

Board Basics – Governance 101/201 Breakout Strategy Session

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EVEN SMALL HEALTHCARE
INSTITUTIONS ARE COMPLEX, BARELY
MANAGABLE PLACES... LARGE
HEALTHCARE INSTITUTIONS MAY BE
THE MOST COMPLEX ORGANIZATIONS
IN HUMAN HISTORY.

Peter Drucker

WHAT MAKES BOARDS UNIQUE?

1. A BOARD ONLY EXISTS WHEN IT IS MEETING.
2. THE BOARD IS AN ENTITY, NOT A COLLECTION OF INDIVIDUALS.
3. THE AUTHORITY OF THE BOARD DERIVES FROM THE WHOLE, NOT FROM ANY INDIVIDUAL MEMBER.

WHAT IS THE “FIDUCIARY DUTY” OF THE BOARD?

1. THE DUTY OF _____
2. THE DUTY OF _____
3. THE DUTY OF _____

The Quality of Governance that was Sufficient to Get your Organization where it is Today will be Insufficient to Get It Where It Needs to be Tomorrow



VOLUMES OF RESEARCH SUGGEST THAT A DIVERSE GROUP OF INDEPENDENT DIRECTORS WITH ACCESS TO GOOD INFORMATION WILL CONSISTENTLY MAKE BETTER DECISIONS ABOUT BIG PICTURE ISSUES THAN THE MOST INTELLIGENT INDIVIDUAL CAN.

THEN WHY DON'T
THEY?



**CUSTODIAL
COMPLIANCE**

**STRATEGIC
LEADERSHIP**

THE GOVERNANCE BALANCING ACT

NOT MY BOARD!

- **SOME BOARDS VALUE HARMONY MORE THAN EFFECTIVENESS AND CREATIVITY**
- **THE WISDOM OF MEETINGS: NONE OF US ARE AS DUMB AS ALL OF US**
- **NEVER UNDERESTIMATE THE POWER OF BAD IDEAS – ESPECIALLY IN GROUPS**
- **THERE IS NO JOY QUITE SO PROFOUND AS BEING TOTALLY CLUELESS**

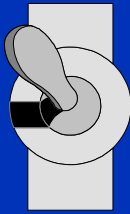
THE SEVEN DEADLY SINS OF INEFFECTIVE GOVERNANCE

1. REPRESENTATIONAL GOVERNANCE
2. LACK OF MISSION FOCUS
3. THE TENDENCY TO RESIST CHANGE RATHER THAN TO LEAD IT
4. BAD GOVERNANCE INFORMATION
5. RELUCTANCE TO REMOVE NON-PERFORMING BOARD MEMBERS
6. CUMBERSOME, OUTMODED GOVERNANCE STRUCTURES
7. NO JOB DESCRIPTIONS

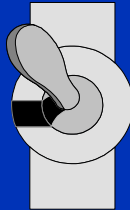
CRITICAL LEADERSHIP QUESTIONS FOR THE BOARD

- 1. WHAT DO WE BELIEVE?**
- 2. WHOM DO WE SERVE?**
- 3. WHAT DO WE DO?**

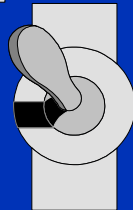
THE LEVERS OF EFFECTIVE GOVERNANCE



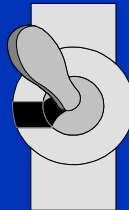
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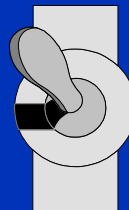
AGENDA



INFORMATION



STRUCTURES



POLICY



TO BE EFFECTIVE, A BOARD MUST CONTROL ITS:

EFFECTIVE GOVERNANCE PYRAMID



A SIMPLE TRUTH:

**A SIGNIFICANT PART OF A BOARD'S
EFFECTIVENESS AND ITS
RELATIONSHIP WITH THE CEO
DEPENDS UPON THE QUALITY OF ITS
LEADERSHIP: THE CHAIR!**

