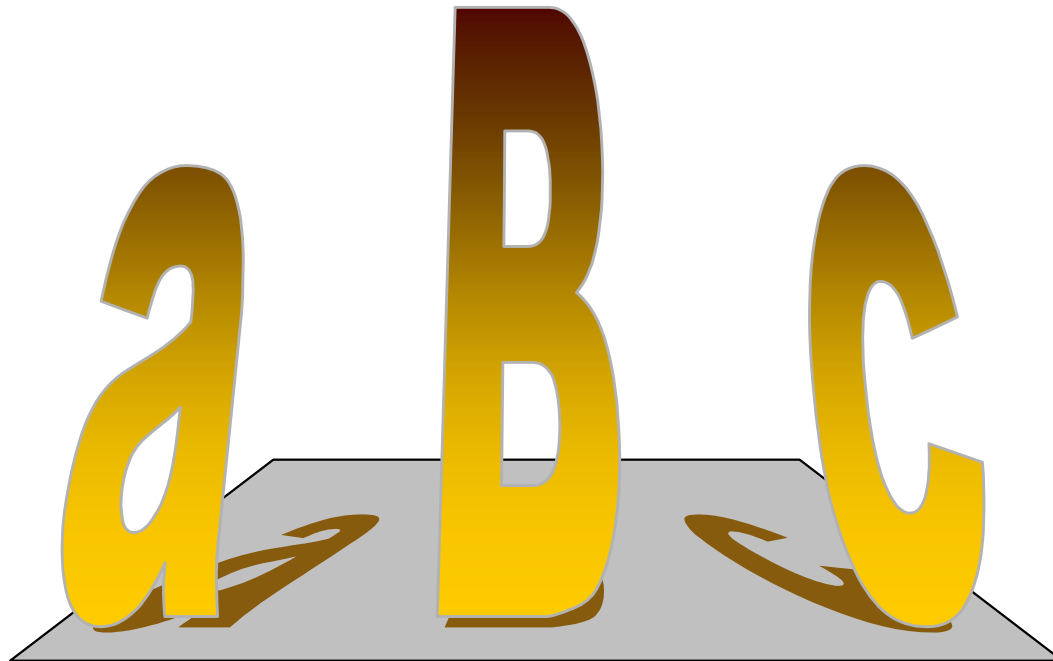


Consultancy Study on the Mode of Governance of Hong Kong's Public Museums and the Hong Kong Film Archive

June 2003

Option B



**Lord Cultural Resources Planning & Management Inc.
Deloitte & Touche Management Solutions Ltd.**

Executive Summary

In relatively short time Hong Kong has established and realised a significant number of museums. The dedication and professionalism of the people who work in the museums, the support from the Leisure and Cultural Services Department, the former Urban Council and Regional Council and not to forget the large number of visitors that spend their time visiting them, has made all of this possible.

