DARE TO COMPARE | a three-part series

1 | Great Governance in Canadian Hospitals

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DARE TO COMPARE

In their journey to find, understand, and apply enhanced governance practices, great boards explore how other boards do their work and adapt those insights to improve their performance. Great boards can dare to compare their board behaviors and systems to those in the work of three types of boards: Canadian Hospitals, U.S. Credit Unions, and U.K. Hospitals.

In this journey to continuously innovate and improve, we believe there are three questions Great Boards should answer:

1. How do we compare?
2. What can we learn?
3. How should we innovate?

To help stimulate conversations in the Boardrooms of U.S. hospitals, we offer the three part series, "Dare to Compare" as a resource for boards to master the art and science of governance innovation.

We hope the three short papers encourage your leadership to break through complacency and journey into the domain of high performance governance.

The Dare to Compare Series offers these three papers:

1. Great Governance in Canadian Hospitals
2. Great Governance in U.S. Credit Union
3. Great Governance in UK Hosptials

Each paper begins with a standard preface on the nature and value of governance innovation; and ends with three practical actions to adapt insights from the comparison board's work into improvement for your Board's work. Provocative ideas on innovation are found in The Medici Effect.[1]

INNOVATE

Great boards are not complacent. They strive to continuously improve the clarity and professionalism of their strategies, structures, decision making processes, principles, and practices.

They compare their current performance against stretch objectives, and are hungry for better ways to create the conditions in which those who deliver and manage health services can flourish.

This mindset of continuous renewal is governance innovation.

Innovation is new value from new processes. It is more likely to occur at the intersection of disciplines, organizations, and cultures

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[1] **The Medici Effect: Breakthrough Insights at the Intersection of Ideas, Concepts, and Cultures** is a 2004 book written by Swedish-American entrepreneur Frans Johansson

PREFACE

The concept of *governance innovation* indicates new ideas, experiments, and practices that can help achieve better coordination and more meaningful results in how we manage our societies, and our health sector institutions.[1]

Governance Innovation

A health system's vitality is interdependent with the vitality of its board. The vitality of a health care system is measured by (a) its ability to grow by delivering value for money to both its beneficiaries (clients, patients, customers) and its staff; (b) its ability to continuously improve the quality of its services/products; and (c) its ability to carefully steward its resources.

The vitality of a board can be found at the intersection of three behaviors:

1. The board's capacity to **continuously refresh** the effectiveness and efficiency of its mission- driven **decision making processes with information** that is accurate, honest, timely, and relevant to the challenges and mission of the organization

2. The board's capacity to attract, retain and enthuse **good people** who participate in the decision making processes who have and continuously enhance five essential traits:
   – A passion for the organization's mission
   – Curiosity about how to resolve obstacles to achieving the mission
   – Relationships that enable mission accomplishment
   – Experience to empower and support a talented CEO
   – Hunger to reinvent and refine the decision making processes of the governance system

3. The board's capacity to move beyond benchmarking its performance and processes against health sector best practices to **explore and adapt effective strategies, styles, structures, and systems from other industries or communities**

In short, great boards need to be hungry for and experienced in "governance innovation." High performance governance innovation is all about better information, better people, and better processes.

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[1] See for example: http://governanceinnovation.org/ and http://www.euro.who.int/__data/assets/pdf_file/0019/171334/RC62BD01-Governance-for-Health-Web.pdf and http://www.americangovernance.com/resources/reports/brp/2012/index.shtml

Governance innovation is the continuous renewal of the principles, processes, and practices of decision making such that the conditions to successfully pursue achievement of the organization's mission is optimized.

Governance innovation yields a culture that leverages wisdom and practices that are:

S. Stakeholder Engaged
M. Mission Driven
A. Accountability Expected
R. Resource Mobilized
T. Transparency Enabled

Governance innovation embraces and distills the best ideas and initiatives at the intersection of five forms of governance:

1. Competency Based Governance

2. Collaborative Governance

3. Generative Governance

4. Intentional Governance

5. Transformational Governance

Discussion papers on each of these five forms can be downloaded from our web portal here:
http://www.integratedhealthcarestrategies.com/knowledgecenter.aspx

All the best,

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Managing Director & Practice Leader

The following pages have been excerpted from an excellent resource published by the Centre for Governance Excellence of the Ontario Hospital Association, Ontario Canada: "**Guide to Good Governance**," Third Edition, 2015 See: http://www.thegce.ca/goodgovernance.

