

Institute of Community Directors Australia
(ICDA) NFP Governance Survey

ICDA Spotlight Report:
Arts and Culture Governance

January, 2020



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Introduction

The Australia Council is pleased to partner with the Institute of Community Directors (ICDA) and Our Community to publish the *Arts and Culture Governance Spotlight Report*. The report highlights the unique nature of our sector but also provides an effective comparison and benchmark with other not-for-profit companies and organisations. The research validates our understanding of the current state of governance in the arts and highlights new insights about governance practices that we should respond to. The report reinforces that what we face in the arts is felt across the not-for-profit sector.

The Australia Council partnered with ICDA in 2017, delivering a tailor-made training and networking program to enhance arts governance in Australia. The program tackled some of the big questions of arts governance. The aim was to provide arts managers and directors with a better understanding of how boards can best serve, support and steward their organisation – enabling it to thrive. Over the past three years, we've held multiple workshops across the country, engaging with over 1100 people both in-person and online through our webinar series.

Ensuring the sustainability of arts organisations is vital to a creatively connected nation. Our cultural and creative sectors are facing significant forces of change and evolution. It is no longer possible to rely on traditional business models, modes of operation or engagement. To ensure the creative sector thrives in this evolving landscape, we are supporting the sector to continually adapt to industry change; to realise the potential of diversity; and to actively cultivate creativity and innovation.

Strong arts governance is critical to achieving this goal. Having robust organisations will ensure this sustainability.

We encourage arts organisations, boards, and arts managers to reflect on what the findings of this new research means to them. How could you use this report as a benchmark for your governance practices and where do you need to make enhancements?

Kevin du Preez

Director Capacity Building
Australia Council for the Arts

Key Findings



Board diversity is a mixed bag:

Arts boards generally have a good gender balance, and are inclusive of older people, arts consumers and LGBTQI people, but many lack representation of young people, people with disability, Aboriginal and Torres Strait Islander people, and people from culturally and linguistically diverse communities.



Limited introspection:

Arts and culture organisations are less likely than others in the not-for-profit sector to have a formal board review process in place (10% versus 30%), and 41% of senior leaders in the arts and cultural sector say their board does not review its own performance in any way.



Limited CEO oversight :

Most boards in the arts and culture sector (73%) have reviewed their CEO recently, but around 20% have never done so, a higher figure than in the general sample (16%).



Happy and productive:

Most board members (94%) in the arts and cultural sector enjoy their role as a board member, and most (88%) say they clearly understand their board responsibilities.



Inductions underdone:

Less than half of arts and culture board members say they received a good induction when they joined the board.



Fundraising and governance are top training needs: 66% of respondents say they would benefit from fundraising/grants training, while 40% say they would benefit from governance training (a third has never participated in this type of training). A total of 28% would like some impact evaluation and/or financial management training.

**Lacking in tracking:**

16% of respondents from arts and cultural organisations say their organisation does not measure success in any way, a figure that's consistent with the sample as a whole.

**Arts and culture organisations are doing it tougher than other**

sectors: Three-quarters of not-for-profit arts and culture organisations are in a good financial place or are at least breaking even, though 24% say they are struggling financially. Arts and culture organisations are doing it tougher than others, recording the highest percentage of struggling organisations of any sector, and the lowest percentage of organisations saying they are in good financial health.

**Limited financial literacy:**

45% of arts organisation respondents say that just some, few or no one on the board has sufficient understanding of the organisation's finances.

**Key challenges:**

Funding, increased competition within the sector and a reduced interest in volunteering are among the key challenges faced by arts and culture sector organisations, according to their leaders.

About the sample

The Institute of Community Directors Australia (ICDA) surveyed 1878 senior leaders in the not-for-profit sector in the six weeks leading to March 26, 2019. A total of 153 respondents (around 9%) were from the arts and culture sector, with the sample size reduced to 135 for some optional questions.

Our survey did not identify individual organisations; as such, there may be some overlap in some of our results. For example, where two people from the same organisation filled in the survey (e.g. the Chair and the CEO), and both reported that a fraud had occurred, that fraud will appear twice in our results.

Location

Respondents came from all states and territories of Australia (with Victoria, New South Wales, Queensland and Western Australia dominating the sample).

Organisation size

A third (33%) of arts and cultural organisations in our sample can be classed as 'extra small' (with annual revenue below \$50,000); 30% are 'small' (\$50,000- \$250,000 in turnover), another 30% are 'medium' (\$250,000- \$1 million), and just 7% of organisations can be classed as 'large' (exceeding \$1 million in annual revenue).

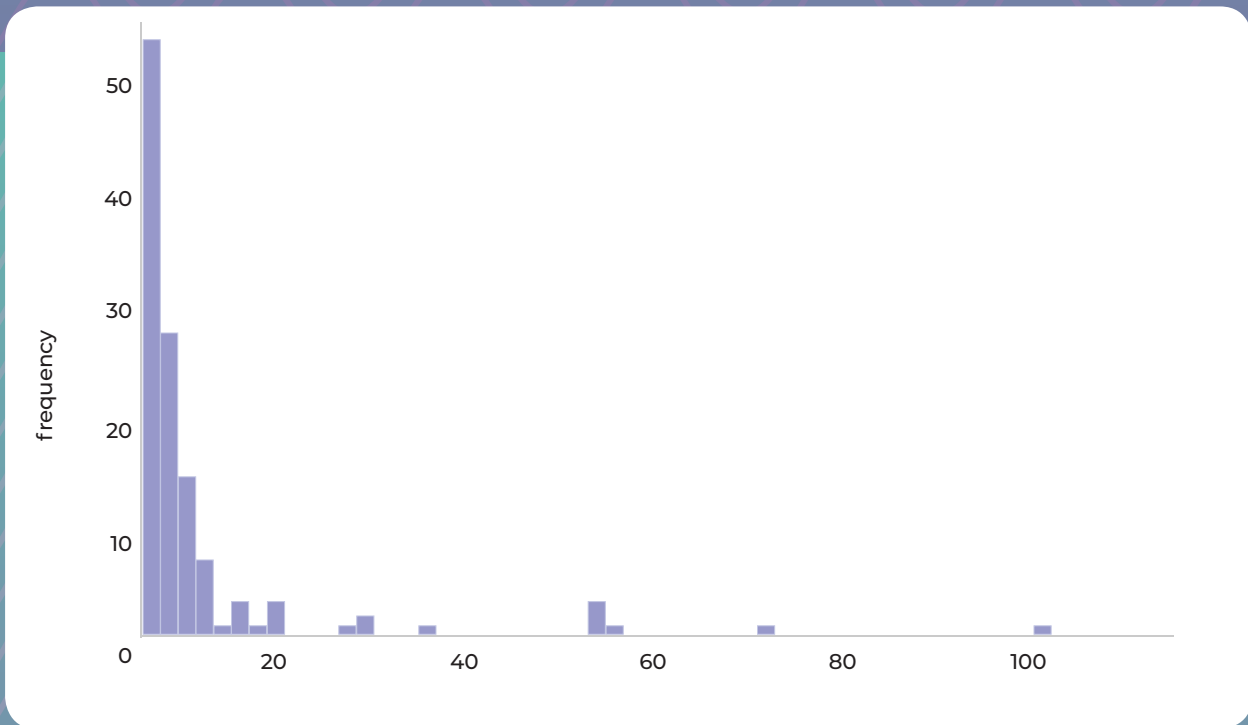
Organisation size (by budget):

% of arts and culture respondents by organisation annual revenue



Most organisations (83% of respondents) had fewer than 10 employees (whether full-time, part-time or casual). The median number of employees at respondents' organisations is three.

