Strategy, Risk and Performance in Arts and Culture

24 March 2011
Objectives

1. Provide an overview of the role required of boards and directors in strategy, risk and performance monitoring;
2. Provide an opportunity to share experiences and frustrations;
3. Provide exposure to tools, techniques and relevant perspectives that will assist boards and directors to:
   - Engage successfully with strategy and risk in a manner that is appropriate for the organisation; and,
   - Monitor strategic and operational performance as it relates to achieving the organisation’s strategy.
Today’s session is presented in 3 parts:

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Roles of the Board

- Decision Making
- Strategy & Risk
- Performance Oversight
- Financial Oversight
- Management Evaluation & Succession
- Compliance
- Board Evaluation & Succession
- Stakeholder Relationships & Influence
- Fundraising

Note: These roles will vary between boards

Will be addressed next session

Will be addressed today

1 February Session
## Workshop session A

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What Should Corporate Governance Achieve?

- Accountability to owners
- Appropriate interpretation of the strategic environment
- Appropriate response to changes in the strategic environment
- Setting an appropriate organisational direction
- Appropriate operations and corporate behaviour
- Fulfillment of compliance obligations
- Disclosure (where required)
- Financial viability
- Organisational sustainability
Expectations of Board involvement in strategy have increased

- While many boards see that setting the strategic direction is a key part of their role, many boards do not believe they are performing it well.
- Early thinking saw strategy as the sole domain of management, where the board reviewed and approved the strategy.
- Now boards are expected to provide significant contribution at key points in the strategy development process. Boards can add significant value through:
  - Enhancing strategic thinking through bringing an outside perspective and testing thinking
  - More effectively reviewing strategies and plans based on external perspective

Source: Adapted from AICD, 1997
<table>
<thead>
<tr>
<th>TASK</th>
<th>DESCRIPTION</th>
<th>BOARD’S ROLE</th>
<th>EXECUTIVE’S ROLE</th>
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</table>
| STRATEGIC THINKING        | Analysing environment of organisation, industry, competition and business design alternatives | • Outside perspective and wisdom  
• Test thinking  
• Collaborate with Executive | • Initiate process of strategic thinking,  
• Pose questions and issues.  
• Actively participate with the Board |
| STRATEGIC DECISION MAKING | Making fundamental decisions about the portfolio and organisational design   | • Offer input and challenge  
• Make and/or approve major decisions | • Make critical decisions dependent on delegations  
• Develop proposals for the board of directional decisions and major resource allocation |
| STRATEGIC PLANNING        | Translating strategic decisions into priorities, strategies and resource allocation decisions | • Review strategy and approve plans  
• Understand plans, risks and consequences | • Develop plans  
• Review plans to ensure consistency with purpose, vision and strategy  
• Present plan to Board |
| STRATEGY EXECUTION        | Undertake initiatives consistent with plan adjusted based on environment and performance | • Monitor progress of implementation of key initiatives | • Ensure appropriate resources are allocated  
• Monitor progress of execution  
• Make changes |
Greater Value Add Role of Board in Strategy?

Benefits

- Creates deeper understanding within the board
- Builds ownership and commitment to strategy
- Establishes a more collaborative and transparent relationship between board and management
- Increases board satisfaction
- Increases ability and likelihood of board members playing a greater championing and influencing role externally

HOWEVER

- It takes time and commitment to increase understanding
- Greater board participation in strategy development may lead to decreased management control
Tips

- Think of strategy as a continuing process rather than a one-off yearly or three-yearly event.

- Executive should
  - Design parallel and slightly lagged processes that involve the executive first and then the board.
  - Collect, analyse and present information from the Board.
  - Provide strategic alternatives to the board.
  - Spend time informing and educating the board on the business and the arts sector (state, national and international).
Basic Strategic Planning Process

1. What is the Organisation’s Reason for Being and Long Term Goals
   - Purpose
   - Values
   - Vision
   - Objectives / KPIs

2. How is the Organisation Placed to Fulfil this?
   - Strategy Review
   - Internal Analysis
   - External Analysis
   - Strategic Issues / Key Success Factors

3. How will the Organisation Fulfil its Goals?
   - Strategies
   - Initiatives
Another Perspective - The Argenti System of Strategic Planning

