 board directors expressed a difficulty in finding people willing to serve.

Responses to the question linking mission and the business of the organisation demonstrated that the mission guided the organisation, and the strategic plan fulfilled that mission. One organisation had engaged in a strategic retreat and had short and long term strategies in place, and all were rigorous in developing plans and activities to achieve mission and objectives. In general, management initiated new projects, made proposals to the board, who evaluated these against the strategic plan and financial performance and endorsed a direction. Sub committees were also responsible for strategic planning on particular tasks. Measurement of strategy was set down, either as KPIs in a strategic and operational plan, or through planning and control meetings of sub-committees, or in normal data collection on ticket sales, attendances and press reviews.

Those organisations in receipt of funding from the Arts Development Council must report every six months on achievement against specified targets. The organisation managed by the Heritage and Museum Division of the Leisure and Cultural Services Department has a five year
plan, associated with the curatorial program, but also to realise the mission of public benefit in and beyond Hong Kong. The Director works in much the same way as other CEOs, planning, budgeting, reporting to a Divisional Director rather than a board.

All respondents were very clear on the different roles of the board and the CEO. Most described the CEO role to carry out the day to day management, initiate ideas, get endorsement from the board, and then implement these within the policies of the organisation. The board role is one of monitoring, giving expert advice when needed, giving direction and guidelines and endorsement to the CEO initiatives. The board was not involved in day to day operations. One respondent described the board duty to help the government monitor the performance of this organisation.

Accountability to various stakeholders is maintained through the audited annual report to government, the scrutiny of the finance committee of all grant applications and all monthly accounts, survey questionnaires at every performance or exhibition, annual reports to donors and sponsors, reviews of all policies on pricing and purchasing, and communication with the public about the organisations’ activities.

The outcomes that the board is trying to achieve varied considerably. They ranged from wanting their own venue, increased box office, increased popularity and social awareness, market expansion, international reputation, to increased size of the company.

One organisation has no government funding and owns its own building, thus the first outcome is commercial, to maintain the occupancy and quality of the venue. Another organisation, which has no business mission, also wanted an economic outcome, but this was to do with operating a government owned and managed arts organisation in a market economy, that is, tendering for art works, and proposing exhibitions from overseas private museums.

Underlying all responses was an outcome of sustainability. The organisation without government funding wants independence without subvention. The funded organisations want to reverse the subvention or box office ratio of funding and move towards a more independent operation, and the organisation totally reliant on government funding wants to have its own statutory board.

**Summary Findings**

The secondary data in this paper has been supported by primary research carried out through interviews with the board chairs and chief executive officers of selected arts organisations in Singapore and Hong Kong to identify the performance of arts governance in those cultures against the four by two theory of non-profit arts governance outlined in this paper.

The responses in Hong Kong exemplify three of the four board attributes of developing and maintaining the mission, board-executive officer liaison and community relations. The boards in Hong Kong depend on the CEO to initiate strategy. The two roles of performance and conformance are equally evident. The collectivist values dominate the responses. There was a strong relationship between board and CEO responses originating from a sense of trust and shared values in the mission and objectives of the organisation. While financial accountability and conformance were described and acknowledged, there was greater emphasis on achieving the mission of the organisation.
In Singapore the board provided strong direction to the CEO, more often initiating strategy as part of their accountability to government policy and direction. Performance and conformance were equally evident as in Hong Kong. Emphasis was placed on the mission of the organisation to the extent that creativity was, at times, at odds with the corporate nature of the state of Singapore. Hence, one organisation had lost funding after performances were seen to be critical of government policy.

The Asian paternalistic managerial style was not reflected in the responses by board or CEO interviewees, and the only cultural difference is attributed to government subvention and government authority, which counters independence or sustainability, but not good governance practices.

The four by two theory in practice in Hong Kong and Singapore looks like this.

**Figure 2**

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Radbourne and Rentschler 2005 developed for this research

**Conclusions**

This paper has examined the literature on governance and applied it to the non-profit arts organisation. It identified the complex nature of arts governance, its emergence in the arts management literature and the need to focus attention on the development of a comprehensive approach to arts governance in order to meet the needs of a complicated, changing world which is global rather than western specific. The researchers applied the four by two theory of non-profit arts governance developed by Rentschler in 2004 from the literature, to non-profit arts organisations in Australia, New Zealand, Singapore and Hong Kong. They argue that there is a need to focus more on a holistic, intercultural approach to governance in a complex, changing context and that this focus will better ensure arts organisation sustainability than a narrow focus on one attribute, role or governance theory alone.

The globalisation of cultural production places arts organisations into an international marketplace. Much research has shown that there are significant differences in values and lifestyles between cultures (Hofstede 1980). However, alongside these differences there is now
increasing opportunity for a global exchange of ideas. Hence this study will provide a model and framework both to articulate cross-cultural differences in governance, and to enable sharing and development of appropriate theory.

References

Australian Chamber of Commerce in Hong Kong, West Kowloon – the Way forwar, Forum held in Hong Kong on 1 February 2005.
Appendix

Interview Questions

1. How would you define governance?
2. Please describe the governance structure of your organisation (e.g., council, committee, board of directors).
3. What is the legal classification of your organisation (e.g., Incorporated Society, Limited Liability Company, Charitable Trust etc)?
4. Is your organisation a membership based or public benefit organisation?
5. How many executive or board members are there in your organisation?
6. Is your CEO a voting member of the board?
7. How many paid staff in your organisation?
8. How are the board members elected or appointed?
9. Describe the link between the mission of the organisation and the business (activity) of the organisation?
10. How is strategy developed and measured?
11. Nominate the different roles of the Board and the CEO.
12. How does the organisation maintain accountability to its various stakeholders?
13. What outcomes are your board trying to achieve
14. How does the board organise itself (e.g., sub committees, positions etc)?