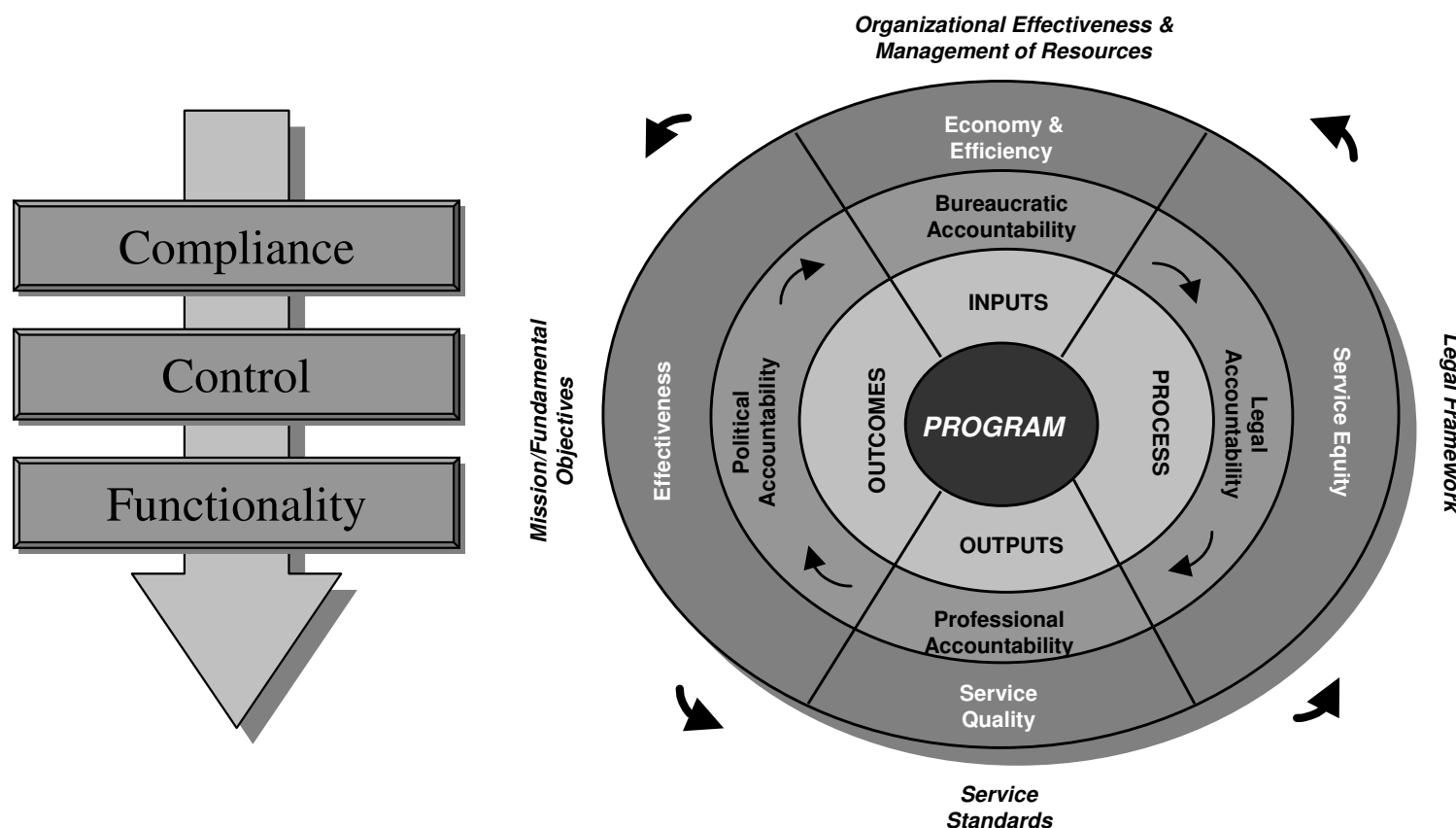
Hong Kong museums are currently in a healthy state. With tremendous development and growth, Hong Kong is one of the leading locations in which to visit museums in Asia. Total attendance in 2002 has risen to over 4.6 million visitors per year, which has doubled in 5 years (1997-2002). There are a wide variety of changing exhibitions being presented, either locally curated, from the Mainland or overseas. These are appealing to a diverse audience interested in the fine arts, design, history, archaeology and science. In addition, museums scored the highest rate (81.2%) of satisfaction among all cultural, recreation and sports facilities in the 2000 benchmark survey on LCSD. After the opening of the new museums in 2000-2001, attendance has peaked and a new range of offerings is required to generate a repeat audience. There is the challenge however of closer integration into the community.

Over the last year LORD Cultural Resources, Planning & Management and Deloitte & Touche Management Solutions Ltd. have been given the opportunity to conduct a consultancy study for the Leisure and Cultural Services Department. Start of the Consultancy was to study overseas modes of governance for museums and to relate those to the museum governance issues here. The consultancy has resulted in ten (10) recommendations with the intent to establish a mode of governance for the Hong Kong public museums that would make them arm's-length from government, more community-centred, have the ability to generate and retain more revenues, and have flexible staffing powers.

This new museum structure would be within the context of a Hong Kong Museums Board and a new Museum Ordinance which establishes Government's commitment to the museum sector. (No changes are proposed to the existing mode of governance for the Hong Kong Film Archive, which is a government institution).