Common Problems with the Chair Position

- **NO WRITTEN JOB DESCRIPTION**
- **NO FORMAL OR MEANINGFUL ORIENTATION**
- **NO MECHANISM NOR CRITERIA FOR ROUTINE PERFORMANCE EVALUATION**
- **NO MECHANISM FOR PERFORMANCE FEEDBACK BASED ON AN EVALUATION**
- **GREAT AND OFTEN CONFLICTING EXPECTATIONS: MAINTAIN STATUS QUO – BRING ABOUT SWEEPING CHANGE**
- **ECONOMIC OR SOCIAL RISK**
- **INFREQUENT TURNOVER (NO TERM LIMITS), OR TOO FREQUENT TURNOVER – LACK OF LEADERSHIP CONTINUITY**

Characteristics of Effective Board Chairs

- **UNDERGOES INITIAL AND ONGOING LEADERSHIP TRAINING**
- **UNDERSTANDS AND COMMITS TO TIME REQUIREMENTS OF THE JOB**
- **UNDERSTANDS THE ORGANIZATION, ITS HISTORY AND STRATEGY**
- **UNDERSTANDS AND ACCEPTS THE UNIQUE GOVERNANCE CULTURE AND PROCESSES**
- **BUILDS A STRONG WORKING AND STRATEGIC PARTNERSHIP WITH THE CEO – BUT BALANCES THIS WITH CLEAR COMMITMENT TO THE BOARD’S INDEPENDENT ACCOUNTABILITY TO OVERSEE CEO PERFORMANCE AND COMPENSATION**

Characteristics of Effective Board Chairs

- UNDERSTANDS THE LEADERSHIP STRUCTURES AND RELATIVE ROLES, RESPONSIBILITIES, AND AUTHORITIES OF THE VARIOUS LEADERSHIP GROUPS (BOARDS, MANAGEMENT, MEDICAL STAFFS, ETC.)
- ABLE TO COMMUNICATE CLEARLY, CONSISTENTLY AND EFFECTIVELY
- FOLLOWS ESTABLISHED GOALS AND OBJECTIVES AND BOARD WORKPLANS
- ACCEPTS ACCOUNTABILITY AND PERFORMANCE EVALUATION – USES RESULTS TO IMPROVE
- PLACES THE INTERESTS OF THE ORGANIZATION AND THE BOARD ABOVE THEIR OWN
- ACCEPTS AND FOLLOWS TERM LIMITS

The Written Chair Job Description

UNLESS THE POSITION, DUTIES, ROLES AND RESPONSIBILITIES, AND AUTHORITY OF THE BOARD CHAIR ARE CLEARLY DEFINED, THE EFFECTIVENESS OF THE BOARD TENDS TO FLUCTUATE AS A FUNCTION OF CHANGING BOARD CHAIRS. PERSONALITY, NOT PRINCIPLE OR POLICY, DICTATES BOARD FUNCTIONING AND CULTURE.

The Written Chair Job Description

FIRST, DEVELOP PRINCIPLES FOR THE POSITION. HERE ARE SOME KEY ONES:

- **THE BOARD HAS THE ULTIMATE AUTHORITY**
- **THE CHAIR IS ACCOUNTABLE TO THE BOARD**
- **THE CEO REPORTS TO THE BOARD, NOT THE BOARD CHAIR**
- **WE EXPECT AND EMPHASIZE COMPETENCE AND ACCOUNTABILITY IN ALL BOARD MEMBERS AND LEADERS**
- **THE EXECUTIVE COMMITTEE IS ACCOUNTABLE TO THE BOARD**
- **OTHERS?**

