

## **The Queensland Arts Council: the case for governance in volunteer arts boards**

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Queensland University Technology  
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### **Introduction**

The history of many performing arts companies begins and is sustained by powerful and passionate leaders who gathered together artists, audiences and sponsors prepared to commit to their vision. As the companies grew, boards of directors were added to the organisational structure, offering advice, networks, funds, and accountability to the communities that the company served. The board's faith in the artistic director and the art form was often at the expense of profit, as this seemed to be the more honourable responsibility. History also shows that this blind pursuit of the mission of the company, often led to its demise. One example is the Sydney Dance Company, now celebrated as a 'flagship' company in Australian performing arts. Twice in the last twenty years it has been bailed out by governments and arts agencies with questions raised about the level of governance by the board. "Governance is the process by which a governing body (the board) ensures that an organisation is effectively and properly run"<sup>1</sup> and financial difficulties in nonprofits demonstrate that worthy aims are no guarantee of good management.<sup>2</sup> The entire nonprofit sector has benefited greatly from the movement to couple good works and noble intentions with managerial competence.<sup>3</sup>

Over the last ten years performing arts organisations in Australia have developed increasing levels of governance at board level and more rigorous financial and managerial plans and practices. The Nugent Report into the major performing arts companies in Australia in 1999, reported that the improvements in business practice by the major performing arts organisations had "been accompanied by improvements in governance practices – in the mix of skills on boards, and in board operating structures and decision-making practices which, in turn, have resulted in a strengthening of accountability".<sup>4</sup> All of these boards included members with artistic, marketing, legal, financial and business skills. All had finance and/or executive committees monitoring monthly the company's

business position. Some had their own strategic goals and performance indicators which are evaluated and appraised annually. The Report contained one recommendation on governance *“because Boards have an important role to play in ensuring the ongoing vitality of the companies. While much Board practice can be transferred from the private sector, some issues are specific to performing arts companies. These issues can be addressed through induction programs for Board members and by debate and resolution, within and among Board Chairs, on how to address such issues on a best practice basis”*.<sup>5</sup>

### **Life cycle of boards and organisations**

This paper examines the dimensions of change in nonprofit arts companies through the role of the board. Models of the board life cycle and stages of evolution are used to outline the process of creativity to governance in arts boards. Through a case study of the forty-year old Queensland Arts Council, the concept of voluntary association and professional management is explored. The case is enlightening, not only because it transcends the model from passionate pioneer to a board alignment of authority, responsibility and accountability, but because it deals with balancing competence and contribution.

The well-known researcher into management and organisational behaviour, Mintzberg, links power to the development of an organisation's life cycle from formation to development, maturity, and decline. He says formation features entrepreneurship, development features institutionalisation, and maturity features closed systems. Mintzberg claims that decline can occur at any of the transitions, depending on the power relationships.<sup>6</sup> This model has relevance in the arts where companies' organisational structures and development often reflect the power and direction of the artistic director.

The Dutch researcher Lievegood<sup>7</sup> identifies three phases of organisational life cycle: the pioneering phase, the differentiation phase, and the integration phase. The pioneering phase is person-centred on the pioneer as entrepreneur. The differentiation phase is demonstrated in a hierarchical organisation with delegation and specialisation. The final phase of integration is critical to avoid over

bureaucratisation in the second phase. The final phase is marked by creativity, innovation and the merging of economic and social objectives. This model is closely reflected in the following case study of the Queensland Arts Council, where the pioneer led the organisation for a lengthy period as it moved into a large bureaucratic structure, before realising a contemporary creative phase.

The stages of an organisation's life can also be described as evolution and revolution: evolution as growth and revolution as problem solving.<sup>8</sup> In fact, Hershey and Blanchard suggest that each stage of organisational growth represents a need for a change because of some crisis or problem. The crisis must be dealt with for the organisation to move on. Such crises in their four stage model (creativity, direction, delegation, consolidation) are a crisis in leadership, a crisis in autonomy, a crisis in control, and a crisis in red tape.<sup>9</sup> Many performing arts companies in Australia found the shift from creativity in the 1970s and 1980s difficult. Funding cutbacks, new political realities and shifting community needs required managerial skills and board governance which were not present. The Nugent Inquiry referred to earlier in this paper, was motivated by organisations deemed to be in crisis. The goal was to provide funds and strict accountability measures to give the organisations an economic footing on which to operate effectively. This is essentially a stage of consolidation.

