



From Good to Great Governance

Using Board Self Assessment to Achieve Excellence

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Agenda

- Why measure at all?
- What is key to measure?
- Who measures who?
- Benchmark questions to consider
- What do you do with the results?

Research on High Performing System Boards

Thomson Reuters 2009 Survey of 199 Community Health Systems Considered Top Quartile Performers (Financial and Care)

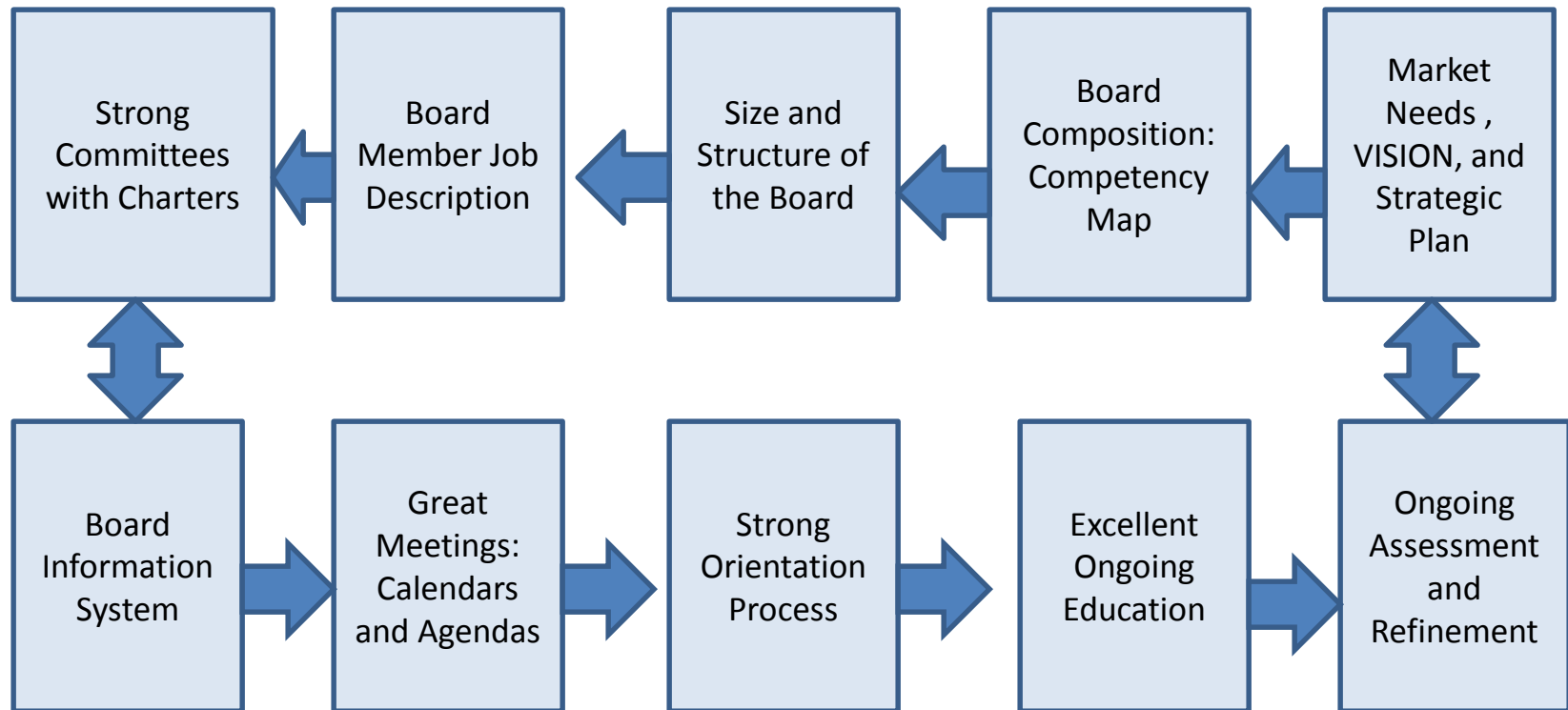
- STRUCTURE

- CEO is a voting member
- 9-17 members max (7-13 is usually best)
- Physician voice in governance (voting member)