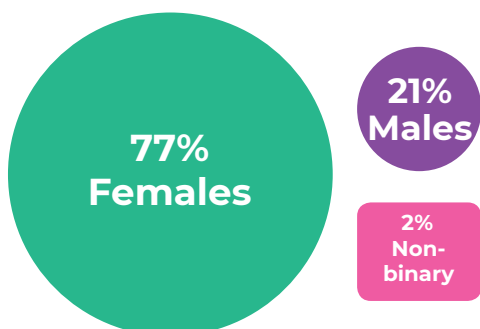
Organisation size (by number of employees): Number of employees in surveyed arts and culture organisations



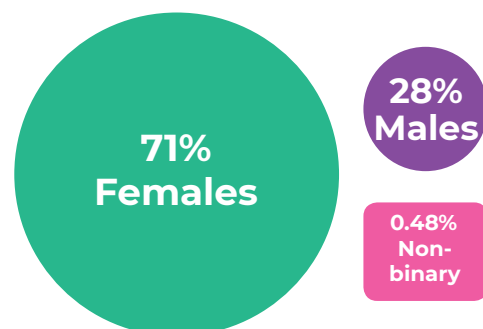
Gender

The majority of the people who completed our survey (71%) identified as female, in line with the dominance of women in the not-for-profit sector generally, and this trend continued in the arts and culture sector. A total of 77% of respondents from the arts and culture sector identified as female, compared with 21% who identified as male (with just two individuals saying they identified as non-binary/diverse gender).

Arts and culture sector



Total sample

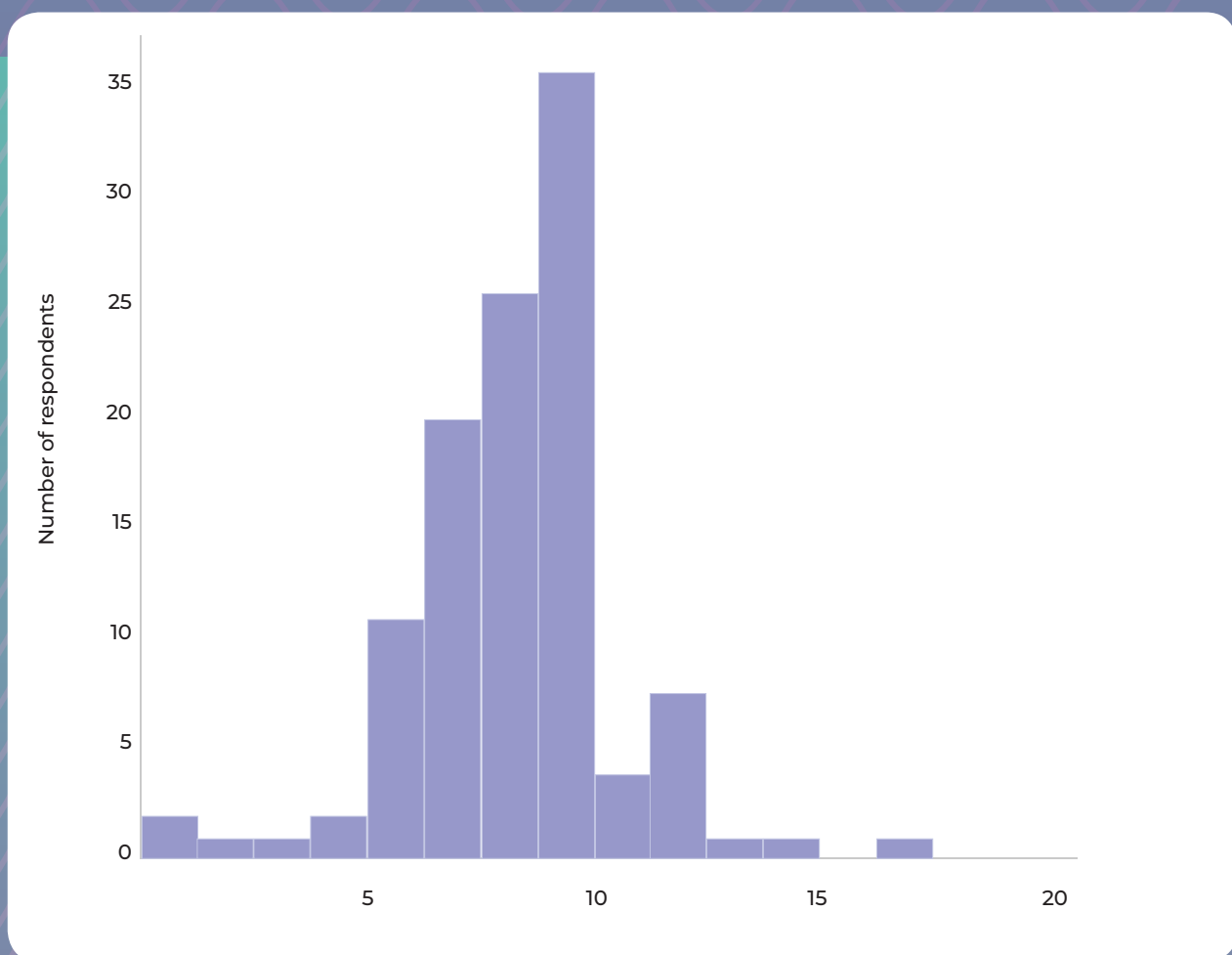


Job/board position

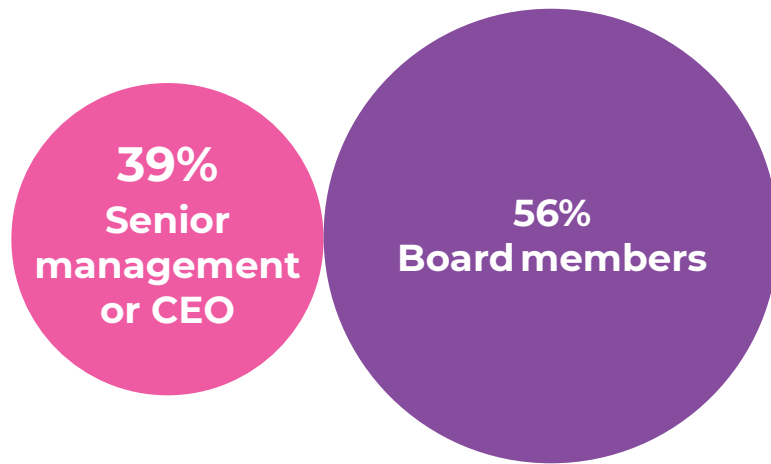
Though people from a range of leadership positions responded to the survey, in the arts and culture sector respondents were most commonly organisations' CEO/executive director or equivalent (30%) or a general board member (22%) (the remainder identified as other senior staff members and other types of board members – treasurers, chairs, etc).