Recent research shows that the boards of the major performing arts companies in Australia operate in a fairly sophisticated manner with members or directors recruited for their expertise and evaluated on their performance. This was not always the case. In fact many of these companies were actually set up by a strong founding director or a group passionate about the art form and totally committed to operational activity. The structure was informal and the growth organic. At some point a lack of management expertise required the appointment of a managerial director and a corporate structure established.

The following two life cycle models of nonprofit boards illustrate the stages or phases of growth. Mathiasen's model involves three stages with turbulent periods of transition and disconfirmation and learning in between. He suggests that the changes are predictable consequences of organic growth.

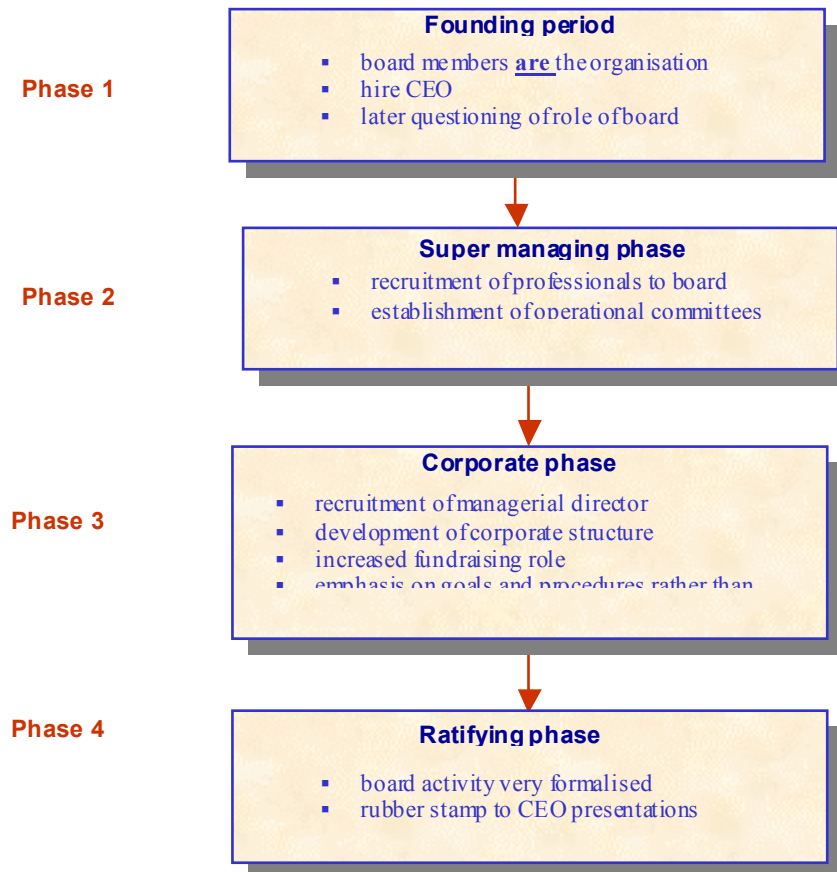
## Life cycle board model 1



Developed from Mathiasen 1990<sup>10</sup>

The second model by Wood<sup>11</sup> follows a finding that board members become less interested in mission and programs and more interested in bureaucratic procedures and community success as the life cycle progresses.

### Life cycle board model 2



Developed from Wood, 1992

The research of Mathiasen and Wood shows that boards become more formal as they age, developing a more elaborate committee structure, and the older the organisation, the larger its board. However, more recent research in Canada showed that board members were not necessarily recruited for their managerial and professional skills, did not become more involved in governance activity as the organisation got older, and were not selected for their prestige in the community or capacity to fundraise.<sup>12</sup> The earlier research was carried out in the USA, and the later Canadian research relates more closely to the Australian context and the nature of government funding and accountability. The most important component of this research is the reported failure to engage in more strategic planning

as the organisation became older. The Nugent Report and much observation and anecdotal evidence indicates that Australian performing arts organisations are heavily involved in strategic planning, which is a critical component of a governance model.

While an analysis of board life cycle models in Australian performing arts organisations or companies is not available, a table entitled “*Getting Results from your Board – the evolution of Boards*” presented by Hough and Kilmister to the Australian Society of Association Executives conference in 1998, provides a valuable summary for the purposes of this paper. Hough and Kilmister document the changes from ‘prehistoric’ boards, to the 1990s board and the board ‘for the new millennium’. “No planning” has moved to “lots of strategic planning” in the 1990s, to the current “strategic thinking and direction, leaving the planning to the staff”. The board structure has shifted from multiple layers of governance to a single layer of governance, and performance evaluation occurs for staff and the board in a very future oriented culture.<sup>13</sup>

This data on organisational and board life cycles provides a context in which to examine the case study of the Queensland Arts Council.