- PROCESS

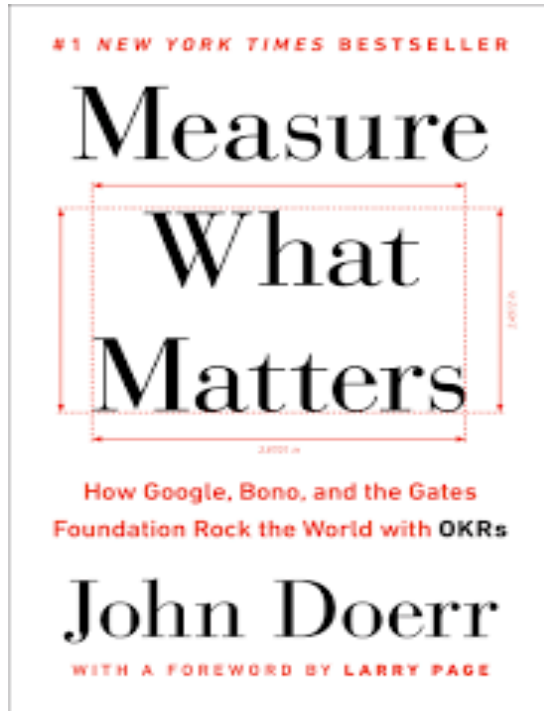
- Meet 10-12 times/ year
- **Annual board self assessment that is acted upon**
- Written expectations and measurement of CEO built from strategic plan
- Strong active engagement in mission/ vision/ strategy/ strategic decision making

Building Blocks for Great Governance



A Failure Story

Why Measure?



A Performance Measurement system designed by Andy Grove, Intel – then used by Google, the Bill and Melinda Gates Foundation, and others.

“Ideas are easy. Execution is everything.”

Specific, *hard* goals produce higher output and more engagement.

Typical Approach to Assessment

- Long survey with pages of questions
 - 40-50+; survey fatigue
 - 63% of surveyed board of directors say they “merely check the box without giving the questions much thought.”
- Every 2-3 years is considered “enough”
 - “You need time to learn and improve...” kinds of advice.

Strategic Plan

The Board understands the organization's mission, vision and strategy and uses this knowledge to effectively carry out its responsibilities.

The Board monitors the development of, and approves, the final strategic plan for the organization.

The Board regularly monitors and evaluates progress toward the organization's strategic goals.

The Board has clear goals and actions resulting from relevant and realistic strategic planning.

Hospital Performance

The Board reviews and approves an annual budget.

The Board receives adequate and regular reports on budgets/finances, products/programs performance.

The Board takes appropriate action based upon the regular reports that it receives on budgets/finances, products/programs performance.

The Board reviews long-term financial and capital plans.

The Board, through the Compliance and Regulatory Affairs Committee, regularly reviews information and monitors the organization's policies, procedures and practices designed to ensure compliance with applicable federal, state, and local laws and regulations.

The Board has a system to effectively monitor or oversee operational activities of management.

The Board maintains appropriate controls to ensure the financial success of the organization.

CEO Performance, Evaluation and Development

The Board, through the Human Resources Committee, regularly reviews CEO performance and creates appropriate development plans for the CEO.

The Board, through the Human Resource Committee, annually reviews CEO compensation.

The Board adequately reviews succession planning for the CEO.

Community Development and Outreach

The Board effectively represents the organization to the community by being personally involved in outreach activities.

The Board ensures that management maintains a clear fundraising strategy and monitors its success.

Board Performance and Evaluation

The roles of the Board and the CEO are defined and respected, with the Board focused on policy and planning and the CEO focused on management of operations.

Board members receive training and information about their rights and responsibilities.

New Board members are oriented to the organization.

The organization of the Board is documented and includes a description of Board and Board committee responsibilities.

The Board publishes an annual meeting calendar and effectively addresses director absenteeism, as appropriate.

Written meeting agendas and materials relating to significant decisions are given to Board members sufficiently in advance of Board meetings to allow thoughtful consideration.

The Board successfully identifies and addresses critical issues.

Progress on important organizational matters is monitored through Board meetings.

The Board nomination process ensures that all necessary skills and diversity are represented on the Board.

The Board consistently demonstrates its ability and desire to engage in difficult conversations.

The Board effectively uses conflict management skills to reach consensus.

The Board's discussions encourage openness, participation and candor.

Individual Assessment

I understand the strategic plan and its priorities and use this understanding to guide the organization.

