

DAVID KERSHAW

> ty between how executives and non-executives will define it.

"In a company like this the taking of creative risk will ensure that you deliver a better product, and it will work, and clients will give you money. There's no perceived trade off. But in my experience of sitting on arts boards there is a potential tension between artistic risk and financial risk, and they have to be discussed as separate things.

"It would be a hideous trap if you start saying 'because of financial risk I can't take the creative risk', and you end up absolutely not doing what you're there to do."

So risk is the centre of the governance issue, and it can be fraught, he says, because public funding is often dependent on taking risk while governors and trustees are understandably twitchy about it.

Some arts organisation are so good at it that Kershaw commissioned research into whether arts trustees and CEOs should be invited to serve on corporate boards and give the benefit of their experience and accomplishment - cross-pollination often happens within the arts, with chief executives of some organisations serving on and even chairing others' boards. But it transpired that headhunters, "the gatekeepers of commercial boards", would not hear of it because cultural governance was not within their sphere of knowledge. That may change.

Kershaw agreed to chair the Cultural Leadership Programme simply because the country is a better place for its culture, and he subscribes to Will Hutton's thesis, expressed in his 2007 Work Foundation paper *Staying ahead: the economic performance of the UK's creative industries*, that if you want innovation in society to have to have thriving cultural sector at its heart, because it's commercially fundamental and, he adds, "if you're going to have a successful cultural economy you have to

have great leadership for it".

And that leadership starts with the chairman of the Board. So it is vital to find the right person, who understands the cultural world, the organisation and its aspirations. It is a critical appointment and worth taking the time to find the right person, and that does not necessarily mean the person who has been around the longest. Succession planning for a new chair should start as early as possible.

Another critical element is to ensure the chief executive and chairman are in tune. There have been high profile explosions, "and if that trust goes you've absolutely had it.

Everyone can smell it's not right, from the board filtering down through the organisation, and it's so dangerous".

Kershaw wants positives coming out of today's conference, more than just interesting conversation. "People should come away with some practical conclusions as well - about board composition, remedial action when things go wrong, how boards can help themselves, and that's been part of the CLP modus operandi.

"If we can direct people as to how to set up channels and apparatus and mechanisms for boards so that they can address some of these issues, I'll be very pleased."



CURRICULUM VITAE

1954	Born, February 28
1965-72	Bedales School
1974-77	University of Durham
1977-80	Account executive, Wasey Campbell-Ewald
1980-82	London Business School
1982-95	Saatchi & Saatchi, rising to chief executive
1993	Married Clare Whitley, one son, one daughter
1995-2004	Founding partner, M & C Saatchi
2004-	Group chief executive, M & C Saatchi
2006-	Chair, Cultural Leadership Programme

Graham Devlin's checklist

Your governance health checks

It is now widely recognised in most areas of the voluntary sector (and in the commercial world) that it is beneficial for organisations to undertake self-evaluations from the governance perspective on an annual basis (and, in certain circumstances at other times e.g. when an organisation is in difficulty or at times of significant change). This exercise can inform positive change and innovation, identify developmental needs and help spot warning signs of forthcoming difficulty.

The governance research undertaken for CLP in 2007-2008 by myself and Nicola Thorold endorsed this, recommending that all creative and cultural organisations should commit themselves to undertaking an annual "health check" in which the governing body reviewed key indicators to satisfy itself that the governance of the organisation:

- Enables the organisation to pursue its mission with a clear strategic direction
- Enhances the capacity for high quality dialogue and decision making by drawing on the knowledge and experience of people from different backgrounds (in staff, governing body)
- Encourages creative risk-taking and entrepreneurialism, within a responsible financial and managerial framework that demonstrates clear accountability
- Helps develop and manage the people who work with them - permanent staff, freelancers, members of governing bodies and other volunteers

This review should be informed by an interrogation of the organisation's governance functions, based on the Toolkit developed by the Governance Hub and undertaken by a senior member of staff. Whilst this exercise should not be too onerous for small organisations, it should still be robust enough to provide assurances to the organisation and its

stakeholders that (a) the board is not missing any key areas of risk and that (b) it does not conceal any areas that should be of concern to the board.

The health check should enable the organisation to recognise tell-tale signs of incipient difficulty before crisis is reached. Such signs might include:

- Organisations not pursuing their mission with a clear strategic direction
- A sense of mission drift
- Projects and programmes largely driven by external demands
- Uncertainty about the value or relevance of particular activities
- Failure of the governing body to engage with certain activities
- Poor communication between the administrative and 'creative' staff
- Lack of clarity about the target 'audience' and/or the beneficiaries of the organisation
- Limited capacity for high quality dialogue and decision making by drawing on the knowledge and experience of people from different backgrounds (in both staff and governing body)
- Lack of time for strategic discussions
- Poor/late board papers
- Poor communication between chair and chief executive
- Imbalance between the support and challenge functions of the governing body
- Inadequate debate within the organisation
- Lack of diverse perspectives
- Lack of refreshment of the board
- Inappropriate sized governing body with unwieldy structures and reporting systems (particularly in small organisations)