The Governance Framework

The Governance Framework is the methodology guiding our work throughout the Consultancy. Compliance, Control and Functionality are the three elements that outline the governance setup. The elements concentrate on the range of measures and requirements from a formal level (Compliance) to the structural level (Control) and practical level (Functionality). Within the three elements, four different quadrants (Organizational Effectiveness and Management of Resources, Legal Framework, Service Standard, and Mission and Fundamental Objectives) are examined



Community-Centred Museum

As cultural institutions, museums have evolved tremendously over the last 100 years. The more successful ones have little in common with the traditional stereotype of dusty repositories of ancient relics, although many of those can still be found. As Stephen Weil, a renowned museologist stated,

“By some point...the relative position of the museum and the public will have revolved by a full 180 degrees. In their emerging new relationship...it will be the public, not the museum, that occupies the superior position.”

It is a change of degree or orientation, as Weil states, rather than a change of function. Museums continue to be collections-based, with their core activities being to collect, preserve, research, interpret (educate) and manage. What is changing is the balance in these activities, and the rationale for the allocation of staff and resources. Rather than being inward looking, the focus is outward on serving the visitor and the community - that is being community-centred. It is important to note that in this Community-Centred model that the definition of community is not fixed. It is dynamic and changing. We are referring to *a community of interests*.

In the Past, *Museums were thought to be.....*

- **Superior and permanent**
- **Repositories of knowledge and meaning embodied in collections and curatorial authority**
- **Places of the elevation of visitors**
- **Morally neutral**
- **In a position of authority over visitors and the communities it represents**

In the Future, *Museums will be.....*

- **In a period of “adaptive reuse”**
- **Repositories of objects and information that communities and visitors can invest with meaning**
- **Places of refuge and community building**
- **Morally engaged**
- **In a position of service to visitors and the communities it serves**

The future museum experience will support and is sustained by the community. Museums are powerful communication instruments that can serve the communities. On the other hand, communities enrich museums by investing them with meanings. The healthy museum-community relationship creates an influential social network through bonding people together with similar cultures and bridging people of different backgrounds and perspectives.

The vision or goal for Hong Kong is to have a Community-Centred Museum system, and this has major implications on how the museum/system operates, how it is structured, the staffing and ultimately to whom it is accountable and for what it is accountable. These are all matters of governance. **Governance refers to the authority under which museums are organized and identifies the governing body and the legal and fiduciary responsibility for the museum, the collections and the museum policy.**

Besides the financial accountability, there is also the programme accountability, "Is the museum achieving the vision that has been articulated?" In a Community-Centred Museum the community helps articulate that vision, as it is a shared vision, and also participates in its assessment or evaluation. This is often accomplished through some sort of **formal board structure**, which is attached to the museum/system. For public museums, it also often implies **a legal basis for the museums in the form of a law or ordinance** and accompanying regulations. The law establishes a public commitment to museums and stewardship (maintaining the collections) and sets out a framework for the relationships of the museum and the community.

Rethinking the Museum: *Its Relationship to Community*



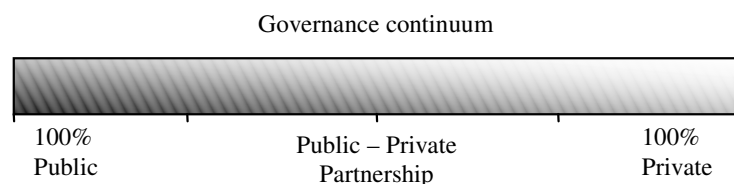
Modes of Governance: A global continuum

The mode of governance of a museum is the result of many factors. The most important of which is probably time. Most of the modes of governance that were studied for this consultancy have evolved over decades. They are as much a result of history as the collections that they house. They are also continuing to evolve as conditions change. A system that was designed about ten years ago, is likely to need some fine tuning or perhaps even major changes, as the institutions, the public and the socio-economic situation and political environment that was being responded to has changed.