### **Case study – The Queensland Arts Council**

The Queensland Arts Council is a professional performing arts touring organisation with stewardship of 63 newly incorporated Local Arts Councils. It was founded in 1961 by volunteers with a passion for art and the access to art by people across the State of Queensland. Both Mathiasen’s and Wood’s board life cycle models, and Mintzberg’s, Lievegood’s and Pho’s theses on organisational life cycles are reflected in the history of this arts company.

The shift from the board’s role in a voluntary association to professional management creates tension where board members cling to their constituency representation and the balance of competence and contribution at board meetings is exposed. The case of the Queensland Arts Council provides a forty

year history in which to explore the evolution of the board and the actions taken in recent years to address governance, strategic planning and changes in constituent representation.

The Arts Council of Australia (Queensland Division) was constituted as a company in 1961 by Dr Gertrude Langer and her husband Dr Karl Langer. Langer was passionate about the arts and remained president for 14 years. In 1962 she wrote:

*Is the cost for cultural necessities too high? I ask: can we as a nation afford not to afford the cost? It seems, the first thing that has to be recognised is the significance of art for the full development of man. Art is as old as mankind, proof enough that art is essential to man. Indeed, art is one of the things that distinguishes man from other creatures. Far from being only a form of entertainment, art-both as creative activity and as appreciation – has a deeper significance. This significance lies in art's power to give a deeper awareness of life. Through the medium of art man becomes aware of himself. Through its art a nation becomes aware of itself.<sup>14</sup>*

Langer gave freely of her time and energy. She founded and directed the Arts Council's Annual Vacation Schools of Creative Arts from 1962 to 1977 and served on the Board of the Arts Council of Australia for 14 years. From 1962 the Arts Council (Qld Division) financed major tours having previously accepted tours organised by the NSW Division of the Arts Council. Langer negotiated free office space for the company in the city centre, and was instrumental in the company receiving grants from the Queensland government. In 1962 a part time paid secretary was employed, becoming full time by the end of the year. By 1965 a full time tour manager was employed and a touring bus purchased with subsidy from major local newspaper, *The Courier Mail*.

All of this activity fits Stage 1 in Mathiasen's life-cycle model: the strong founding director, heavily involved in the operational work, keeping the organisation viable through an informal small structure recruited to carry out activities as they were needed.

By 1976 the Board had 15 members; the Governor of Queensland was Patron; the Premier, Treasurer and Education Minister were Vice Patrons; there were 17 staff members; and the organisation received annual funding from the Queensland government and the Australia Council. The Annual Report focussed on touring activity, attendances and branch (now numbering 56) activity.<sup>15</sup> In 1977 the Queensland Arts Council had a record year, touring more attractions, seen by more people than ever before and achieving a budget surplus of \$40,000.<sup>16</sup> Again in 1978 the Annual Report focussed on activity, particularly a higher level of touring and the partnerships with the Brisbane Actors' Company, the Twelfth Night Youth Theatre and the Adelaide Festival Centre Trust. However, the financial report showed a turn from surplus to deficit, and the concern for the increasing costs of touring.<sup>17</sup> The following year also resulted in a weak financial situation with attempts to reduce administrative costs with part time staff.<sup>18</sup> The latter 1970s was a period of transition to Stage 2 of the life cycle in the early 1980s.

Stage 2 of a board shows a shift from emphasizing activity to the governance functions of planning and organisation accountability, a large board with a formal structure releasing volunteer involvement in operational areas. This is demonstrated in 1980 with the encouragement of branches to become more entrepreneurial in their arts activity for the 4000 members of the Arts Council (Qld Division). The administrator noted in 1981 that "the arts are a business" and that the organisation had increased ticket prices in order to, by the following year, eliminate the deficit and achieve a slight financial surplus.<sup>19</sup> Attendances increased with marketing effort. There were significant partnerships in touring with high profile organisations such as Musica Viva, the Queensland Theatre Company, the Elizabethan Theatre Trust and also, in 1982 with the Commonwealth Games Arts Festival.<sup>20</sup> These years from 1976 to 1982 were clearly a development from the founding nature of the organisation. The large Board operated very formally and accepted its role of management and accountability.

