British Columbia
Museums Association
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Best Practices
module

GOVERNANCE

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Introduction

While organizations in the museum and heritage sector take a number of legal forms, from not-for-profit societies to line and operating agencies of larger government or corporate entities, they all rely on governance structures to provide the leadership, legal, and accountability frameworks that guide day-to-day operations. Good governance is both an obligation and an opportunity to ensure that a museum serves its constituents in the most effective manner possible. It is instrumental in ensuring operational stability, guaranteeing accountability and transparency, defining and clarifying roles and functions, and in developing and strengthening relationships with staff, volunteers, community, and stakeholders. More than simply a management tool or monitoring system, effective governance can reduce risk, improve communications and responsiveness, and enhance efficiency, effectiveness, innovation, and sustainability.

This document outlines best practices in governance for museums in British Columbia, drawing on the experience of both the museum and not-for-profit sectors in Canada. It has been written with the intent of providing our community of practice with a framework from which to consider policy and decision-making structures, operational constraints and opportunities, and management practices.

Governance for the Museum and Heritage Sector

Governance**,** in the museum and heritage sectors, refers to the systems and structures that a Board of Directors uses to define policy, to provide leadership, to manage, coordinate, and monitor procedures and resources, and to develop long-term strategy and direction for an organization. Governance comprises of the traditions, institutions, policies and processes that determine how power is exercised, how staff, members, volunteers, and constituents are given a voice, and how decisions are made on issues of concern to the organization.

Many organizations, regardless of scope and scale, find it difficult to define or evolve their current governance model. While countless tools, systems, and theories exist to help us strengthen our academic understanding of governance, operational demands, limited resources, and other priorities often deter us from actually developing a governance strategy or policy manual.

Effective governance does, however, reduce the amount of time that board members spend on operational items and improve board efficiency and effectiveness over the long run. Clear policy and leadership helps to guide staff and volunteers, ensures that roles and values are defined and communicated, and ensures that operations function in a systematic and consistent manner. Good governance is not only insurance for what can go wrong. It is an investment in ensuring that operations move in a forward direction.

Governance Models

There are many governance models and combinations of models for museums to study and/or implement. However, it is useful to note that museums generally find that governance models change over time to meet the working habits, operational or systematic needs, and strategic goals of their organization. As your organization evolves, so may your governance model.

Many museums have a supporting society, agency or Friends group that is incorporated as a not-for-profit society[1] under the British Columbia Societies Act. By virtue of the structures laid out in that legislation, such societies have a Board of Directors that are responsible for developing and implementing the constitution and bylaws for the society and directly or indirectly managing the business of the society.

While most museum boards use a combination of strategies and models to manage and guide their operations, some commonly found governance structures include:

Governance or Policy Boards

Organizations of any size or configuration may choose to develop this management structure:

- The Board of Directors is responsible for establishing the guiding principles and policies for the organization; delegating responsibility and authority to those who are responsible for enacting the principles and policies; monitoring compliance with those guiding principles and policies; and ensuring that staff and board alike are held accountable for their performance.[1]

- Governance boards need a strong management and staff/volunteer team to implement and manage directives and excellent communication between board and staff.

Advisory Boards

Museums that are line or separate operating agencies of governments, corporations, or other larger entities, and in instances where the founder of the museum is the CEO of the organization may choose to manage the organization in consultation with an advisory board or committee. An advisory board may or may not, depending on the organization's constitution and bylaws, share in operational, legal, or financial liability.

- Advisory Board members tend to be recruited for three main reasons: they are trusted as advisors by the managing authority, they have a professional skill that the organization needs but does not want to pay for; and/or they are likely to be helpful in establishing the credibility of the organization for fundraising and public relations purposes or in building strategic alliances.[1]

- Many museums in BC are line agencies of municipal governments. In this type of governance structure museums may find themselves at risk when short-term political or administrative interests or directives conflict with core priorities or long-term strategic goals. Active citizen advisory boards are essential in helping to communicate and strengthen the museum's position with the public and managing authority.

Governance Models cont'd...

Management Boards

Many museums and supporting organizations apply this governance structure as a means for the Board of Directors to develop policy and management frameworks, to leverage staff, volunteer, and community resources, and to stay involved in the day-to-day workings of the operation.

- The Board of Directors establishes working sub-committees who become responsible for actions in functional areas such as human resources, fundraising, finance, planning, and programs.
- Sub-committees, made up of board members and possibly community members and staff, make recommendations to the board. The Board of Directors may approve or reject the recommendations or motions or ask sub-committees to revisit items and actions.

Working Boards

Small institutions with no or few paid staff often become working boards responsible for implementing all functional operations within a museum or heritage site.

- Governance and hierarchical structures, written policies and guidelines, and formal reports are often kept to a minimum and directors are only given formal titles to meet the requirements of the Societies Act.