There is a great variety of modes of governance. No systems are the same. There are systems based on line department, and systems that are in the private domain; there are systems that are set in laws and ordinance and systems that are not; there are systems where staff has civil service status, and systems where individual contracts are in place; there are systems where the facilities are government owned, systems where government leases the facilities and systems where ownership of the facilities has been with the institutions themselves. There are numerous different funding arrangements, single and multiple year.

The community is involved in many different ways. There are systems that involve them through advisory boards but also systems that have governing boards outside of government. In some systems advisory boards are even involved in advising on the appropriation of budgets.

The variety of modes of governance is best resembled by the governance continuum.



Issues identified in Hong Kong for the Museums and the Film Archive

In order to evaluate potential governance options it is important to understand the fundamental issues related to governance in Hong Kong, that is, to identify areas that require strengthening. There are five headings that categorize the key findings that arose during our research and in consultation with key stakeholders:

- Legal Status – establishing a legal framework for museums and indemnification of borrowed collections;
- Arm's- Length – reviewing options for a new structural relationship with Government;
- Board - establishing a formal structure for community representation;
- Financial Stability – exploring ways of enhancing stability through new governance structure;
- Efficiency and Effectiveness – developing tools to ensure accountability.

Governance Aspects	Issues Identified for Hong Kong Museums	Issues Identified for the Hong Kong Film Archive
Legal Status	1. Absence of Museum Ordinance 2. Absence of Indemnification Ordinance	1. Absence of Film Archive Ordinance
Arm's-Length Status	3. Need for more arm's-length relationship between museum and government on: resource allocation, staff flexibility, procurement flexibility and more direct connections with the community and other stakeholders.	2. No specific issues have been identified on the Hong Kong Film Archive's status
Board Structure	4. Absence of better-defined system board structure for community or expert representation.	3. No specific issues have been identified on the Hong Kong Film Archive's structure

Governance Aspects	Issues Identified for Hong Kong Museums	Issues Identified for the Hong Kong Film Archive
Financial Stability	5. Need for firm Government financial commitment through legislation. 6. Absence of tax incentive to encourage corporate sponsorship. 7. Need to emphasize on incentives for building revenue generation and attendance enhancement.	4. No specific issues have been identified on the Hong Kong Film Archive's financial stability
Efficiency and Effectiveness	8. Need to redefine and rename the existing Chief Curator post. 9. Need to establish management control system and performance management system	5. Need to redefine and rename the existing post of the Head of the Hong Kong Film Archive. 6. Need to establish management control system and performance management system

We conclude that there is no need for a change in the governance mode of the Hong Kong Film Archive as it is primarily a repository for preservation of film related collections. Therefore, we recommend the governance structure of the Hong Kong Film Archive to remain status quo, with governance related enhancements for the issues above.

For the museums the governance issues are related to the governance framework as follows:

	Bureaucratic	Legal	Professional	Political
Compliance	Transparency	Museum Ordinance	Museum roles	Stewardship 'Community' representation
Control	Accountability Standards	Mission Mandate Planning & Control	Financial Stability Executive Director	Multi Year Planning & appropriation
Functionality	Practical procedures	Indemnification	Retaining proceeds	Non interference Interdepartmental cooperation

Options for Hong Kong Museum Governance

There are three different options presented below for governance of the Hong Kong museums, which are viable, that build upon the museum tradition in Hong Kong, respond to most stakeholder concerns, and are progressive in positioning museums as community-centred institutions. All are on a continuum of arm's-length, slightly removed or more fully removed from Government. Regardless of the length of the arm from Government and the role of the non-government sector, we recognize and recommend that Government continue to be the main funder of museums. If Government was to radically change the structure and the funding support in the short term, there is a good chance of destabilizing the museum sector and putting the security of collections at risk. The three options for Hong Kong museum governance are:

- Option A. Line Department** - (museums remain much as they are within a government department)
- Option B. Museums Board** - (government museums under one museums board, at arm's length, see below)
- Option C. Independent Museums with Executive Boards** - (museums to have their own independent executive boards)