The Boards of hospitals in the Ontario Province function similarly to U.S. hospitals but are extensions of the provincial government. Their pursuit of continuous governance enhancement can enrich and guide our work among the thousands of not-for-profit hospitals and health centers in the U.S.

The ultimate governance goal for a board in Canada and the U.S. is to create a culture of good governance – one that develops, follows, and self-reinforces the practices and behaviors that yield good governance in the best interests of the organization's mission. In order to achieve that goal, boards need to adopt leading practices for good governance, and continually review and assess the state of their governance.[1]

Health sector boards need to be ever vigilant for challenges which impair the quality of their governance.

Boards may identify areas where governance practices can be improved and must work constructively as a team to implement such improvements. In Canada, as in the U.S., when governance challenges are not addressed early on, a board may become dysfunctional. The underlying issues and causes of such dysfunction are often intertwined and complex; if not addressed, these issues may become chronic and impact the board's ability to perform its role.

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[1] See Chapter 9: Developing Good Governance, page 245.

Signs of Governance Problems

Signs of trouble often disguise the underlying causes. The following is a list of symptoms that may suggest an underlying or deeper governance concern.[1]

- **Unplanned director turnover, difficulty recruiting, and low attendance** – These are all potential signs that directors are no longer interested in serving on the board. Possibly, some directors find the board to be a negative place and want to withdraw.

- **Passive meetings** – At meetings, participants "go through the motions," but there is little energy, passion, or substance to the conversations. The focus of board discussion becomes limited to detailed operational questions without any "meaty" issues or policy implications. If this continues during a period of time where it is clear that the corporation is facing challenges, it could be a sign that the board is out of touch, that the discussions are happening elsewhere, or that management is trying to limit the board's involvement in substantive issues. It could also indicate an executive committee that is exercising too much power and leaving little opportunity for full board input.

- **"Parking lot meetings" after the board meeting, or side conversations** – Parking lot discussions and follow-up calls to the chair about issues not addressed during the meeting suggest the meetings are not allowing for effective discussion, or that the dynamic among the board or between the board and management are limiting candor.

- **Dysfunctional board dynamics** – There may be interpersonal conflict, factions among parts of the board membership creating disrespectful conversations, personal barbs, or bullying comments. Instead of passive meetings, the meetings are conflictive, awkward, or the conversation goes underground. Poor team relationships can undermine the process of decision-making at the board.

- **Meetings not productive** – Beyond interpersonal conflicts that destroy the effectiveness of meetings, there may also be other reasons which make the meetings unsatisfactory for the participants. The meetings may chronically run over time, yet still not deal fully with matters on the agenda. Complaints emerge about information presented at the meetings and too little time is allowed for discussion. There may be too much rehashing of committee minutes and too little warning of, or preparation for, agenda items. The way in which meetings are chaired may be weak and ineffective, and the need for tighter control and time management is voiced.

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[1]   See page 249

- **Individual rogue director** – In some cases, one director engages in disruptive behavior such as challenging the agenda, finding picky points in the minutes, challenging staff reports, demanding special reports, and not supporting board decisions after the fact. This behavior can extend to actions outside of meetings, such as directly debating with staff members, holding meetings with external stakeholders, and lobbying with selected directors.

- **Board/staff relations are cool** – At meetings, the board frequently challenges members of senior management, is critical, and looking to find fault. Senior management does not provide proactive briefings at committee meetings. The chief executive officer begins to intervene by delivering the presentations and responding to specific questions instead of relying on members of senior management. Complaints from board members about late and inadequate information reports begin to increase.

- **Aggressive, dominant chief executive officer** – A strong chief executive officer can become too dominant and control the board agenda and process. In meetings, he or she may dismiss matters without discussion, intimidate directors, and dominate the discussion with jargon and technical details. Directors become passive and discussions become non-contentious. In these cases, the chair may simply accept the chief executive's leadership and follow his/her lead.

Four Keys to Governance Turnarounds

Turning such situations around in not easy, yet high performing boards can consider four general factors conducive to making marked improvements:

1. **Leadership** – A necessary ingredient for superior board work is leadership, which normally comes from the board chair and/or the chair of the governance committee. The most significantly troubled boards lack this leadership from the chair, and may possibly face a chair resistant to acknowledging the existence of problems. It is the chair's role to maintain order, manage the meeting, and discipline board members. The chair is ultimately accountable for the quality of the board's governance processes. All board members must understand and respect the role of the chair.[1]

2. **Recognition of problems** – The board at some point needs to take responsibility for the problems. There needs to be a clear recognition by a majority of the board that there are deficits in governance that need to be addressed.