Then followed a period of turbulence and transition. 1983 was recorded as a year of political change. Funding was less secure, there were changes in the government arts ministry and the Australia



Council, and tours of the shows were not strongly supported by branches in the regions.<sup>21</sup> The growing need for corporate sponsorship, a new focus on management, and an overseas professional development trip for the administrator were reported in 1987.<sup>22</sup>

The third stage of growth began in 1988. For 27 years the Queensland Arts Council was formally known as the Queensland Division of the Arts Council of Australia. In this year the name Queensland Arts Council was formally adopted. The board revisited its role and the aims and objectives of the organisation. An organisational review occurred, together with a move towards greater independence by branches.<sup>23</sup> The following Statement of Purpose reveals the stewardship and external relationships that the Queensland Arts Council (QAC) practised.

*In acknowledging the vital role of the arts in the development and sustenance of a healthy society and in the lives of individuals within that society, Queensland Arts Council is committed to the principle that access to the arts is not a luxury for the few but a necessity for all.*

*In demonstrating this belief, Queensland Arts Council is committed to:*

- *ensuring the provision of artistic experiences of the highest possible quality throughout the State, concentrating particularly where, through geographic disadvantage, people do not have ready access to the arts;*
- *securing the fundamental right of every child of school age to a healthy development in which the arts must be an integral part;*
- *extending and supporting arts practice and expression by encouraging people to determine for themselves their local arts and entertainment needs;*
- *maximising available resources by developing links between Queensland Arts Council and other appropriate agencies and by providing help and advice;*

- *providing and expanding professional opportunities for Australian artists to work in their own country.*<sup>24</sup>

This Stage 3 of the QAC evolution continued until 1993. The large and diverse Board focussed externally on branch development, training and expansion; on relationships with government as partner in regional development; on increased membership; and on project development and delivery. The administrator was now general manager, and, in fact, governed the organisation for the Board. Every year from 1988 to 1993 was a year of growth, financially, in membership, and in external relationships. New staff in new programs were appointed. The Australia Council funded the QAC to manage a Local Initiative Grant Scheme. The Queensland Government established the Regional Arts Development Fund which positioned QAC local branches as advisors and beneficiaries. Membership reached 10,000.<sup>25</sup> A new precise Mission and Artistic Policy were developed: *To provide access to the arts for everyone in Queensland.*<sup>26</sup> The QAC in its external positioning had, however, become very dependent on funding and sponsorship. The recognition of the need for future planning was recorded in 1992. Thus the ‘institutional board’ of Stage 3 faced another transition phase in 1994 and 1995 when widespread drought occurred across Queensland reducing attendances at touring shows, and the Australia Council announced that QAC would be unlikely to receive continued funding in 1996 following changed guidelines for funding community arts development.

This turbulent period of transition tested QAC’s external relations and financial stability. A new office location out of the city centre, and the unprecedented growth in 1995 of programs and staff to deliver these, resulted in a rigorous review of the organisation’s role in relation to its mission and objectives. Increased corporate sponsorship activity did not meet targets. Membership declined and by 1998, programs, not core to the QAC’s mission or no longer financially viable, were cut.

1999 was the beginning of a new phase in the life cycle of QAC. This phase is ongoing and is marked by reduced board membership and equal city/country representation, a new CEO, incorporation of branches to independent Local Arts Councils, streamlined touring product – Ontour inschools, Ontour

Byrequest, Ontour Onstage, a leadership role at the national level, a stronger commitment to governance, a future orientation, and a stronger financial position.

This stage could be called ‘the entrepreneurial organisation’ and probably mirrors contemporary management practice. It is evolutionary, that is, it embraces a changing dynamic in the board. In 1995 the board of 15 members comprised nine ‘city’ members and six ‘country’ members, that is nine members recruited for their professional and management skills, and six regional members representing regional Queensland. In 1999 the constitution was changed and the board comprised ten members, five from Brisbane and five regional representatives. While this gave equal representation, it did not facilitate decision-making or stewardship as expected, as there were usually two viewpoints at board meetings – the view of city directors whose goals were corporate and professional, and the view of the regional directors whose goals were constituent based.

Stewart-Weeks (2001) identifies three contradictions or tensions in contemporary non-profit boards. These were the tensions in the QAC Board in 1999 and 2000.