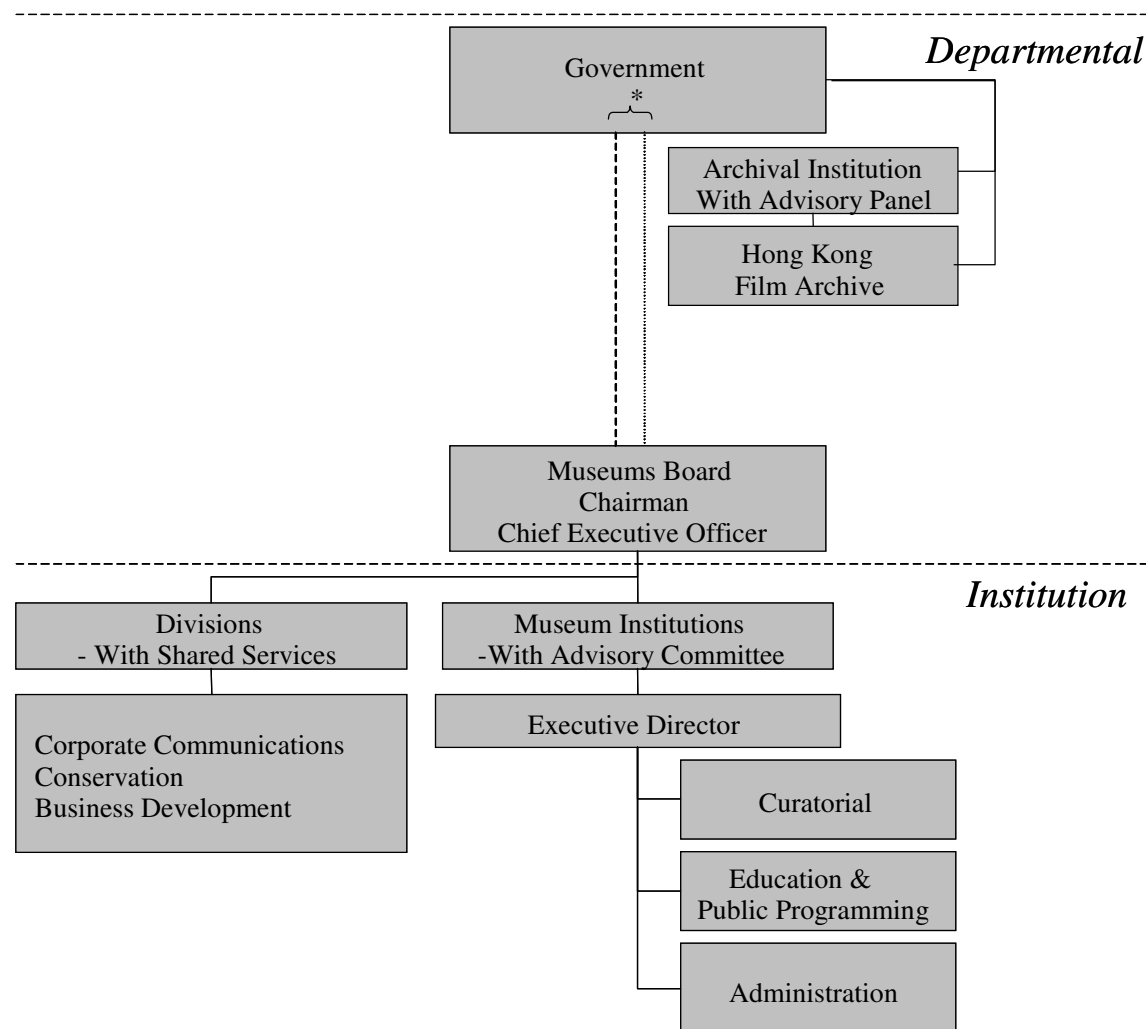
It should be noted that each of the options above is not exclusive, that is we have included elements that could be moved around, depending upon how the Hong Kong Government wants to customize an option for immediate or phased-in implementation

It is the recommendation of the Consultants that **Option B** be selected. The reasons for drawing this conclusion are:

- It is most likely to meet the immediate needs of both the museums individually and as parts of a larger cultural heritage system with the consideration of the existing resources of the LCSD;
- It provides stability by retaining a line of Government responsibility for the health of the system;
- It contributes to retaining expertise and avoiding staff redundancy;
- It promises better co-ordination and avoidance of overlapping;
- It increases the flexibility to enhance the services provided by the museums and facilitating museum development as cultural, educational and tourist institutions.