1. The Start
   a. Define Planning Team
   b. Review Argenti materials
   c. Confirm deliverables and outcomes

2. Corporate Aims
   a. Corporate Purpose
   b. Set Targets
   c. Make Forecasts
   d. Calculate the Gap

3. The SWOTs
   a. Strengths, Weaknesses, Opportunities, Threats
   b. Strategic Issues

4. The Strategies
   a. List Alternative Strategies
   b. Select the Strategies
   c. Define and quantify impact
   a. Evaluate
   b. Get Approval
   c. Action Plans
   d. Monitor progress

5. Completing The Plans
Long Term Direction of an Arts Organisation

Purpose

*What the organisation is for – not what it does*

- Guides organisation and sets boundaries for decision-making
- Encompasses the organisation’s artistic vision

- There are two components to purpose:
  - The people for whom the organisation exists. All organisations exist to benefit people. The purpose of the organisation should specifically identify the people for whom it exists; and
  - The value these people receive from the organisation.

Vision

- A vision is a line in the sand – an end point that can be described
- A vision is a statement around which the organisation can rally
- A vision is a stretch – it produces a step change

Characteristics of a good vision:

- Should reflect a measurable end point
- Sit within the framework provided by the Purpose and Values
- Be exciting
- Be clear, compelling and easy to grasp
- Be relevant for those at all levels of the organisation
- Be less than 100% achievable (ideally between 50 & 70%)
- Require a quantum step forward in capabilities and characteristics of the organisation
Strategic Issues

- A strategic issue is anything of great significance to your organisation’s long term success
- Generally they are not resolved quickly or easily
- Exist over the medium to long-term
- Require a whole-of-organisation response
- Provide a focus for efforts
- Each organisation has a handful that it must focus on.

“If I had an hour to solve a problem and my life depended on the solution, I would spend the first 55 minutes determining the proper question to ask, for once I know the proper question, I could solve the problem in less than five minutes.”

Albert Einstein
Boards should invest in strategy as a continuous process

- Prioritise strategy as a regular and foremost item on board agendas
- Invest time at board meetings to deepen understanding and review strategic issues.
  - Strategy should comprise 30-50% of board’s time.
  - Allow this to be a time of dialogue rather than presentation of solutions by the executive
- Invest time in building the board’s understanding of the business (e.g. through executive presentations) and of the art sector more generally
- Accept that the board may need to invest more than one day up front for a new strategy or major directional change
- Schedule regular (e.g. quarterly or half yearly reviews of strategy) going forward
- Board strategy committees may be a useful to provide momentum and assistance to the executive
- Remember that funding documentation should be an output (rather than the driver) of strategy development
Strategy and Business Planning Calendar – New Strategy

**Sep**
- Board Strategic Planning Workshop 1 – Purpose, Strategic Issues

**Oct**
- Exec Workshop: Purpose & Vision
- Executive Workshop: Environmental Analysis & Issues Identification

**Nov**
- Development and quantification of Strategies & Initiatives

**Dec**
- Board Strategic Planning Workshop 2 – Challenge plan
- Strategic Plan Documented
  - Targets finalised
  - KPI Scorecard developed

**Jan/Feb**
- Business planning and budgeting underway – artistic, marketing, finance, risk, etc

**Mar**
- Budget finalised

**April**
- Business plan going through final stages prior to approval for submission to DCA

**May**
- Board Review of Business Plan & Budget

**June**
- Board Approval of Business Plan & Budget

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Department of Culture and the Arts
Strategy and Business Planning Calendar – Years 2 and 3

Sep | Oct | Nov | Dec | Jan/Feb | Mar | April | May | June

Board
- Board Strategic Planning Workshop 1 – Review of Plan
- Board Strategic Planning Workshop 1 – Review of Plan
- Board Review of Business Plan & Budget
- Board Approval of Business Plan & Budget

Executive
- Exec Workshop Review Environmental Analysis & Appropriateness of Strategies
- Review and Development of Initiatives
- Resubmission of Program
- Harmonisation Report
- Annual Report

Analysis and Documentation
- Strategy Review Check Purpose & Vision Consider Goals & KPIs
- Internal and External Analysis
- Strategic Plan Reviewed Targets finalised KPI Scorecard developed
- Business planning and budgeting underway – artistic, marketing, finance, risk, etc
- Budget finalised Business plan going through final stages prior to approval for submission to DCA

Budget finalised
Department of Culture and the Arts
Tools and Techniques: Three Horizons – Evolving the Strategy

- **Horizon 1**: Building a Platform – Getting Fit
  - Always operating in H1
  - New Business /Product Opportunities

- **Horizon 2**: Extending the Business

- **Horizon 3**: Creating Options for the Future
  - New Options

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**Time**
Considerations for Board Strategy Workshops

- It is important to schedule at least one session a year for the board and executive to come together to discuss the strategic direction of the organisation.