Most boards (81%) comprised five to 10 members. The median number of board members was eight.

Arts and culture sector board sizes: Number of members of arts and culture boards

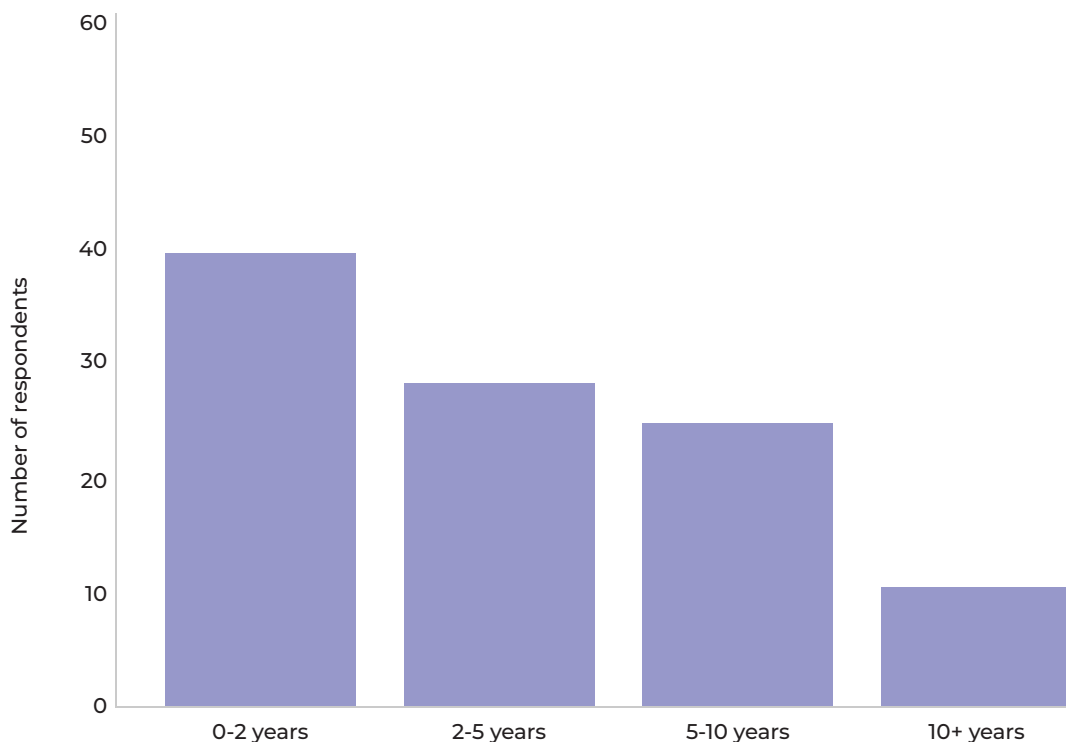


For the purposes of analysis, we split the sample of arts and culture respondents into two groups: senior management/CEOs, and board members (which includes chairs, treasurers, general board members and secretaries). A small portion of the sample (5%) said they did not fit into either of these two groups.



Our survey asked respondents to indicate how long they had been in their current role. We found that the majority (66%) of arts and culture sector directors and CEOs had been in the role for less than five years.

Board longevity: Length of time in role (arts and culture sector board members)

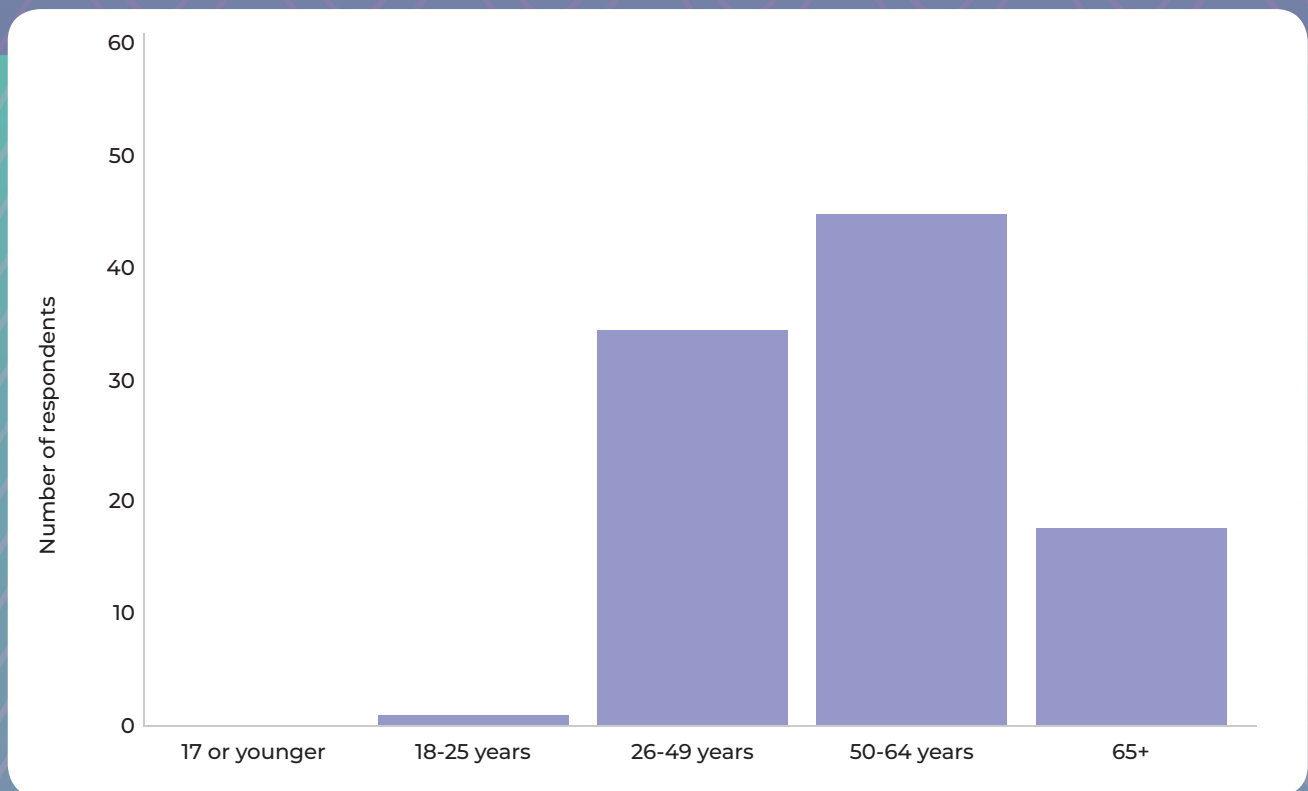


Age

Almost all respondents were older than 26. The arts and culture sector tracked consistently with the sample generally, with 46% of respondents aged between 50 and 64 years, 35% between 26 and 49, and 19% 65 or older, as shown in the graph below.

When we split the main sample by gender, women are skewed towards the younger side of the spectrum and men are skewed towards the older side of the spectrum. This is not the case in the arts and culture sector. Here men and women show the same distribution of age.