To be specific, Option B, if implemented correctly and as a package should enable the Government to best resolve the issues that were raised during the study.

Option B



Key Characteristics:

Authority

- Limited high level Policy and Administrative Branch at Department level
- Film Archive as line department or agency
- Museums Board, chaired by Chairman and administered by CEO at arm's-length
- Advisory Committees for each museum with interlocking structure with Museums Board

Legal Framework

- Museum Ordinance

Management Framework:

- Grand-fathering applies to existing civil service staff; new staff recruitment under flexible appointment terms
- Shared services under direction of CEO and Museums Board
- Service Level Agreements for shared services
- Executive Director position as head of the museum
- Three service streams in the museum, Curatorial, Education & Public Programming, and Administration (as in Option A)

* The extent to which the link between Government and the Museums Board is tighter or looser will determine the 'length' of the arm. Close ties and full control would define a 'part of Government' structure. Where-as if more powers and authorities are given to the Board, the relationship could be seen as more separate from Government.

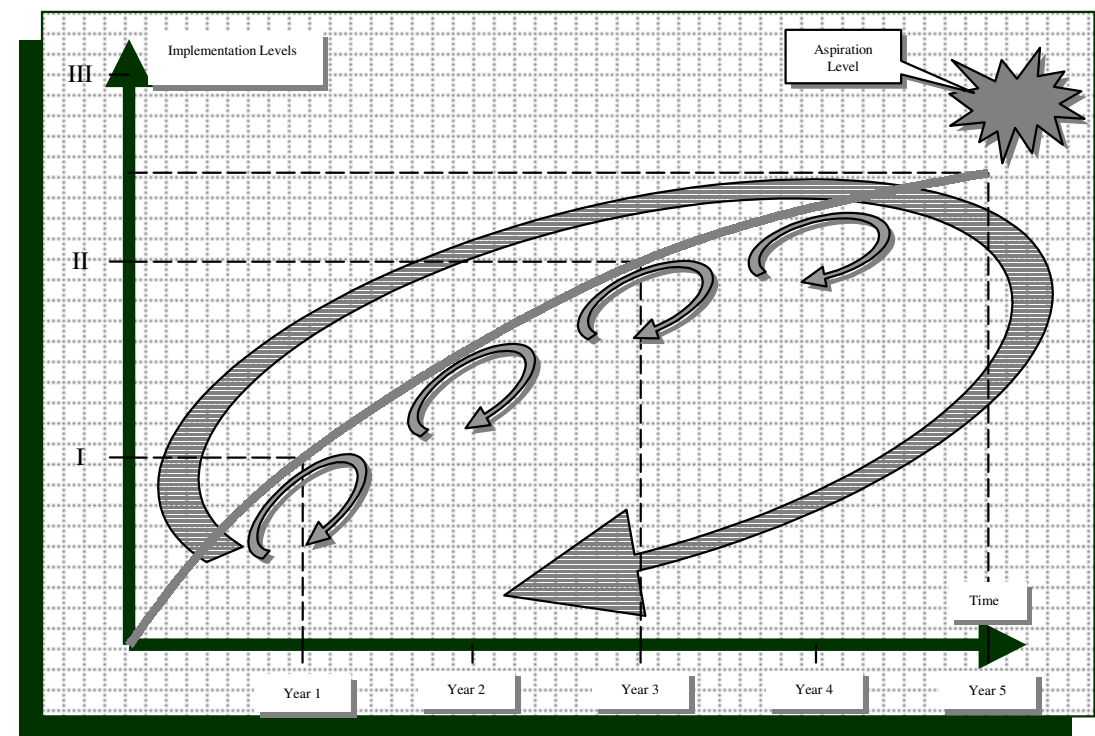
Implementation and evaluation program

When implementing change or transfer it is important to set a realistic timeframe. Each of the change elements will have its own place in the timeframe, as most of them have a logical sequence that will need to be taken into account. The more elements that have been completed the closer the organization will be to achieving its implementation goals or levels. For each timeframe it is important to set goals and objectives, based upon the overall vision for museums in Hong Kong. As a public sector organization transparency and accountability call for evaluation on a regular basis. The circular motions in the illustration in this case show the year-end and program-end evaluation process. Where in each case the objectives and goals of the period are checked not only against the output but also more importantly against the outcome. This implies establishing performance indicators and service agreements which clearly establish the objectives.