Good Governance Practices

While understanding your governance structure is important when clarifying roles, improving effectiveness and efficiency, and planning for current or future strategic directions there are other essential factors that should also be considered when evaluating your board's purpose and actions and when developing good governance practices:

- Mission and Mandate - your governance policies, constitution, and bylaws should reflect your organization's current mission and mandate. Research shows that organizations that know and understand their mission make better choices, are more efficient and effective, and are sustainable over the long run.

- Values and Vision – your organization's values and vision should be reflected in plans and communicated through actions, shared with staff and stakeholders, and revisited on a regular basis through formal and informal means.

- Board Size and Complexity –make sure your current board composition, skill-set, succession plan, resources, and actions reflect both current needs and future goals. Ensure that board members understand their legal and ethical obligations, responsibilities to the society, and personal liability. Seek out guidance from professionals or mentorship from other museums or institutions to develop or implement strategies for improved board governance, development, training, motivation, and evaluation.

- Operational Realities - build operational, business, and strategic human resource plans that are appropriate for the scope and scale of your operation and develop workable plans that build momentum, confidence, and sustainability. Use audit and evaluation tools to regularly measure actions against organizational goals and strategic plans.

- Recognize signs of trouble – stay vigilant for signs that board members are dissatisfied with their roles, that operations that are not working effectively or efficiently, or that there is increased conflict, liability and risk, or high staff or volunteer turnover.

British Columbia Societies Act

Many organizations within the museums and heritage sector hold not-for-profit status under the British Columbia Societies Act. All registered not-for-profits are responsible to meet the legal requirements set out in this Act. These requirements include issues dealing with:

- Incorporation
- Constitution and bylaws
- Directors
- Financial and audit requirements
- Members and meetings
- Termination of a society

Financial Accountability and Viability

Organizations are responsible to report some operational and all financial dealings to Revenue Canada. While you may be familiar with many of the regulations regarding items such as issuing tax receipts for donations or paying the Receiver General each month, it is essential that your governance documents reflect current Revenue Canada expectations and requirements.

- Review changes to Revenue Canada requirements annually and amend your policy or operational procedures and governance documents accordingly.
- Understand your obligations and implement strategy to ensure the use of appropriate accounting, reporting, and audit practices.

Financial viability is not only achieved through increases in new dollars, but also by safeguarding and leveraging current assets and resources to ensure maximum security and return on investment. Strong financial policies will help guide daily operations, support year-end reporting and audits, and improve accountability and transparency when applying for grants and sponsorships.

- Set terms of reference and expectations for budgets, spending, and compensation packages.
- Establish policies, systems and procedures for effective information and financial management.
- Empower staff to maximize return on investment, to leverage resources, reduce waste, and act on inefficiencies.
- Implement safeguards, monitoring measures, and reporting schedules.
- Develop and review results from both formal and informal audit mechanisms.

Risk Management and Liability

Be proactive in ensuring that your organization has considered and evaluated risk and reduced potential liability. Create guidelines and policy that:

- Clarify the roles and responsibilities of board members, staff, and volunteers
- Address how risk is identified, communicated, actioned, monitored, and reduced.
- Establish policy and procedures for:

  - Board governance and performance
  - Operational procedures
  - Cash handling and reconciliation
  - Account receivables
  - Spending limits and signing authority
  - Audits of financial, human resource, and system records
  - Internal reporting structures
  - External communications
  - Emergencies
  - Risk assessment
  - Conflict resolution
  - Protection of privacy of information

Operational Effectiveness and Responsiveness

Written policies and procedures help improve operational efficiency and effectiveness. Consider developing and implementing policies that:

- Define terms of reference.

- Establish rules of order, clarify boundaries and expectations, and assign responsibilities.

- Create reporting structures, schedules, and responsibilities.

- Provide a framework for staff, volunteers, and board committees to feel fully empowered to act within the limitations established by the board.

The board should work with staff and constituents to:

- Create the strategic plan – mission, vision and strategic goals

- Develop a timeline for implementing plans, actions, and evaluation.

- Celebrate operational successes and constructively evaluate challenges.

- Implement communication strategies that enhance knowledge transfer, generate opportunities for input, and that strengthen internal and external communication and responsiveness.

Accountability and Transparency

Board members are subject to personal liability when due diligence is not taken to protect the physical, financial, and human resources under the care and responsibility of the society. Governance policies illustrate that the Board of Directors have considered:

Responsibilities of the Board

The Board should:

- Ensure that the organization's mission and mandate are held true and relevant.
- Develop and/or review and amend the organization's constitution and bylaws.
- Ensure that the society meets legal requirements for financial, operational and safety standards.
- Develop policy regarding operational standards and expectations. Consider developing governance documents and a policy and procedures manual to help improve knowledge transfer, information management, accountability and transparency.
- Establish guidelines for board governance, management, composition, selection, training, development and evaluation, and succession planning.
- Communicate with stakeholders.
- Evaluate it's own effectiveness as a board on a regular basis.
- Establish rules of order, codes of conduct, and conflict of interest policy.
- Be an advocate for the role of the museum in the community.