Age of board members in the arts and culture sector:
% of arts and culture respondents by age



01. Leadership diversity

The benefits of leadership diversity are immense and widely distributed. Diversity is a leadership asset resulting in increased artistic vibrancy and innovation, among other benefits. It is essential that leadership is representative of the community it serves.



Most boards (92%) in the arts and culture sector have a **gender balance**, comprising at least 40% women.

Most boards (71%) have at least one **senior member** (aged 65+).

Most boards (74%) have a **community representative** (at least one member from the community the board serves).



Most arts and culture sector boards are lacking **young people** (only 21% of boards have at least one board member aged younger than 25), **people with disability** (only 19% of boards have at least one member with disability) and **Aboriginal and Torres Strait Islander people** (only 18% of boards have at least one member who identifies as Aboriginal or Torres Strait Islander).

Only one-third of respondents say their board has at least one representative from a **culturally and linguistically diverse (CALD) or LGBTQI community**.

The arts and culture sector is doing better than average in the areas of:

- **Gender balance:** 92% of respondents from the arts and culture sector indicated that their boards had a good gender balance, compared with 78% for the sample as a whole.
- **LGBTQI representation:** 34% of respondents from the arts and culture sector said their boards had at least one LGBTQI member, compared with 18% for the sample as a whole.
- **Community representation:** 76% of respondents from the arts and culture sector said their boards had at least one member from the community the board represents, compared with 68% for the sample as a whole.

But the sector is worse than average in relation to:

- **Representation of people from culturally and linguistically diverse (CALD) backgrounds:** 36% of respondents from the arts and culture sector indicated that their boards had at least one person from a culturally and linguistically diverse community, compared with around 50% for the sample as a whole.
- **Representation of people with disability:** 19% of arts organisations indicated their board had at least one person with disability on the board, compared with 28% for the sector as a whole.

Although the diversity benchmarks we set (see boxed text on next page for more on this) are not fully being met, two-thirds of respondents (75%) from the arts and culture sector think diversity representation is important.

We recognise that organisations measure diversity in varied ways, and that ways of measuring and achieving leadership diversity are continually developing and improving.

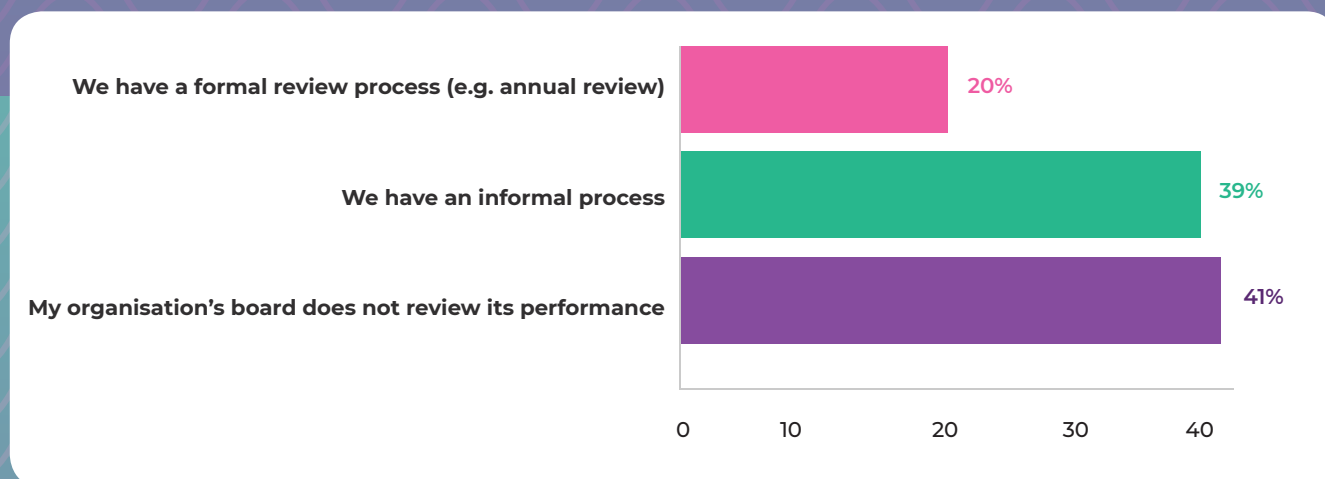
02. Assessing board and CEO performance

Board performance review

We asked survey respondents to indicate which (if any) methods their board had used to review their own performance. In the arts and culture sector:

- 20% said their board had a **formal review process** in place.
- 39% indicated that their board used an **informal review process**.
- 41% said their board **did not review its performance in any way**.

Arts and culture respondents' board review processes: % of respondents who replied



Arts and culture organisations are less likely than average to have a formal review process in place (20% for arts and culture organisations, compared with 30% for the sample as a whole), with a higher than average proportion not reviewing their performance at all (41% versus 28%).

Only 18% of board members reported having participated in a review of their performance as a director.

Diversity benchmarks

In our analysis, we asked respondents which of the following criteria their board met:

- * At least 40% women
- * At least one person younger than 25
- * At least one person with a disability
- * At least one senior citizen/retiree
- * At least one Aboriginal and Torres Strait Islander

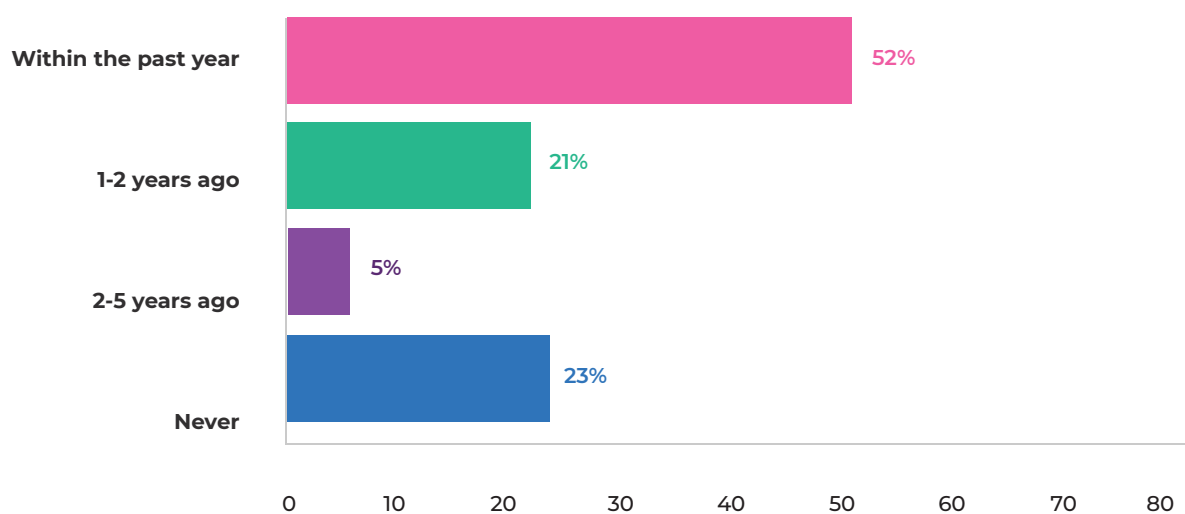
- * At least one person from a culturally and linguistically diverse (CALD) background
- * At least one person from the LGBTQI community
- * At least one person from the community served by your organisation (beneficiary group)

More discussion about these benchmarks is provided in the wider report, ICDA Not-for-Profit Governance Roadmap 2020, available at <https://communitydirectors.com.au/research/home>

CEO performance review

We also asked survey respondents to tell us about the frequency of CEO review. Most respondents in the arts and culture sector (73%) said their board had reviewed their CEO in the previous two years, but over 20% indicated they had never reviewed their CEO, a figure significantly larger than in the general sample, where 16% of the respondents said they had never reviewed their CEO.