The implementation program will need to cover elements such as:

1. Legal and Governance Framework formalisation
2. Organisation
3. Primary and secondary processes
4. Staffing
5. Financials

Setting up a separate project team structure to take charge of implementing the changes is critical to its speed and success. The reason for this is that resources can be dedicated to the project and 'regular' work will not interfere or take priority over the work to be done for the implementation.



Recommendations

The following ten recommendations encapsulate the key issues identified during the consultancy and provide the direction for a modernized museum system in Hong Kong that is more arm's-length from Government.

(1) Draft and pass a Museum Ordinance

Hong Kong should seriously consider a Museum Ordinance to clearly state Government's commitment to the museum sector, a vision for development, the powers of the Bureau Secretary and the general structure of the museum system. Other countries have established museum acts when they are considering the long-term development of the system, and wanting to clarify government's role and commitment, in policy, financial and accountability terms. The Film Archive function might also be included under such an ordinance. The ordinance should also include a section on Indemnification.

(2) Draft and pass an Indemnification section to the Museum Ordinance

Hong Kong should seriously consider an Indemnification section to the Ordinance, which provides insurance for collections borrowed by museums. Insurance premiums purchased on an as-needed basis are extremely costly and prohibitive for blockbuster exhibitions where collections are valued in the hundreds of millions of dollars. Such exhibitions are unlikely to come to Hong Kong under the existing system. In other countries, where there are indemnification programs, the costs to government have been minimal, and actual claims extremely rare.

(3) Conduct internal restructuring of the Museum Institutions

It is proposed that the internal management of the public museums be changed to more clearly define the senior management role of the newly created position of Executive Director, who would supervise three divisions within each museum: Curatorial, Education & Public Programming, and Administration. The Executive Director should have the professional skills and experience in heading a major museum. The present curatorial job classification system within government would eventually be modified to reflect the skills required for these new divisions, as well as a more entrepreneurial and marketing approach with each museum.

Recommendations

(4) Place the Museums under one Museums Board

A Museums Board would be appointed by government to oversee the operations of the museum system. All existing museums would fall under the jurisdiction of the new Board. The Museum Ordinance, as presented in Recommendation 1, would set the general terms for the creation of a Museums Board, somewhat arm's-length from government. This is Option B as described in this report. The Government responsible for making the appointments would specify the specific terms and powers of Board Members. The day-to-day operations of the Museums Board would be the responsibility of the CEO, who is appointed by Government, but reports to the Chairman of the Board. The Chief Executive Officer should have several years of senior management experience, ideally in a major cultural or educational institution, and be prepared to lead the new museum structure through several years of transition from a government department to a more arm's-length status. The job will involve increasing contact with the non-government sectors as new and innovative approaches to governance and revenue generation are developed.

(5) Set up a Shared Services Department for Museums using Service Level Agreements

Some common services, such as conservation, are already provided by a central conservation section to all museums under the Leisure and Cultural Services Department. It is recommended that this approach be expanded, under a Shared Services Department, under the proposed Museums Board. While conservation is currently the main service to be provided, it is likely that this would be expanded in the medium term to include centralized registration of all museum collections, and perhaps management of a centralized condominium style storage facility. The services provided to museums would be provided under Service Level Agreements with each of the museums.

Recommendations

(6) Consider linking Museums to the Education and Manpower Bureau

The public museums in Hong Kong are currently under the LCSD, which has a mandate for sport and recreation, as well as culture (museums, performing arts, libraries and heritage). In other jurisdictions, museums are often under departments of culture and communications, or education. As Hong Kong is currently undergoing a major review of education, and a priority for educational reform, serious consideration should be given to move responsibility for museums under the Education and Manpower Bureau. One of the main functions of museums is educational, and by being placed under this Bureau, a closer integration of museums and education would occur.