Operational Continuity

The Board should:

- Hire, monitor and evaluate staff members who report directly to the board.
- Monitor operations against business goals and strategic plans.
- Apply performance and evaluation measures.
- Ensure that operational policies and procedures exist for each function area – in small museums board volunteers may need to manage collections, conservation activities, interpretation, and marketing duties in addition to monitoring human resources, finances, and board governance issues.

Financial Sustainability

The Board should:

- Develop, implement, and monitor budgets.
- Ensure that all financial actions are recorded and filed with the necessary agencies, and audited as necessary using generally accepted accounting principles.
- Develop and review fundraising initiatives such as social enterprises, event and activity fundraising, donations, planned giving, grant writing, membership campaigns etc.

Accountability and Transparency cont'd...

Planning

The Board should:

- Initiate regular reviews of the organization's mission, vision, core priorities, and corporate values.
- Develop, in conjunction with staff and stakeholders, business, strategic human resource, and operational plans.
- Regularly monitor, evaluate and amend plans against organizational goals.

Risk Management

The Board should:

- Safeguard the physical, financial, human, and intangible resources of the organization.
- Establish reporting and information management processes.
- Develop risk reduction strategies and conflict resolution plans.
- Ensure that staff and board understand and implement requirements regarding privacy of information, confidentiality, conflict of interest, and copyright.
- Assign a designated spokesperson for media communications and/or emergency responses.
- Seek professional or legal advice as necessary and consider purchasing directors and officers liability insurance.

Membership

For many Friends groups and supporting societies in the museum and heritage sector, members are defined as those individuals, families, or organizations that pay an annual membership fee. Membership in a museum society, however, does not and should not automatically give individuals the right to vote on issues concerning the governance of the society. Experts suggest that organizations:

- Define who your membership is.

- Amend your constitution and bylaws to record how a member joins your organization, under what terms a member may gain or lose membership privileges, how participation and input are recognized and encouraged, and how consensus is gained.

- Decide how and if voting privileges are to be extended to members and/or others such as staff members, honorary members, corporate sponsors etc.

- Remember that members with voting privileges must be informed of Annual General Meetings or Special Meetings within the time-frame set out in your bylaws. Voting members have the right to access financial documents and operational reports and are participants in the decision making processes regarding any changes to the constitution and bylaws, the appointment of members to the Board of Directors, and major items that impact your operation.

Resources

Print

- Canadian Art Museum Directors Organization. "*Guidelines: Roles and Responsibilities of the Museum Boards of Trustees.*" Canadian Museums Association 2005
- Carver, John. "*Boards that Make a Difference.*" Jossey-Bass: San Francisco 1990
- Ingram, Richard. "*Ten Basic Responsibilities of Nonprofit Boards.*" BoardSource 2003

Web-Based

- British Columbia Societies Act **http://www.qp.gov.bc.ca/statreg/stat/S/96433_01.htm**
- Canada Business Services Centre, British Columbia Not-for-Profit Information and Resources Webpage**http://bsa.cbsc.org/gol/bsa/site.nsf/en/su06803.html**
- Canadian Centre for Philanthropy (CCP) and the Coalition of National Voluntary Organizations (NVO) **http://www.imaginecanada.ca/languagePreference.asp**
- Canadian Museums Association Ethical Guidelines (1999) **http://www.museums.ca/Cma1/About/CMA/ethics/introduction.htm**
- Canada Revenue Agency **http://www.cra-arc.gc.ca/tax/nonprofit/menu-e.html**
- Canada Revenue Agency - Income Tax Guide to the Non-Profit Organization (NPO) Information Return **http://www.cra-arc.gc.ca/E/pub/tg/t4117/README.html**
- Community Services Council of Newfoundland and Labrador, Virtual Resource Centre for the Voluntary Sector **http://envision.ca/templates/profile.asp?ID=56**
- Information for Incorporation of a British Columbia Society – Ministry of Finance, Government of British Columbia Printable Version – PDF **http://www.fin.gov.bc.ca/registries/corppg/forms/reg20.pdf**
- Institute of Governance **http://www.iog.ca/**
- "Rethinking the Rules: The Business of Museum Governance" by Adrian Babbidge, Egeria Heritage Consultancy, 2002 **http://susan.chin.gc.ca/~intercom/babbidge.pdf**
- Roles and Responsibilities of Museum Boards of Trustees Canadian Museums Association and the Canadian Art Museums Directors Association, 2005 **http://www.museums.ca/Cma1/ReportsDownloads/trusteesguidelines.pdf**
- Volunteer Vancouver Resource Library **http://www.volunteervancouver.ca/library/library_search.asp**