Percentage of arts and culture respondents who said last time they reviewed the CEO's performance was ...



Relationship between board review and CEO review

We also sought to find out how CEO review practices compared to board review practices within the arts and culture sector:

- Of the 26 respondents who said they had a **formal review** process in place, 88% said that they had reviewed their CEO in the previous two years.
- Of the 56 respondents who said that their board had undertaken an **informal review**, 56% said that they had reviewed their CEO in the previous two years.
- Of the 54 respondents who said “my organisation’s board **does not review** its own performance,” 35% said the organisation had reviewed its CEO in the previous two years.

As is the case in the sector whole, these findings suggest that in the arts and culture sector:

- **The more reflective a board is about itself, the more reflective it is about the CEO.** If a board has a self-review process in place, it’s more likely to have reviewed its CEO in the previous two years (especially if it has a *formal* board review process in place).
- **Some boards that do not review their own performance think it’s important to keep on top of the CEO’s performance,** with one-third of those who don’t review themselves having reviewed the CEO over the previous two years.

Board member satisfaction

Our survey asked arts and culture sector board members (78 individuals) to rate their levels of satisfaction and experiences in their board role. There is some cause for celebration in the results, and some things that may prompt remedial action:



GOOD

Most respondents (94%) **enjoy their role as a board member**, a figure consistent with the sample as a whole (93%).

Most respondents (88%) **understand their responsibilities as a board member**, consistent with the sample as a whole (90%).

Roughly one in five board members (19%) **are planning to leave their role soon**, consistent with the sample as a whole (17%).



OK

Less than half of the respondents (44%) **received a good induction when they joined the board**, consistent with the sample as a whole (45%).

The majority of board members (64%) **are happy with the time they invest in their board role**, consistent with the sample as a whole (67%).



NEEDS IMPROVEMENT

Two out of three respondents (65%) said they **would benefit from more governance training**, a significantly higher figure than in the sample as a whole (59%).

One third (31%) of respondents **has never participated in governance training**, a figure significantly higher than in the sample as a whole (29%).

03. Board training needs

Respondents from arts and cultural organisations are more inclined than those from other sectors to believe they would benefit more from additional training – 65% for arts organisations, compared with 52% for the sample as a whole.

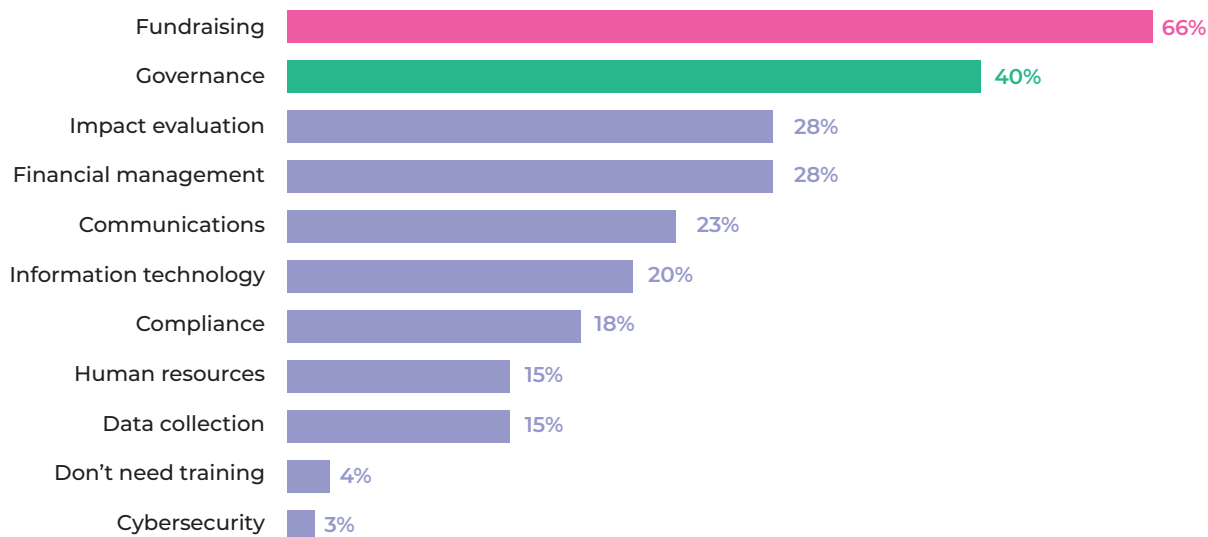
Board members' desire for training is not reflective of training undertaken – 65% of board members of not-for-profit arts and cultural organisations said they would benefit from more governance training, but only 50% said they had undertaken such training (33% said they had not, and 17% said it didn't apply to them).

The top four skills that respondents identified that their board lacked, or could use further training in, were:

- Fundraising/grants (66% of respondents)
- Governance (40%)
- Impact evaluation (28%)
- Financial management (28%).

Training in data collection and cyber security were least desired, consistent with the sample as a whole, and only 4% of arts respondents said their board did not need any training at all.

Top training needs for arts and culture boards % of respondents who believe their board would benefit from training in ...

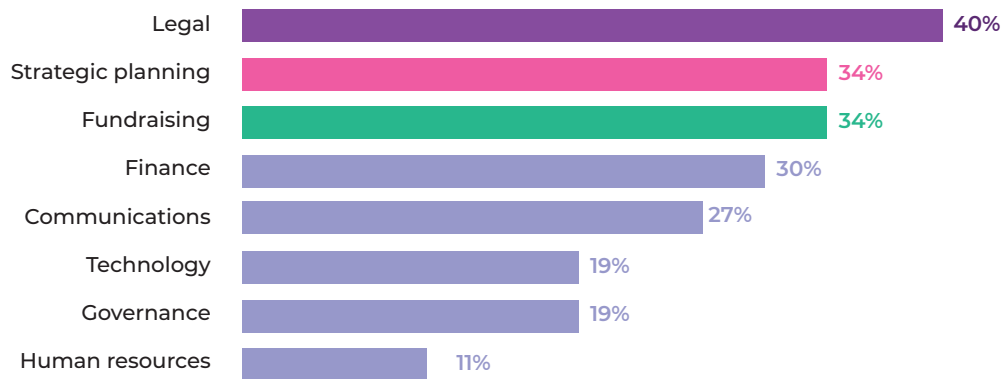


Use of professional services

Our survey asked respondents to indicate which professional consultancy services their board had used in the previous 12 months. Legal, strategic planning and fundraising/grants consultants were called upon most often, a trend consistent with the not-for-profit sector as a whole.