I engage in challenging discussions and finding the proper balance between dominating the discussion and making no contribution at all.

I substantively prepare for each Board meeting by reviewing and understanding, or following up to understand, the material provided.

I find serving on the Board to be a satisfying and rewarding experience.

Committees

The Board has the right committees in place.

The committees provide effective communication to the full Board.

The committee charters clearly differentiate the work of the committee from the work of the full Board.

The *nominating and governance* committee enhances overall Board performance and results.

The *finance* committee enhances overall Board performance and results.

The *executive* committee enhances overall Board performance and results.

The *HR* committee enhances overall Board performance and results.

The *quality and regulatory* committee enhances overall Board performance and results.

(For each committee a person is on:)

Responder will need to fill in the committee they are on and then rate it- for each committee they sit on- can be up to 3 committees.

The committee has an annual calendar that is made available by the beginning of the year.

The committee has written workplan that is aligned with the committee charter.

The committee charter and workplan are living documents.

Written meeting agendas and materials relating to significant decisions are given to committee members sufficiently in advance of committee meetings to allow thoughtful consideration.

The committee takes and publishes meeting minutes.

The committee meets its objectives.

The committee has adequate resources available to it.

Board Officers

For these questions please rate the individuals who held these positions in 2005.

The Board Chair provides overall leadership, direction and enhances Board performance.

The Board Chair (fails, meets, exceeds) the responsibilities of the position.

The Board Vice Chair (fails, meets, exceeds) the responsibilities of the position.

The Board Secretary (fails, meets, exceeds) the responsibilities of the position.

Overall Effectiveness

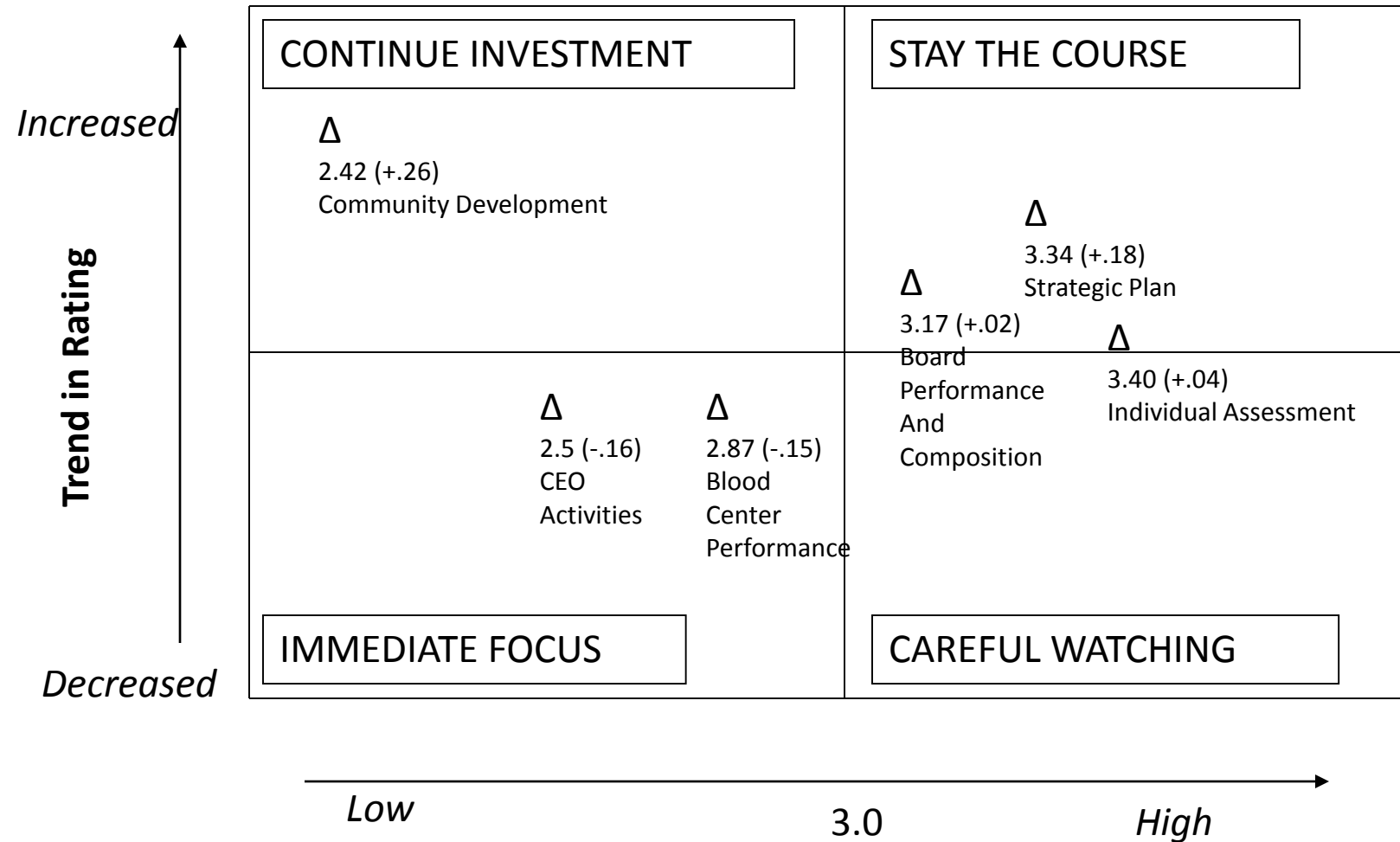
The Board strives to continuously improve its functioning and made progress during the past year.