- Common outcomes to strive for:
  - Agreed purpose, vision and long term objectives
  - Shared understanding of the organisation’s external and internal environment
  - Agreement on strategic issues
  - Agreement on the handful of strategic initiatives the organisation needs to resolve
  - Review of the strategies proposed by the executive (if applicable)

- While the executive may assist in designing the day, the final design should be decided by the Chairman.

- Practicalities
  - If possible, conduct the workshop offsite in a place which enables board and management to interact more informally
  - Independent external facilitation can be useful in getting the most value out of the session
  - Inviting external stakeholders to provide their view of the business often opens valuable debates
  - Publish pre-reading ahead of the workshop
Summary: Board Engagement in Strategy

- Engagement in strategy is a key function of the board.
- Boards are now expected to be more closely involved in the development of strategy rather than reviewing and approving the final plan. Key interaction points include:
  - Purpose
  - Targets
  - Strategic issues
  - Monitoring of strategy
- Strategic thinking is where the board can add significant value.
- Strategy should be seen as a continuous process rather than a one-off event driven by funding requirements.
- Effective engagement in strategy by boards requires investment of the board’s and executive’s time.
- There are a number of different techniques available to assist in the development of strategy.
## Workshop session B

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Risk

- Risk is defined as the positive or negative effect of uncertainty on objectives, which is usually expressed as events and consequences.

- Material risks are those risks which affect business survival or the long-term sustainability of an operation. Businesses respond by acting on opportunity or managing potential threats.

- Operational risks are those risks that affect operations more directly and over shorter timeframes, and are usually the focus of management.

“The major difference between a thing that might go wrong and a thing that cannot possibly go wrong is that when a thing that cannot possibly go wrong goes wrong it usually turns out to be impossible to get at or repair”

Douglas Adams
The Benefits of Managing Risk

- In essence, the goal of risk management is to enable management to effectively deal with uncertainty and its associated risk and opportunity to meet the organisation’s objectives.

- Risk management has many benefits:
  - Helps achieve the performance and financial targets
  - Ensures better decision-making
  - Helps ensure effective reporting and compliance with laws and regulations
  - Helps avoid damage to reputation and associated consequences

- Risk management should enable management to balance growth and progression with the appropriate level of risk.
Risk Management

- Risk management is¹
  - A process, ongoing and flowing through an organisation
  - Undertaken by people at every level of the organisation
  - Applied to achieve an organisation’s strategic direction
  - Applied across the organisation at all levels and areas
  - Able to provide reasonable assurance to the board

- Risk management should **not**:
  - Be a straightjacket that inhibits the organisation from adapting to the rapidly changing environment
  - Be something that is written up and then ignored or mechanically processed for the rest of the year
  - Be independent from other business processes such as strategic planning, business planning and compliance

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¹ Adapted from Committee of Sponsoring Organisations of the Treadway Commission. (September 2004). *Enterprise Risk Management – Integrated Framework*

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“It ain’t what you don’t know that gets you into trouble. It’s what you know for sure that just ain’t so.”

*Mark Twain*
Organisations have a degree of flexibility in approaching risk. The investment in people and systems can vary considerably between organisations, with markedly different outcomes.
Role of Board in Risk Management

- The board’s role in risk management is typically one of oversight.

- Risk management is key in discharging a directory’s duty of care and diligence,

- To that end it should:
  - Oversee and agree the level of risk the organisation is willing to accept
  - Review the organisation’s policies on risk management
  - Satisfy itself that management has developed and implemented a sound system of risk management and internal control.
  - Ensure risk is considered as part of the organisation’s strategy decisions
  - Agree and monitor the organisation’s material risks
In relation to the risk framework, the board should:
- Mandate that risk management is completed by the organisation
- Monitor the implementation of the framework
- Review the adequacy of the framework

The Executive should:
- Design the framework
- Implement the framework
- Improve the framework
In relation to the risk assessment process, the board should:

- Establish the context, including tolerances and the requirements for structure, systems and reporting.
- Assist to identify the risks (particularly key material risks) and provide ratings of likelihood and consequence.
- Review the outcomes of the risk identification, analysis, evaluation and treatment by the Executive.
Outputs of Risk Management

- The board should expect to see a range of documents that relate to the risk framework and the risk assessment process.
- The following documents should be seen at least annually. Of course, the selection of documents will vary by organisation: this is a minimal selection.
- Note that there are a range of tools used to analyse risk and capture the output, so there may be significant variation between organisations.