- Between the concept of voluntary association and the shift to professional management,
- Between representation of member interests and communicating back to constituents and the need for effective strategic management, and
- Between the search for competence and the continuing need to provide space for contribution so that people can become involved.<sup>27</sup>

In 2001 with the invigoration of a well attended state conference, incorporated Local Arts Councils in regions, staff changes, new members appointed to the board and a new president elected, it was critical for QAC to learn from the past, reposition its future, and establish effective governance, that is a strategic direction for the board and strong internal relationships and reporting channels. Importantly, unity and a common sense of purpose were needed for stewardship to develop and prosper. The board engaged in a two day retreat with an external facilitator. While the purpose of the

retreat was not explicitly a strategic planning exercise or a training exercise it certainly fulfilled those functions. Using Peter Ellyard's future visioning approach – *We cannot work to create a future which we do not first imagine*<sup>28</sup>, the board focussed on change.

It had the capacity to vision, but regional stakeholders remained tied to incremental change. The debate addressed the volunteer component of the organization – the notion of service by the QAC in solving the rural or 'bush dilemma'. Issues of local partnerships, quality of life and community building in rural regions, type of product, arts education responsibility, audience building, skills development, and the placement of QAC professional officers in regions were discussed. However, projected demographic and social outcome data to 2010, reinforced for the board that strategic choices had to be made. The shift in discussion from volunteer issues to corporate issues was dramatic. The forum had provided all members the opportunity to openly share their attitudes and beliefs as well as test ideas. As a team building exercise, the retreat had exposed the board's strengths and weaknesses, harnessing the energy for a new strategic positioning of QAC. The final session of the retreat established a role for the QAC and a set of actions. These are clearly governance outcomes.

### Role of QAC board in 2002

- Effective stewardship
- Clear sense of direction and policy guidance
- Set a vision and sense of identity
- Consultation to ensure ownership of the organization for members and staff
- Operation at a strategic and policy level rather than involvement in day to day operations of the company
- Concentration on securing major sponsorships outside the current sponsors
- Active membership of the national organisation, Regional Arts Australia
- Relationship building with LAC's, arts agencies, and all levels of government

This stage is clearly that of a learning organisation where participants explore the activity of the organization as teams, alert to the changes in the external environment, envisioning options, testing ideas, and communicating outcomes for a shared commitment to the future of the organization. The defined role of the board and consequent actions to be undertaken suggest that the three contradictions or tensions in contemporary nonprofit boards may have been resolved. There is an understanding that professional and strategic management will address the competence/contribution balance and that a new alignment of authority, responsibility and accountability is proposed. The basic framework of a governance model has been established:

- strategic leadership
- design and management of relationships
- focus on performance and results
- role and work of the board
- relationship of the board and CEO
- systems and processes (strategic and business planning, finance, risk management)<sup>29</sup>

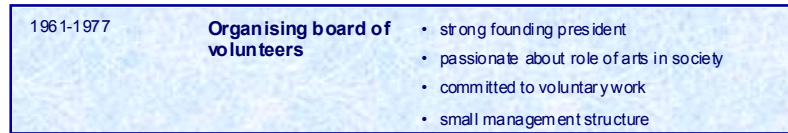
### Conclusion

QAC operates in a dynamic financial environment and wants to fulfil its mission of community capacity building and arts access across the State. Strong governance practices by the board should drive the mission and harness the resources to achieve this. However, the board cannot be

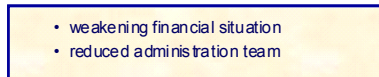
complacent. The literature and the iterative life cycle stages of QAC suggest that a crisis or transition could occur at any time. Without a commitment to governance the entrepreneurial board may face 'revolution'.