This Board is operating at its full potential.

Typical Approach to Assessment

- Usually rate ourselves pretty high – lack of discernment not uncommon
 - Can rate ourselves “high” but be missing what matters most
 - 70% said it is hard to be frank and objective.
- Little to low action planning comes out of it
 - Kicked to Governance Committee... usually forgotten

Low Discernment? Or No Action Plan?



2005 Performance

So Why Are You Measuring?

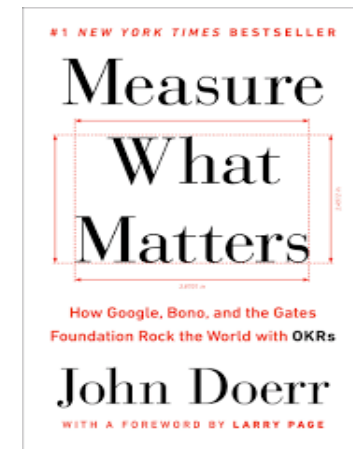
- “Because we are supposed to do this to be a good board”
- “To check it off- we did it.”
- “Makes sure we are compliant.”
- “To find areas to improve.”

How about.... ***To drive rapid improvement?***

In a rapidly changing healthcare environment,
how will you keep up?

Making Measurement Work

- #1 Focus and Commit to Priorities
- #2 Align and Connect for Teamwork
- #3 Track for Accountability
- #4 Stretch for Amazing



What Matters Most?

What should you measure?

- What we should be *doing* as a Board (core functions)
- *How* we should go about doing (process) our work?
- What we should *achieve* (outcome) as a Board and organization