CHALLENGE of LEADERSHIP

IN A STABLE ENVIRONMENT


IN A **REVOLUTIONARY**
ENVIRONMENT

KEEP THINGS THE SAME,
INCREMENTAL IMPROVMENT

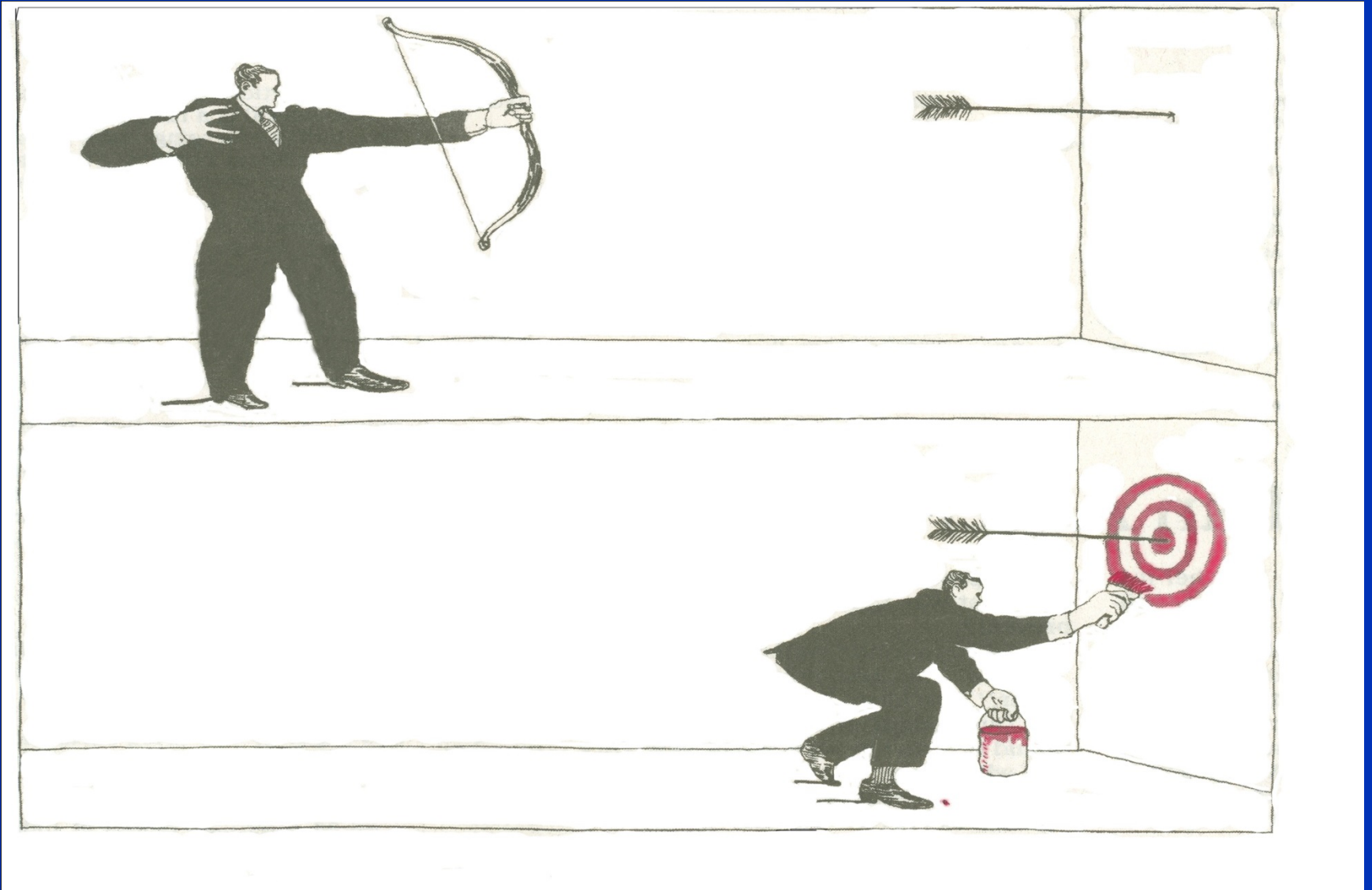
“THE JOB OF LEADERSHIP
IS TO RE-DEFINE REALITY”

Max DePree Leadership is an Art

LEADERSHIP

A black silhouette of a person in a leadership role, wearing a hat and holding a staff, stands on a mountain peak. A second silhouette, representing a follower, is positioned below and to the right, reaching up towards the leader. The background is a solid blue color.

A leader is a person or group that people will follow to places where they would not otherwise go by themselves.