Use of professional consulting services by arts and culture boards

% of respondents who said their board had accessed these types of consulting services in the previous 12 months



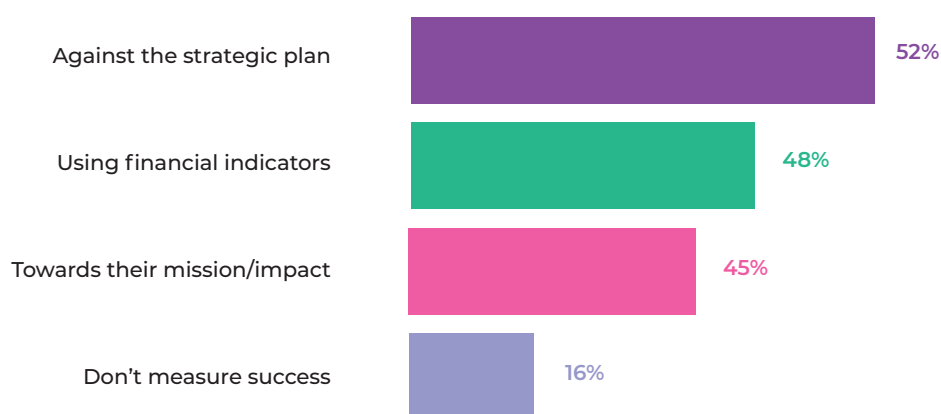
04. Impact and data

Most arts and cultural organisations are measuring success in one way or another, though it's worth noting that 16% of respondents say their organisation does not measure success in any way, a figure that's consistent with the sample as a whole.

Strategic plans are the most common tool used by arts and cultural not-for-profit organisations to track their progress towards success; these are used by 52% of respondents, with 45% saying they measure progress towards their mission/impact, and 48% saying they use financial indicators to measure their progress.

Other common measures of success for arts and cultural sector organisations include bespoke targets/KPIs (set internally or by funders), monitoring of membership/participant numbers, and client satisfaction metrics.

How arts and culture sector boards measure success % of respondents who said their board used these types of measurement systems



Our study found that organisations **that don't review their board's performance** (a total of 54 arts and cultural organisations) are less likely than their peers in the arts and culture sector to:

- Use financial indicators to measure success (39% compared with 48% in the arts and culture sector generally)
- Measure success against the strategic plan (35% versus 52%)
- Chart progress towards their mission/impact (30% versus 45%)
- Measure their organisation's success generally (33% do not measure success; compared with 16% in the sector as a whole).

Arts and culture boards that **do have a formal board review in place** (a total of 26 organisations) are more likely than their peers to:

- Measure success against the strategic plan (77% compared with 52% in the arts and culture sector generally)
- Use financial indicators to measure success (69% versus 48%)
- Chart progress towards their mission/impact (62% versus 45%).

All of these organisations said they measured success in some way.

Note: While taken alone these statistics are not statistically significant (due to the limited number of responses), as they correlate with results from the overall sample we consider them to be valid.

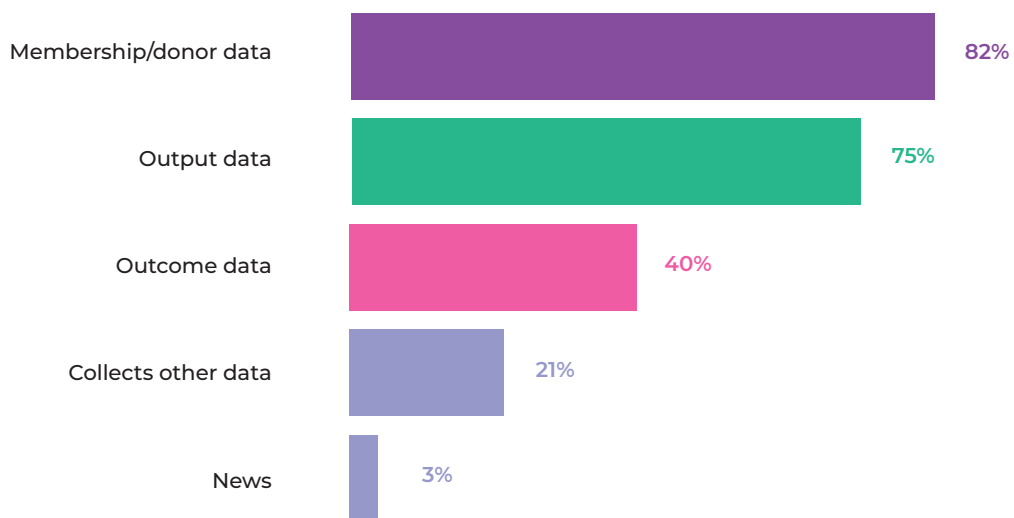
Data collection

A key element of tracking a path to success centres on data collection. Arts and culture organisations are collecting several different types of data, our survey found.

Most organisations in the arts and culture sector are collecting membership, outputs and outcomes data (and more – other types of data collected include feedback from clients/consultation data; financial data; benchmarking data; government-supplied data; and research data relating to specific projects).

Data collection in the arts and culture sector

% of respondents who said their organisation collects the following types of data



As seen in the sample generally, data collection habits are different in organisations where the board has procedures in place to review its own performance.

Arts and culture organisations where the board does not review its own performance are half as likely as others to track outcomes data (only 11 out of 53 respondents said they did so).

At the other end of the scale, arts and culture organisations that do have a formal board review in place are more likely than their peers to:

- Collect membership data (92% versus 82%)
- Collect outputs data (88% versus 75%)
- Collect outcomes data (69% versus 40%)
- Collect other types of data (31% versus 21%).