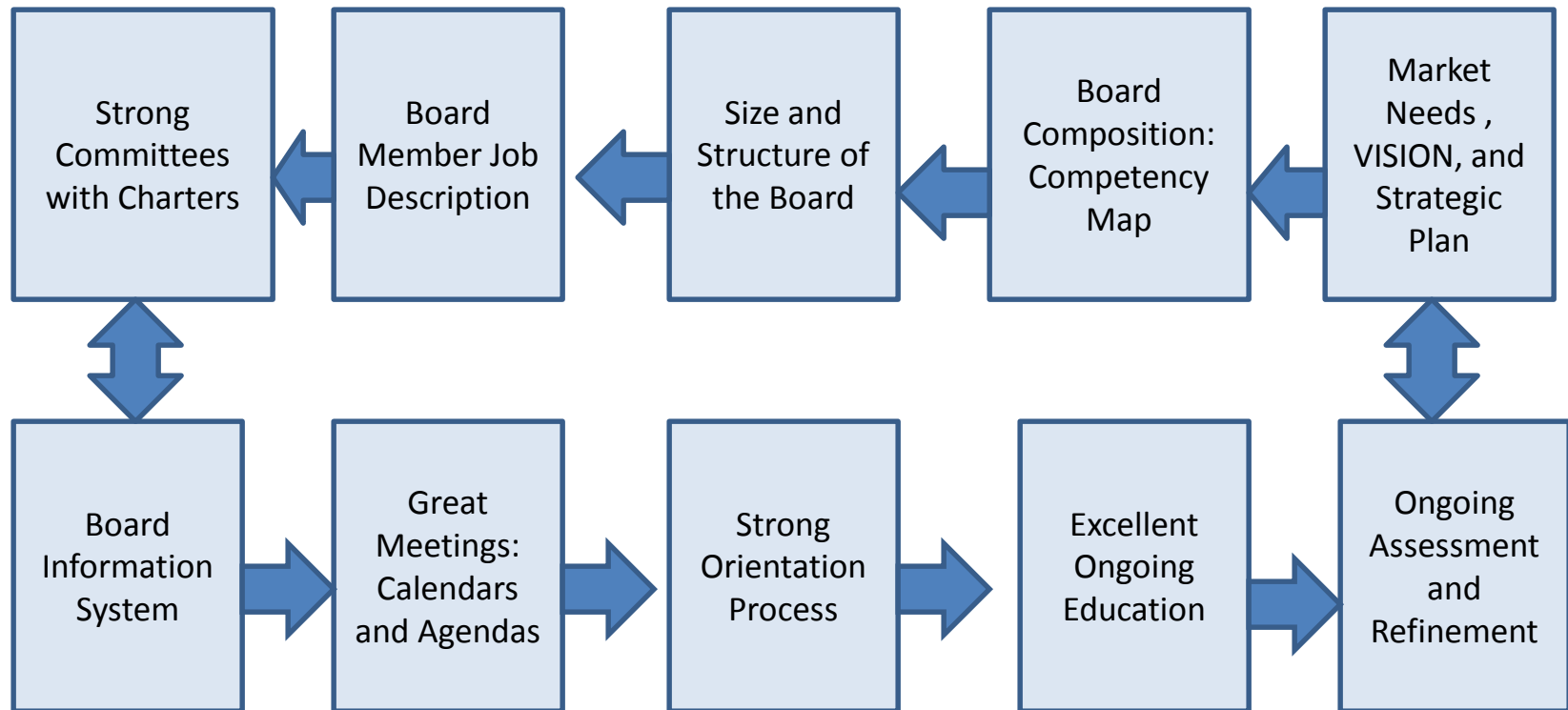
#1 Focus & Commit to Priorities

What is most critical for a Board to know it is accomplishing?

Is it about process or outcome?

What is the timeframe?

Building Blocks for Great Governance



My New Bias

And Where Great Organizations Are At Today

- Measure your OUTCOMES of your core work
- Measure your success at working to get and keep “the right people on the bus”
- Do it every 6 months, not every 12 months
- From 50 questions to 5-10 at most
- From high level generics to specifics
- Create 6 month action plan and make it “public” with the Board and aligned to the C-Suite team

Measuring LESS is far more powerful for
generating high performing results.

So know what is most important to measure!

Eliminate What's Obvious

(Or Could Be Measured in Other Ways)

- Job member description
- Committee charters
- Board orientation process
- Written agendas and pre-materials
- Annual calendar
- Conflict of interest policy
- Review of Audit
- Approval of Budget