## Queensland Arts Council Board Life Cycle

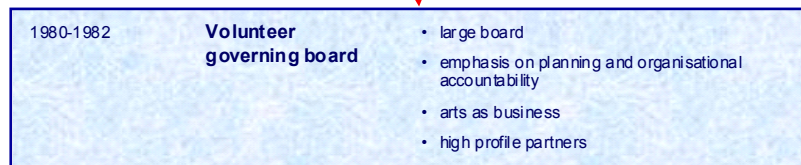
### Stage 1



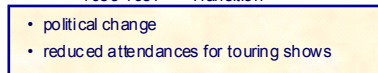
1978-1979 Transition



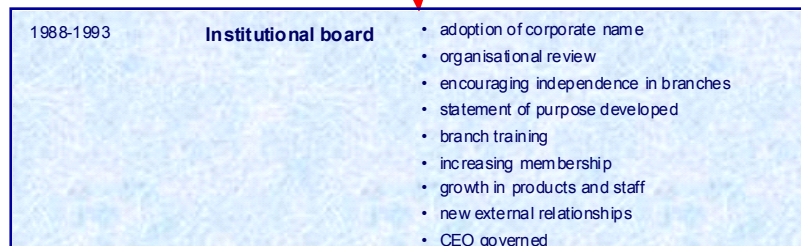
### Stage 2



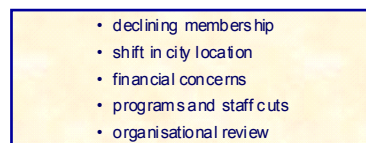
1983-1987 Transition



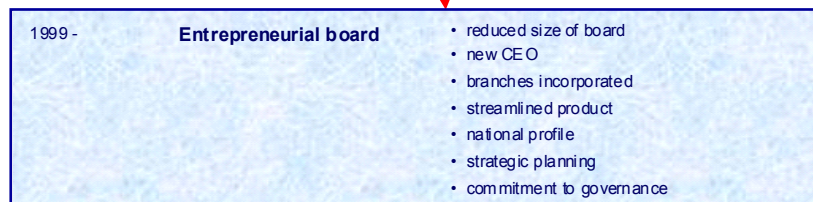
### Stage 3



1994-1998 Transition



### Stage 4



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- <sup>1</sup> Adironack, S. (1999) *The Good Governance Action Plan*, NCVO Publications, London, p.6.
- <sup>2</sup> Leat, D. (1993) *Trustees and Governance and Managing Paid Staff in Voluntary Organisations*, Volprof, London, p. 5.
- <sup>3</sup> Young, D., Hollister, R., Hodgkinson, V. and Associates (1993) *Governing, Leading, and Managing Nonprofit Organisations*, Jossey-Bass, San Francisco, p. 15.
- <sup>4</sup> Department of Communications, Information Technology and the Arts (1999) *Securing the Future-Major Performing Arts Inquiry Final Report*, Commonwealth of Australia, Canberra, p. 184.
- <sup>5</sup> *ibid*, p. 80.
- <sup>6</sup> Mintzberg, H. (1989) *Mintzberg on Management, Inside one strange world of organisations*, Free Press, New York, pp. 281-300.
- <sup>7</sup> Lievegood, B. (1984) *Organisations in ontwikkeling*, Rotterdam, pp. 44-54.
- <sup>8</sup> Pho, L. in Young et al. (1993) *Governing, Leading, and Managing Nonprofit Organisations*, Jossey-Bass, San Francisco, p. 239.
- <sup>9</sup> *ibid*, Hershey, P. and Blanchard, K., p. 239.
- <sup>10</sup> Mathiasen, K. in Dart, D. Bradshaw, P. Murray and Worpin, J. (1996) "Boards of Directors in Nonprofit Organisations – Do they follow a Life-Cycle Model?", *Nonprofit Management and Leadership*, Vol. 6, No. 4. Summer, p. 368-369.
- <sup>11</sup> Wood, M. *ibid*, p. 369.
- <sup>12</sup> *ibid*, p. 373.
- <sup>13</sup> Stewart-Weeks, M. (2001) Seminar on Governance in Not-for-Profit Organisations, 26 March, QUT, Brisbane.
- <sup>14</sup> Langer, G. (1962) President's Report in Annual Report, Arts Council of Australia, Queensland Division, cited in *Arts National*, Vol. 2, Issue 2, December 1984, p. 35.
- <sup>15</sup> The Arts Council of Australia (Queensland Division) Annual Report 1976, pp. 1-3.
- <sup>16</sup> *ibid*. 1997, pp. 1-3.
- <sup>17</sup> *ibid*. 1978, pp. 1-3.
- <sup>18</sup> *ibid*. 1979, pp. 1-5.
- <sup>19</sup> *ibid* 1981, pp. 2-3.
- <sup>20</sup> *ibid* 1982, pp. 3-4.
- <sup>21</sup> *ibid* 1983, p. 2.
- <sup>22</sup> *ibid* 1987, pp. 2-3.
- <sup>23</sup> *ibid* 1988, pp. 2-5.



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<sup>24</sup> Queensland Arts Council Annual Report Foreword, 1989.

<sup>25</sup> *ibid* 1990-1992.

<sup>26</sup> *ibid* 1993, p. 2.

<sup>27</sup> Stewart-Weeks, M. (2001) Seminar on Governance in Not-for-Profit Organisations, 26 March, QUT, Brisbane.

<sup>28</sup> Peter Ellyard, Executive Director, Preferred Futures Pt Ltd –quoted in *Planning for the Future: Issues, Trends and Opportunities for the Arts in Australia*, Australia Council, p. 15.

<sup>29</sup> *op cit*.