<table>
<thead>
<tr>
<th>What must be done and when?</th>
<th>Where does risk arise?</th>
<th>Which are the major risks?</th>
<th>What are we doing about them?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk policy and calendar</td>
<td>List of Risks</td>
<td>Material Business Risks, rated by consequence and likelihood</td>
<td>Risks register, specifying controls, re-ratings and treatments</td>
</tr>
</tbody>
</table>
Outputs of Risk Management

Elements of risk policy

- Mandate for risk management
- Responsibilities for risk
- Governance mechanisms and structures
- Processes for monitoring, reporting and communicating
- Processes for implementation and review

Elements of calendar

Based on a June 30 financial year:
- Presentation of material risks in May
- Presentation of controls and treatment in July
- Quarterly update to board
- Infrequent exploration of material risks

Risk policy and calendar

What must be done and when?

List of Risks

Where does risk arise?

Material Business Risks, rated by consequence and likelihood

Which are the major risks?

Risks register, specifying controls, re-ratings and treatments

What are we doing about them?

Material Risks register, Business Risks, specifying rated by controls, consequence and likelihood
# Outputs of Risk Management

## Likelihood

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Almost Certain</th>
<th>Likely</th>
<th>Possible</th>
<th>Rare</th>
<th>Unlikely</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>High</td>
<td>High</td>
<td>Extreme</td>
<td>Extreme</td>
<td>High</td>
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<td></td>
<td>Extreme</td>
<td>Extreme</td>
<td>Extreme</td>
<td>Extreme</td>
<td>High</td>
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<tr>
<td></td>
<td>Extreme</td>
<td>Extreme</td>
<td>Extreme</td>
<td>Extreme</td>
<td>High</td>
</tr>
</tbody>
</table>

## Consequence

<table>
<thead>
<tr>
<th>Consequence</th>
<th>Insignificant</th>
<th>Minor</th>
<th>Moderate</th>
<th>Major</th>
<th>Severe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk 5</td>
<td>High</td>
<td>High</td>
<td>Extreme</td>
<td>Extreme</td>
<td>Extreme</td>
</tr>
<tr>
<td>Risk 2</td>
<td>High</td>
<td>High</td>
<td>Extreme</td>
<td>Extreme</td>
<td>Extreme</td>
</tr>
<tr>
<td>Risk 3</td>
<td>Low</td>
<td>Low</td>
<td>Moderate</td>
<td>High</td>
<td>Extreme</td>
</tr>
<tr>
<td>Risk 4</td>
<td>Moderate</td>
<td>Moderate</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>

## What must be done and when?
- Risk policy and calendar

## Where does risk arise?
- List of Risks

## Which are the major risks?
- Material Business Risks, rated by consequence and likelihood

## What are we doing about them?
- Risks register, specifying controls, re-ratings and treatments
## Outputs of Risk Management

<table>
<thead>
<tr>
<th>#</th>
<th>Risk</th>
<th>Consequence</th>
<th>Likelihood</th>
<th>Inherent Risk Rating</th>
<th>Controls</th>
<th>Residual Risk Rating</th>
<th>Further Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Eg. Major staff loss</td>
<td>Major</td>
<td>Likely</td>
<td>Extreme</td>
<td>Staff satisfaction surveys</td>
<td>Role descriptions</td>
<td>Improvement Required</td>
</tr>
<tr>
<td>2</td>
<td>Eg. Changing consumer tastes</td>
<td>Major</td>
<td>Likely</td>
<td>Extreme</td>
<td>-</td>
<td>Multiple production genres</td>
<td>Reasonable</td>
</tr>
<tr>
<td>3</td>
<td>Eg. Natural disaster</td>
<td>Major</td>
<td>Unlikely</td>
<td>High</td>
<td>-</td>
<td>IP Capture</td>
<td>Reasonable</td>
</tr>
</tbody>
</table>

- **Risk policy and calendar**: What must be done and when?
- **List of Risks**: Where does risk arise?
- **Material Business Risks, rated by consequence and likelihood**: Which are the major risks?
- **Risks register, specifying controls, re-ratings and treatments**: What are we doing about them?
Steps For Board Consideration

- Set a board policy on risk management
- Ensure the board is comfortable with the risk management framework in place
- Integrate consideration of risks into board decision-making
  - Integrate risk into strategy development
  - Invest time in understanding your internal and external risk environment and the level of risk your organisation is willing to accept
  - Allow time in your board agenda to monitor and review your organisation’s most significant risks on a regular basis.
  - Consider risk management in any major decision put to the board
- Ensure operational risk is addressed through policy and systems
Summary: Risk Management

- Risk management is important in achieving your organisation’s strategic direction.