Leading Edge Measurement

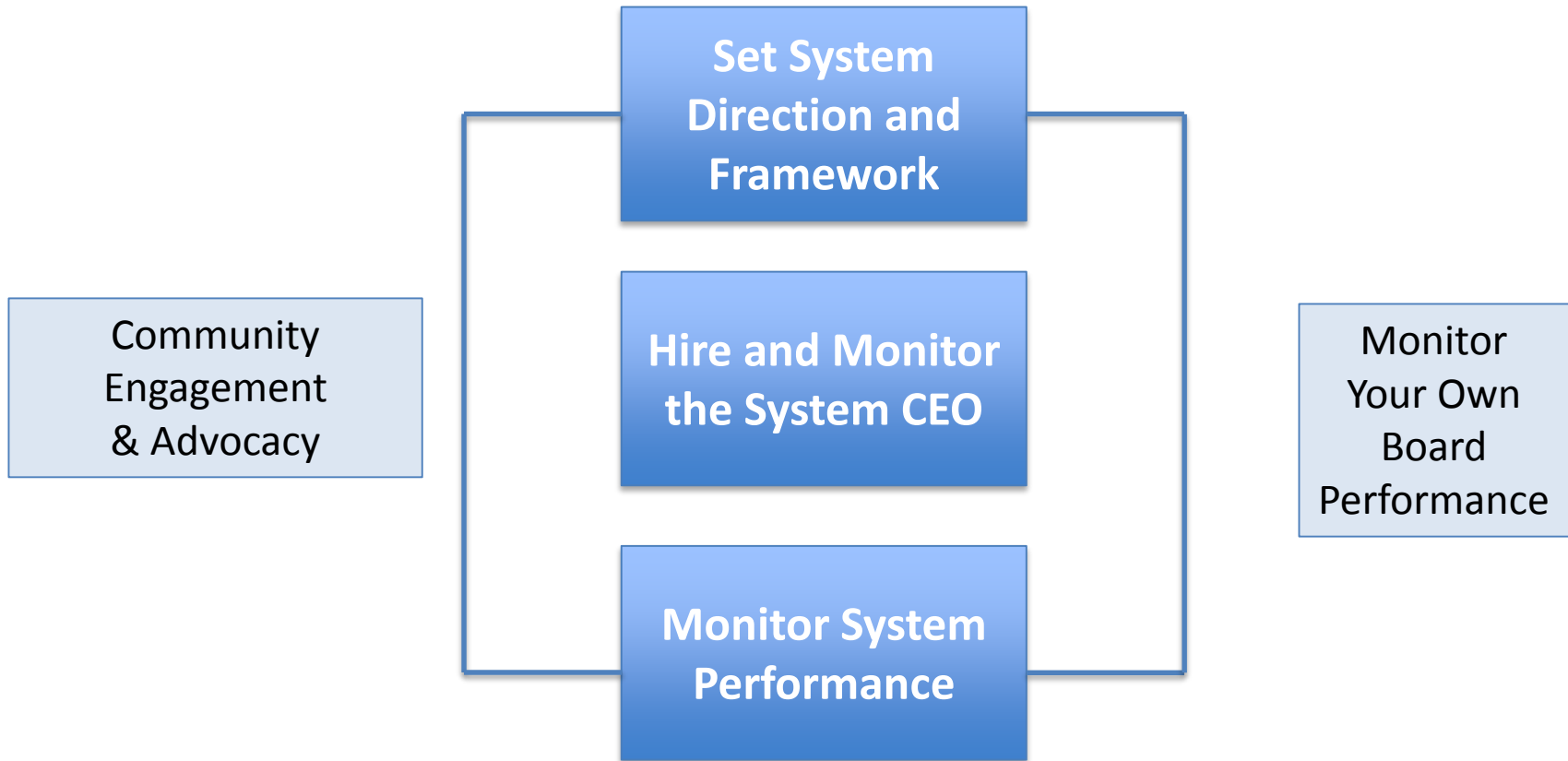
- Have the C-Suite team and Medical Leadership participate in measuring the Board
- Co-dependent on each other for success

What Should You Be Doing: What Does A Board Do?

Your Primary Role as a Board is to Guide the Organization ***into the Future*** to Ensure it's Long Term Success...

(through resource allocation so That You Can Meet the Needs of Your Stakeholders and the Public Good)

What Does A System Board Do?



Set Direction and Framework

- What is the future you are guiding the organization toward? VISION
- And how do you expect to get there? STRATEGY

Typical “Failures” of Boards in Setting Vision and Strategy

- #1 Not owning it
- #2 Not knowing what the Vision and Strategy is— just words on paper
- #3 Not spending enough time on it
- #4 Not identifying the critical Strategic Questions to answer and a process to answer them
- #5 Getting into tactics versus strategy

Forward Thinking versus Oversight

“Governance arguably suffers most when boards spend too much time looking in the rear-view mirror and not enough scanning the road ahead.”

Christian Casal and Christian Caspar, “Building a forward-looking board,”
McKinsey Quarterly, February 2014.