Stolen from Jim Conway, who Stole it from Cathy Trower, Harvard Graduate School of Education

GOVERNANCE AS LEADERSHIP – Richard Chait -Harvard

1. Fiduciary Governance
2. Strategic Governance
3. Generative Governance

Modes of Governance

Fiduciary. Stewardship of tangible assets. Oversee operations; deploy resources wisely; ensure legal and financial integrity; monitor results.

Strategic. Partner with senior staff to scan internal & external environments; design & modify strategic plans; strengthen comparative advantage.

Generative. Source of leadership to discern, frame, and confront challenges rooted in values, traditions, and beliefs; engage in sense-making, meaning-making, and problem framing.

Chait: Three Levels of Governance

Fiduciary – the board exercises its legally required responsibilities of oversight, compliance, stewardship

Strategic – acts on management recommendations regarding big decisions on resources, services, and programs

Generative – the board engages in deep inquiry, asking the “question behind the question” – root causes, generating alternatives and new ideas

FIDUCIARY GOVERNANCE

- Protect Assets
- Meet Regulatory Requirements
- Assure Resources Used in Pursuit of Mission

Dot those “i’s” and cross the “t’s”!

STRATEGIC GOVERNANCE

Guide the Organization From the Present to a Known Future.

- Often Incremental
- Always Logical
- Goal Based

Much Time Spent on Getting Everyone on the Same Page – Strategic Planning Retreats

GENERATIVE GOVERNANCE

Re-Define The Future

Ask the Questions BEHIND The Questions

Re-Shape the Thinking in the Other Two
Modes

Look For Cues and Clues

Often Non-Linear

Usually Disruptive to the Organization

Core Concepts

- Emphasize **modes**, not tasks, of governance.
- Think and work in three different modes.
- All three serve important purposes.
- Value added increases as board:
 - Becomes more proficient in more modes;
 - Does more work in Generative mode;
 - Chooses appropriate mode(s) of work.

Generative Thinking

- Makes sense of circumstances.
- Invites prior questions, alternative hypotheses.
- Puts perceived problems/opportunities in new light.
- Finds and frames new problems and opportunities.
- Concerns values, beliefs, and assumptions.
- Spawns policy, strategy, and decisions.

EFFECTIVE BOARD MEETINGS

1. Consent Agenda
2. Agenda Clearly Tied to Strategy, Board Goals and Objectives
3. CEO Report – Verbal Report **MUST NOT** duplicate written report in agenda materials!!!
4. Decision Sequencing (CEO, Committees, MS)
5. Who is in the Room? When?
6. Deep Dive Discussion
7. Post Board Meeting Evaluation

Recommendation

Board Evaluation and Continuous Improvement

Immediately institute a process for regular post-board meeting mini-evaluations. This should be a simple, straightforward activity. At the end of every board meeting, each board member completes a brief survey about how effectively the meeting was planned and conducted. The survey should take no more than a few minutes to complete. The board chair and CEO or a designated board committee, such as the Governance Committee, compiles and analyzes the survey results and brings them to the next board meeting along with suggestions for improvement. Suggestions are tested and refined at future board meetings and those that work are used to improve ongoing performance.

The same approach should be implemented for all Board Committees.

DATE

BOARD MEETING "MINI" EVALUATION FORM

1. The board agenda book contained useful information in a form that helped members understand the issues.

STRONGLY
AGREE AGREE NEUTRAL DISAGREE STRONGLY
DISAGREE

2. All board members came to the meeting fully prepared.

STRONGLY
AGREE AGREE NEUTRAL DISAGREE STRONGLY
DISAGREE

3. The agenda focused on important issues.

STRONGLY
AGREE AGREE NEUTRAL DISAGREE STRONGLY
DISAGREE

4. Board members had ample opportunity to ask questions and express their opinions.

STRONGLY
AGREE AGREE NEUTRAL DISAGREE STRONGLY
DISAGREE

5. The board meeting was efficient and effective.

STRONGLY
AGREE AGREE NEUTRAL DISAGREE STRONGLY
DISAGREE

6. What did you like best about this meeting?

7. What did you like least about this meeting?

8. What suggestions do you have for how the meeting could be improved?

9. Other comments or suggestions.

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Sufficient to Get your Organization
where it is Today will be Insufficient to
Get It Where It Needs to be Tomorrow