(7) Allow Museums to retain proceeds and self-generated income

Each museum should develop a Business Plan, with financial projections for three to five years. These should be updated annually. As part of the Business Plan, the government should allow the museums to retain proceeds from admissions, and other self-generated income (such as rentals, donations and licensing). In order to generate more income, some capital investment may be required to provide for new facilities such as restaurants, meeting rooms and theatres. Retaining revenues would provide more incentive for museums to generate revenues, and to also hire the appropriate entrepreneurial staff. Part of each Business Plan should be Marketing Plan, based upon sound market research.

Recommendations

(8) Draw up a Master Plan for the Hong Kong Museums and conduct an Archival Collection Study

Many departments and agencies of government in Hong Kong have seized upon the idea of new museums for a variety of different purposes, such as tourism, heritage preservation, and urban renewal. Much of this discussion is occurring in a policy and planning vacuum, as there is no Master Plan for the long-term development of museums in Hong Kong. As museums represent a tremendous capital investment to have them built and occupy expensive land, and also require major on-going operational funding, it is imperative that Government has a Master Plan for museum development. A ten-year Master Plan, based upon sound planning principles, including a full in-depth financial implications analysis and assessment, will provide a framework by which new museum opportunities can be identified, and proposals can be assessed. (The Leisure and Cultural Services Department had done a preliminary review and submitted proposals for future museum development to the Culture and Heritage Commission in November 2001.)

In addition, there is an archival collection mandate issue to be explored between the Public Records Office and the archival collection activities of the Hong Kong Film Archive, the Hong Kong Museum of History and the Hong Kong Heritage Museum, but this is beyond the terms of this current study. At the present time, there is some overlap in archival collections activities. An Archival Collections Study should be undertaken to assess the current state of archival collections in Hong Kong.

(9) Introduce a modern qualitative and quantitative management control framework for Museum Accountability and Evaluation

This report proposes a museum governance system that incorporates an on-going Museum Accountability and Evaluation Program into the regular planning cycle. The intent is to introduce a modern qualitative and quantitative management control framework, which provides for public accountability, and assesses value for money based on outcomes. Museum systems in other jurisdictions are moving in this direction, and in the process of establishing evaluation programmes are gaining a far better understanding of what are successful and what are less successful programs and activities. Such information makes for better management and in the long run will generate more public support.

Recommendations

(10) Implement Grand-fathering of the staff

With the changes proposed throughout this report and in the recommendations, it is proposed that there be a “grand-fathering” of the staff while the changes to the governance system are being implemented. This will recognize the contributions of the dedicated staff to date, retain expertise and maintain stability in the system while changes are being considered.

Under the policy of grand-fathering, existing civil service staff will transfer in bloc to the new structure and preserve their civil service staff status and package terms. Newly employed staff will be contracted under individual terms.

LORD Cultural Resources Planning & Management Inc.

Deloitte & Touche Management Solutions Limited

26/F Wing On Centre, 111 Connaught Road Central

Hong Kong

Tel : +852 2852 1600

Fax: +852 2541 7392

www.deloitte.com.hk

Deloitte & Touche Management Solutions Limited is a wholly-owned entity of Deloitte Touche Tohmatsu. Deloitte Touche Tohmatsu (www.deloitte.com) is one of the world's leading professional services firms, delivering world-class assurance and advisory, tax, and consulting services. More than 95,000 people in 140 countries serve nearly one-fifth of the world's largest companies as well as large national enterprises, public institutions, and successful fast-growing global growth companies.

In addition to complete geographic coverage, Deloitte Touche Tohmatsu offers clients deep industry strengths and outstanding services delivered consistently throughout the world. Our integrated teams of internationally experienced professionals are well versed in addressing today's challenges linked to globalization, e-commerce and the network economy. Our mission is to help our clients and our people excel.

● *2003 Deloitte & Touche Management Solutions Limited*

● *2003 LORD Cultural Resources Planning & Management Inc.*

All rights reserved.