Forward Thinking versus Oversight

- Boards typically spend 70% + of their time on oversight (and it should be 30%):
 - Quarterly or monthly reports
 - Audit reviews
 - Budgets
 - Compliance issues
- Yet it is the BOARD who should be spending the most time of anyone in the system looking out into the future.
 - Management naturally aligns to a shorter term view

A Must

- Own the planning process
- Own the Mission and Vision
- Own identifying and answering critical Strategic Questions

Ways to Do This

- Identify the Top 3 Strategic Questions the Board- C-Suite must address in the next 6-12 months
- Identify how and when you will address them
 - Put in the calendar
 - Hold 60m+ per meeting to work on Strategy
 - Hold annual or 2X/ year Strategy Sessions to bring it together – the plan

Potential Strategic Discussions

- What is our strategy and roadmap for navigating new payments?
- How will we grow and where?
- What is our strategy for value creation?
- How will we engage the consumer and keep their loyalty?
- What is our strategy for declining inpatient volumes and its impact on our balance sheet strength?
- Are we clear about our competitive advantage over competitor hospitals?
- How can we grow cardiology?
- What is our plan to improve alignment and integration with physicians?
- Can we remain independent? Should we partner?

#1 Focus & Commit to Priorities

- What are the 1-2 key Strategic Questions your board must answer in the next 6 months?

New Assessment Questions

- Outcome focused, not process focused
 - “Our Board identified the two most critical questions facing our hospital.”
 - “Our Board engaged with the C-Suite to provide direction on the two most critical questions facing our hospital.”
 - Or “Measure your confidence in our approach and resolution to ... (our question on independence)”
 - “Our Board and C-Suite has agreement on our long term Vision and three year strategic plan.”

Hire and Monitor the CEO

- “Our Board has a clear 6 month performance plan for our CEO.”
- “Our Board provided performance feedback to our CEO in the last 6 months.”
- “Our Board has completed succession planning for the CEO.”
- “Our Board completed an annual CEO evaluation and compensation review.”

Monitor Organization Performance

- What are the most critical board directed activities you need to complete in the next 6 months?
 - Identify, measure on the assessment
 - Review of compliance practices
 - Review of HR policies
 - Quality reporting refined for the Board
 - Budget approval
 - Financial results

Community Engagement & Advocacy

- Includes Board member recruitment
- What are the most critical board directed activities you need to complete in the next 6 months?
 - Identify, measure on the assessment
 - Completed (3) dinners with prospective new Board members
 - Held a fundraiser
 - Met with our legislators

Recruit to Dream Team Composition

- Chair and Board imagine what their board should like 3-5 years from now.
- What kind of skills and experiences do you need? What does a winning team look like?
- What gaps do you have?
- What kind of recruitment and retention plan will you use to build your winning team?

What Do You Do With The Results?

- Chair + Executive Committee &/or Governance Committee + CEO
- Develop the next 6 month plan
 - Key Strategic Questions
 - Key Outcomes to Achieve
 - Calendar/ Timeline/ Process/ Accountabilities
- Bring to full Board for endorsement

But What About Everything Else?

- Have the legal officer or compliance officer identify any gaps in board process with Governance Committee
 - Conflict of interest policy
 - Board committees and charters
 - Job descriptions
 - Board materials and orientation
- Have Governance Committee identify measurable expectations for every board member and provide feedback
 - Meeting attendance, preparation and participation
 - Committee participation; community outreach

Making Measurement Work

- #1 Focus and Commit to Priorities
 - Identify the 6 month short list of work
- #2 Align and Connect for Teamwork
 - Include CEO and align to C-Suite work
 - Make it “public”
- #3 Track for Accountability
 - Measure those few things every 6 months
 - Measure other things annually as needed

Imagine if this was your survey...

- “Our board and C-suite have agreement on our affiliation strategy.”
- “Our board has a strategy for responding to new competitive disruption.”
- “Our Board has provided actionable feedback to our CEO in the last 6 months.”
- “Our Board has identified and contacted two new possible members for the 2020 slate.”
- “Our Board reviewed overall compliance, including our governance practices.”

#4 Stretch for Amazing

“Our biggest advantage against IBM– we aimed higher.” Bill Gates, Microsoft

- As you set shorter term goals for the Board, you will then begin to set bigger stretch goals that you will chunk out into 6 month objectives.
- You will begin to stretch for amazing.

Great Governance Creates Great Results

- Vision, strategy, goals are achieved
- Financial and operational results are better
- Organization's future success more likely ensured
- Community, patients and families are better served

Sources

- #1: In the field work with dozens of hospital and system boards
- Measure What Matters, John Doerr, 2018 Penguin Press
- McKinsey Quarterly
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- AHA Center for Healthcare Governance
- The Governance Institute
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- Pointer and Orlikoff, Board Work: Governing Healthcare Organizations
- GreatBoards.org