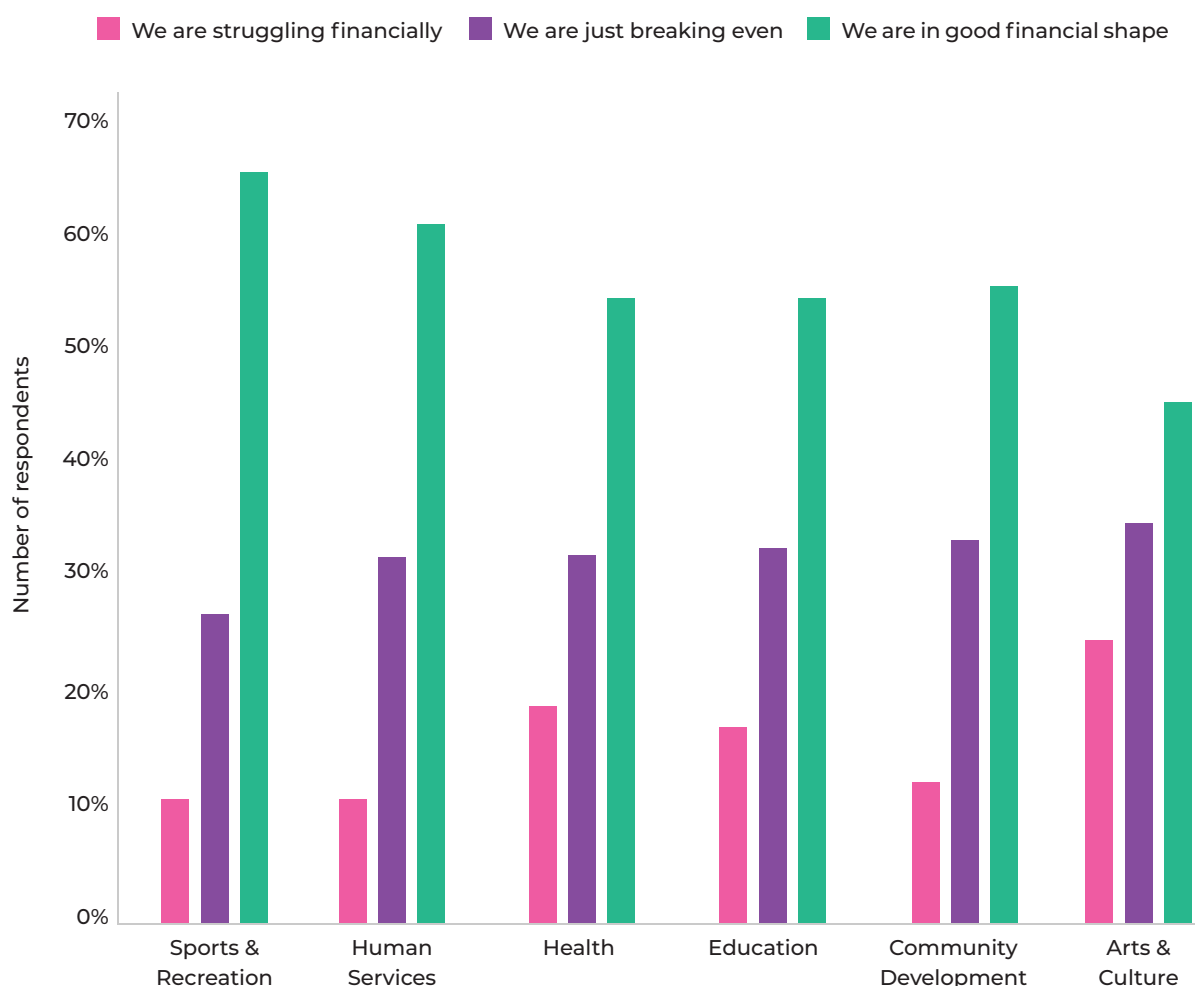
05. Measuring financial success

Financial health

Three-quarters of not-for-profit arts and culture organisations are in a good place financially, or are at least breaking even. When asked about the financial health of their organisation, 44% reported that they were doing well financially, 33% said they were breaking even, and 24% said they were struggling.

Unfortunately, arts and culture organisations are doing it tougher than others. Our survey revealed that this sector recorded the highest percentage of struggling organisations and the lowest percentage of organisations saying they were in good financial health.

Financial health by sector

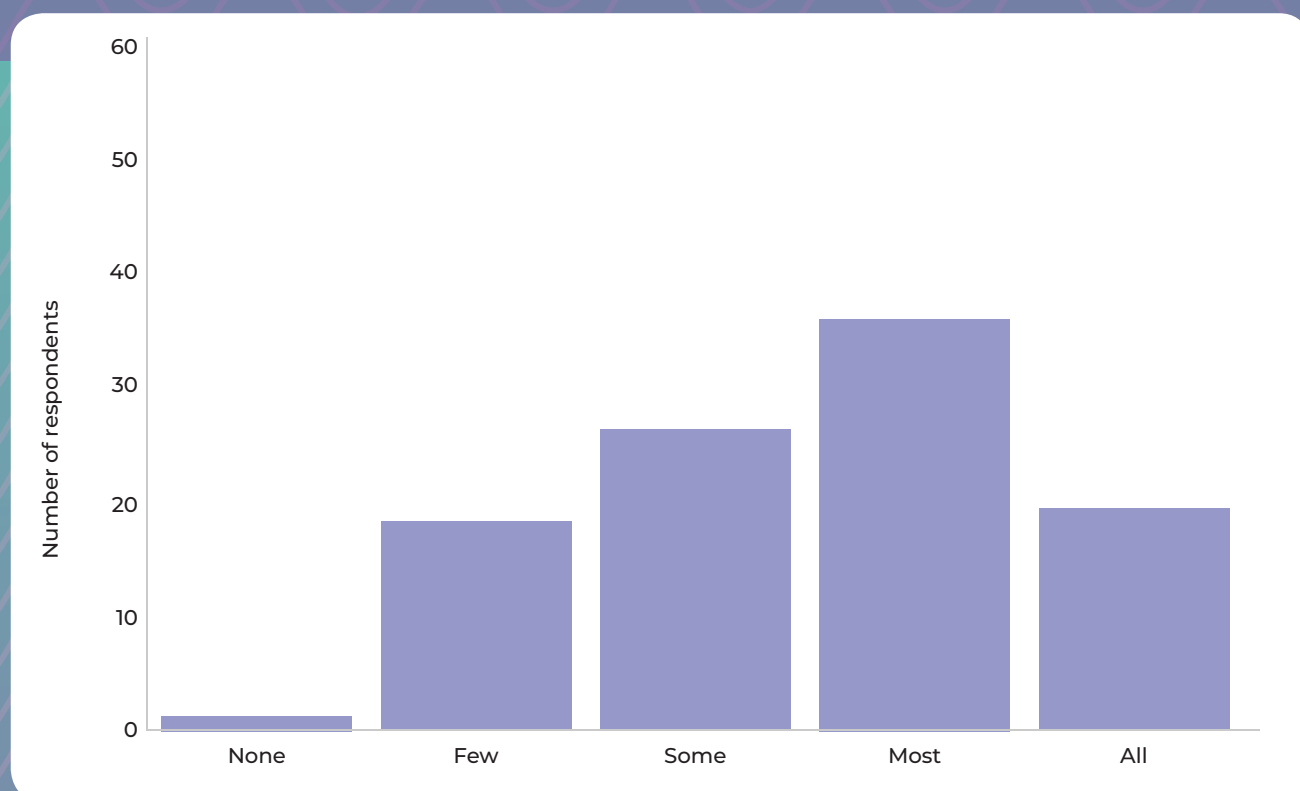


Financial acumen

A total of 55% of respondents from the arts and culture sector reported that all or most of the board had sufficient understanding of the organisation's finances; however, 45% said that just some, few or no one on the board did, a worrying result.