- Risk management should be embedded into board decision-making including strategic and business planning.

- Boards play an important role in overseeing risk management within the organisation – setting the tolerance levels, agreeing the framework and being involved in the identification and assessment of risks.

- The extent of risk management sophistication should be based on an organisation’s external and internal risk environment, capabilities and resources.
## Workshop session C

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Monitoring Performance

- Performance monitoring is primarily concerned with judging the adequacy of past performance and anticipating performance issues that are likely to arise in the future.

- Effective performance monitoring is built around:

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<thead>
<tr>
<th>Area</th>
<th>Method of Engagement</th>
<th>Suggested Frequency</th>
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<tbody>
<tr>
<td>Business planning</td>
<td>Operational reporting</td>
<td>Monthly</td>
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<tr>
<td></td>
<td>Strategy review</td>
<td>Annual</td>
</tr>
<tr>
<td>Budgeting</td>
<td>Financial reporting</td>
<td>Monthly</td>
</tr>
<tr>
<td>Risk management and oversight</td>
<td>Risk reporting</td>
<td>Annual</td>
</tr>
<tr>
<td>Management assessment</td>
<td>CEO evaluation</td>
<td>Annual</td>
</tr>
</tbody>
</table>

- The key for the board is to
  - Decide who reports what, when, to whom, and with what frequency;
  - Ensure that board members have the opportunity to conduct occasional on-site monitoring.
Major Tools

- **Internal Reports:**
  - Prepared by the manager or other staff member at the manager's request. Internal reports are relatively quick and inexpensive ways to monitor activity. Their drawback is that they are open to internal manipulation.

- **External Reports:**
  - Prepared by external parties. These reports are more objective, but also more expensive.

- **Direct Inspection:**
  - In some rare cases, the only way to monitor a policy is by going to see for yourself. Such direct inspection is appropriate only when judging a task previously assigned by the board.
  - When using direct inspection, board members must be careful not to meddle and to judge only against criteria set by the board as a whole.
Key Foundations for Performance Monitoring

- **Strategic Plan**
  - Prepared by the manager or other staff member at the manager's request. Internal reports are relatively quick and inexpensive ways to monitor activity. Their drawback is that they are open to internal manipulation.

- **Operational plan and annual budget**
  - The annual budget and financial projections of the operating plan are vital to financial performance monitoring, as they are the targets against which actual performance should be judged.
  - Board members should have access to the operating plan and annual budget, be familiar with them, and be aware of the success in achieving the set targets.
Strategic Performance

- "Plans are nothing. Planning is everything" - Eisenhower

- Strategic performance typically concerns the **attainment of organisational objectives**, which requires **effective delivery**

- While strategy development creates value for the organisation, excellent strategy poorly implemented is worse than a poor strategy well executed
  - Therefore, poor strategy implementation can destroy more value than is created through good strategy development
  - Research\(^1\) shows that getting strategic planning right can increase Return on Capital by 3% and increase the life expectancy of the company by about one third

Assessing Strategic Performance

- Great boards are distinguished from good boards by their proficiency at **holding an Executive to the delivery of strategy**

- Strategic performance should be assessed through
  - Quarterly strategy reviews
  - Major reviews at the time of strategy revision
  - In-depth exploration of stalled strategies or issues where progress is not being made
The Strategic Review

In-depth analysis should answer the following:

- What activity has been completed? Have strategies been implemented as planned?
- Have we resolved any of our strategic issues / opportunities?
- How have we progressed on defined strategic objectives?
- Are we delivering on our purpose?
- What are the reasons for variation to plan?
- … and prior to new strategy development… How has the strategic environment changed?

A summary will often address:

- What have been our key achievements?
- What are the major trends and new development we must consider?
- What are the key areas for focus in the future?
- Where can the Board assist?
Operational Performance

- Operational performance has many dimensions
  - Core business
  - Financial
  - Human resources
  - Marketing and public relations
  - Stakeholders

- Targets for operational performance should be contained in the operational plan. In conjunction with historical data, these should form the foundation for operational performance reporting.