Board member financial acumen in the arts and culture sector

% of respondents who responded to the question, "What proportion of the board do you think has a sufficient understanding of the finances of your organisation?" with:

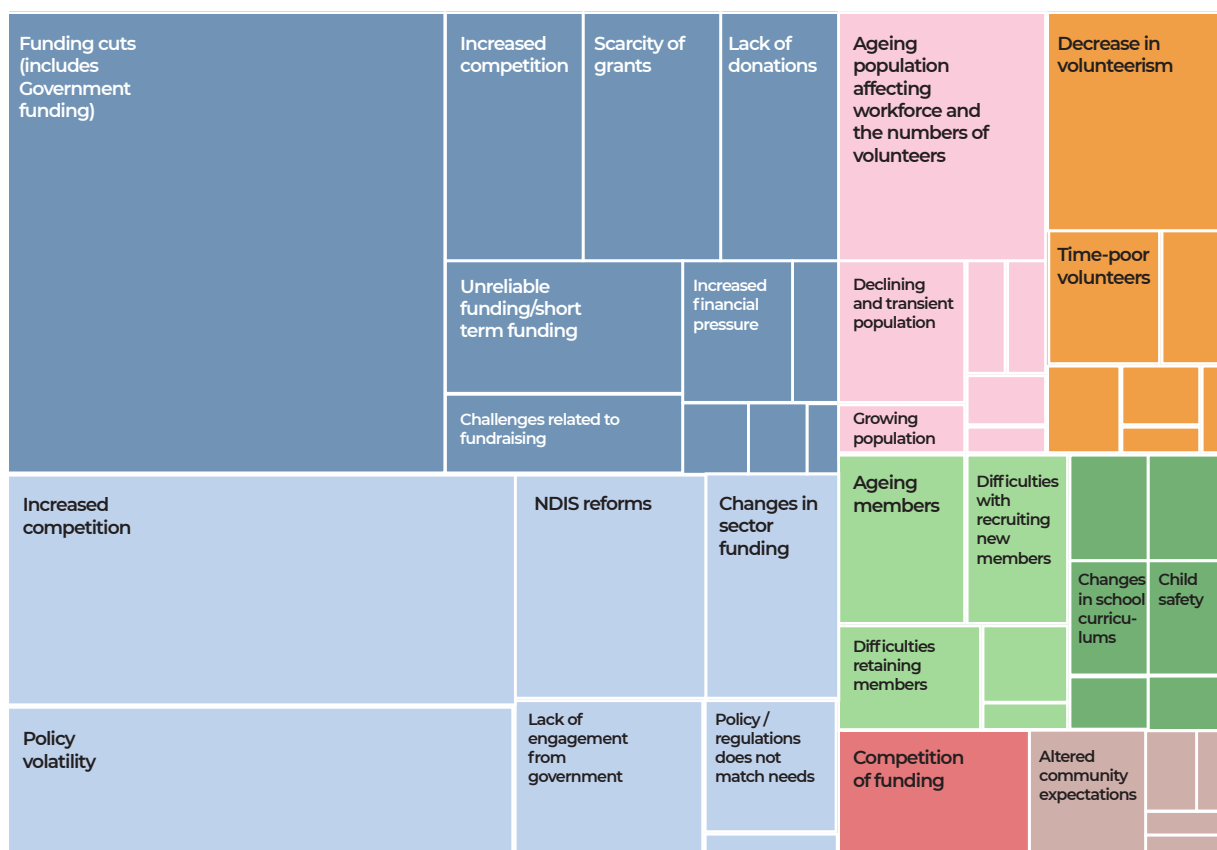


06. Challenges

Our survey unearthed a number of challenges to arts and culture organisations via a free-text field that asked respondents to identify up to five external forces or trends that were presenting as challenges to their organisation.

You can explore the results via an interactive data visualisation located at <https://communitydirectors.com.au/articles/data-visualisation-governance-roadmap-2020>, and a snapshot is shown below. The size of the rectangle represents the relative number of mentions that factor received in the free-text field – the bigger the rectangle, the more prominent was the response.

What keeps not-for-profit leaders awake at night? - Summary



- Challenges faced by client
- Government
- Competition
- Members
- Demographics
- Public opinion
- Funding
- Volunteers

This graph shows the themes that emerged most strongly. The relative size of the circles indicates the relative strength of the sentiment (the bigger the circle, the more often we found that response in the data).

Note: The themes and sub-themes were identified using keyword matching techniques that identify similarities. Therefore, fuzzy logic may result in repetition of similar elements or omission of some elements.

As you can see on the previous page, funding, both through government grants and philanthropic/public donors, was most commonly mentioned as a challenge for respondents in the arts and cultural sector. Some examples of responses are shown below.

“*The contestable funding environment ... means that it is funders who are shaping the direction of organisations, not organisations (who often know the needs/preferences of the community they serve better than funders)*”.

“*Philanthropic funding and grants make up the majority of our cashflow – this isn’t an easy-to-sustain model.*”

“*Competition for limited government funding for the arts (is a challenge).*”

Competition within the sector and a reduced interest in volunteering were also mentioned frequently.

The top four dominating themes in the arts and culture sector were consistent with those in the survey generally, those being:

- Funding
- Government
- Volunteers
- Members.

However the top concern was reversed for the arts and culture sector – that is, while the sample as a whole rated “government” its top concern, in the arts and culture sector “funding” was the top concern.

The arts and culture sector was the only sector covered by the survey where “Costs” (e.g. difficulties covering core costs; cost of services; cost of technological tools) did not feature in the top five challenges.

Feedback

What do you make of these results? How should the arts and culture sector, and those who work to resource and upskill the sector, respond?

Send your feedback to service@ourcommunity.com.au, tweet us at [@OurCommunityAU](https://twitter.com/OurCommunityAU), tag us on Facebook at [@OurCommunity.com.au](https://www.facebook.com/OurCommunity.com.au), and contribute to the conversation in our Facebook group, Not-for-profit Happy Hour Australia.

If you would like to be notified about resources, training and other arts governance activities, join up as a member of the Institute of Community Directors Australia – visit www.icda.com.au to find out more.

About Institute of Community Directors Australia

The Institute of Community Directors Australia (ICDA) is Australia's best-practice governance network for not-for-profit boards, committees, councils, schools, and their staff.

An Our Community enterprise, ICDA delivers information, tools, training, events, qualifications and credentials to not-for-profits of all kinds. Activities include:

- Spearheading the Festival of Community Directors, a year-long program of events designed to celebrate and educate not-for-profit board members and the senior staff who support them
- Delivering Australia's premier nationally recognised qualification for not-for-profit leaders, the Diploma of Business (Governance) [in partnership with TAFE Gippsland]
- Pioneering new governance training methods, including our landmark online compact courses
- Providing a suite of governance tools, including a range of practical help sheets, templates and books, plus a free Board Matching Service and a free Policy Bank
- Face-to-face and online peer networking and support
- Regular newsletters to keep members informed and in touch.

Find out more about ICDA at www.icda.com.au

About the Australia Council for the Arts

The Australia Council for the Arts is the Australian Government's principal arts funding and advisory body.

The Australia Council champions and invests in Australian arts and creativity through an integrated suite of activities:

- Investing in artists and organisations through peer assessed grants, fellowships and awards that enable art to be created and experienced
- Advocating for the social, cultural and economic value of the arts and creativity
- Providing advice to government on matters connected with the arts
- Managing government-directed initiatives and frameworks in support of the arts
- Delivering strategic activity that builds industry capacity, increases markets and audiences for Australian creative work and enables more people to be inspired by and benefit from their creative engagement
- Conducting research and analysis that deepens understanding of the role and value of arts and creativity
- Collaborating with state, territory and local governments
- Partnering with others to increase investment in and support for creativity.

The Australia Council's programs and strategic initiatives are designed to be complementary, supporting artists throughout their careers, increasing access to the arts and culture, and building the capacity and vibrancy of our national creative and cultural industries – vital contributors to Australia's culture, identity, society and economy.

Find out more about the Australia Council for the Arts at www.australiacouncil.gov.au

This report has been prepared for ICDA and the Australia Council for the Arts by the Our Community Innovation Lab.

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