- Often these dimensions will be linked!
## Operational Performance (continued)

### Core Business
The core business varies:
- Product-based or service-based
- Physical or intangible
- Short response or long-lead time
- Capital intensive or labor intensive

**Warning signs**
- *Declining artistic vibrancy*
- *Diminishing audiences / ticket sales*
- *Decreasing or inconsistent quality of products / services*

### Financial performance
Financial aspects of performance should:
- Ensure the delivery of an overall surplus
- Ensure adequate cashflows
- Ensure solvency

**Warning signs**
- *Declining revenues*
- *Diminishing margins*
- *Weak cashflow*
- *Excessive debt*
Operational Performance (continued)

Human Resources
These activities should:
- Ensure staffing needs are understood and met (through recruitment and development)
- Staff understand performance obligations and organisational policy / process

Warning signs
- High turnover
- Low morale
- Inability to recruit key positions

Marketing and public relations
These activities should:
- Ensure appropriate positioning
- Ensure clarity of message
- Achieve a strong brand

Warning signs
- Weak brand
- Inconsistent communications
- Poor recognition
Operational Performance – Stakeholders

- Stakeholder satisfaction can be useful as a measure of organisational performance
- However, stakeholders will often introduce their own agenda into judgements on performance
- In addition, interacting with stakeholders can be difficult
  - Engagement tends to raise expectations
  - There are multiple options to engage (surveys, meetings, forums, etc)

Warning signs

- Complaints
- Poor reviews
- Poor relationships with suppliers
Assessing Operational Performance

- Operational performance should be monitored on an ongoing basis at both management and board levels

- Management monitoring
  - Executive meetings
  - Financial reporting
  - Operational reporting

- Board monitoring
  - Monthly dashboard in the board pack
  - Monthly financial report
  - Report from the CEO
  - Report from divisions / departments / portfolios
  - Infrequent in-depth analysis or presentations to Board
# Operational Performance

## Organisational Performance

<table>
<thead>
<tr>
<th></th>
<th>Financial</th>
<th>Core Business</th>
<th></th>
<th>HR</th>
<th>Commercial</th>
<th></th>
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<tbody>
<tr>
<td></td>
<td>Current</td>
<td>Target/Budget</td>
<td>Core Business</td>
<td>Current</td>
<td>Target/Budget</td>
<td>Core Business</td>
<td></td>
</tr>
<tr>
<td>Cash at bank</td>
<td>$180k</td>
<td>$200k</td>
<td>Ticket Sales</td>
<td>50%</td>
<td>60%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Assets</td>
<td>$250k</td>
<td>$250k</td>
<td>Audience Rating</td>
<td>6.5</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forecast profit/loss for financial year</td>
<td>-$30k</td>
<td>$20k</td>
<td>Shows delivered</td>
<td>15</td>
<td>14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HR</td>
<td>Current</td>
<td>Target/Budget</td>
<td>Marketing</td>
<td>Current</td>
<td>Target/Budget</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff turnover</td>
<td>20%</td>
<td>15%</td>
<td>Ads this month</td>
<td>35</td>
<td>32</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Empl’yee satisfaction</td>
<td>7</td>
<td>8</td>
<td>Positive reviews</td>
<td>3</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial</td>
<td>Current</td>
<td>Target/Budget</td>
<td>Stakeholders</td>
<td>Current</td>
<td>Target/Budget</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sponsor revenue</td>
<td>$159k</td>
<td>$200k</td>
<td>Meetings with key</td>
<td>3</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant income</td>
<td>$0k</td>
<td>50k</td>
<td>Invites to tour/collaborate</td>
<td>1</td>
<td>4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note: The table contains financial and operational performance metrics, including cash at bank, current assets, forecast profit/loss, staff turnover, employee satisfaction, and revenue sources such as sponsor and grant income. The metrics are compared against current and budget targets.*
Financial Oversight

Trends to be wary of:
- Increasing or unexplained variation from budget
- Negative trends in key financial ratios
- Delays in financial reporting
- Denial of usual credit facilities
- Declining sales or erosion of margin
- Delays in paying tax or superannuation contributions

Note that all Directors should be financially literate.
Summary: Monitoring Organisational Performance

- Great boards are distinguished by their ability to hold an executive to the delivery of strategy
- Operational performance has many dimensions that are often interlinked
- There are multiple practices an arts board can adopt to monitor strategic and operational performance
- Monitoring performance is about asking the right questions, providing alternative views and championing management disciplines
- Maintaining effective oversight of financial performance is a critical role of the board