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[1] Ibid page 250

3. **Assessment of causes** – Governance problems such as the ones cited above can be complex and multifaceted. There needs to be an assessment of the root causes, followed by a shared understanding of how to take action to turn the issues around. The conditions for good governance shown in the figure below provide a helpful framework. Is there a problem with the documented policy or process? Or is it primarily a behavior and practice problem – i.e., we know what we need to do, but we just aren't doing it?

4. **Focus on the feasible** – In deciding on strategies to address problems, there needs to be a focus on what is feasible in the timeframe. Changing the members and profile of the board takes time and, although such longer term fixes can be initiated, other changes may be needed to make improvements in the short term.

Culture of Greatness: Inoculating the Board Against Board Diseases:

Having policies, practices, and structures that support the conditions for good governance are necessary, but are not, in and of themselves, sufficient for creating good governance. The board and the individual directors also need to exhibit effective behavior to achieve good governance.

Figure 1: Components of Good Governance

To ensure that a board sustains effective behavior, it must **create a culture of good governance**. Such a culture exhibits continuous constructive behavior based on a shared set of values, beliefs, and norms that support good governance.

A culture of good governance goes beyond how board members function among themselves. How the board interacts and engages others inside and outside the boardroom is also important. The board must create a constructive, open, and engaging relationship not only among its members, but also with the chief executive officer and senior management, and other health professionals within the organization. This in turn helps shape the internal culture of the corporation.

Adopting Twelve Best Practices for Governance

Good governance is not absolute; it needs to be assessed in the unique context of each health sector organization, whether a hospital, an ACO, a medical group, a hospital foundation, a county health department, or a Federally Qualified Health Center (FQHC).   Nonetheless, there are some generic governance best practices that warrant consideration by most boards when evaluating their own governance.[1]

1. **Understand mission, vision, values, and accountabilities** – The objective of a health sector organization's governance system is to ensure the organization fulfills its mission, moves towards its vision, operates in a manner consistent with its values, and effectively and efficiently discharges its accountabilities. In addition to the organization's statement of mission, vision, and values, the board should expressly adopt a statement of accountabilities that identifies the accountability relationships of the corporation.

2. **Understand the board's role** – The board should adopt a formal statement that expressly describes the areas in which it exercises a governance role.[2] This can help the board perform its role and exercise oversight of management's performance. Certain board processes are dependent upon, and flow from, the board's comprehension of its own role. For example, the board's annual work plan, committee structures, evaluations, and board recruitment process all depend on the board's articulation and understanding of its own role.

3. **Understand director's expectations** – The board should adopt a statement of the roles and responsibilities, duties, and expectations of individual directors. Understanding the fiduciary duties and performance expectations of directors will help the board identify the qualities it requires in its directors.

4. **Enhance director performance** – The board should adopt policies that support and emphasize directors' duties and behaviors. The fiduciary duties that a director owes to the hospital should be reflected in, and reinforced by, formally adopted board policies such as a conflict of interest policy, code of conduct, attendance policy, education policy, and confidentiality policies.

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[1]   Ibid page 246
[2]   For a sample of a "Governance Authority Matrix" for a hospital, look here:
     http://www.integratedhealthcarestrategies.com/services/governance/services_governance_digital_library.aspx

5. **Determine board size for effective governance** – The board should periodically assess its size. It should ensure that the number of directors (elected and ex officio) will allow the board to have the skills, experience, and qualities, including diversity, required to manage the workload, but not be so large as to prevent individual directors from contributing effectively.

6. **Create a skilled and qualified board** – The board should take explicit responsibility for its recruitment and succession planning processes. These processes should ensure the necessary skills, experience, and qualities are recruited to the board and eliminate or minimize risk of single issue candidates being elected to the board.

7. **Educate new directors** – The board should ensure that it takes responsibility for the orientation of new directors and should conduct high quality, mandatory orientation. Orientation should cover four areas: board governance, hospital operations and activities, the health care environment, and key stakeholder relationships.

8. **Appoint qualified board leaders** – The board should ensure that all board leaders, and particularly the board chair, are selected pursuant to a process that ensures those best suited will assume leadership positions. The board should develop a position description for the role of board chair, set criteria, and develop a selection process. The board should ensure that it understands and supports the role of the chair.

9. **Ensure board independence** – The board should ensure that it understands and discharges its role of independent supervision of management. There are a number of processes that will ensure that the board operates independently of management, such as: ensuring that the chair and chief executive officer are separate offices; that the board meets without management from time to time; and that committees understand their role and their relationship to management.

10. **Establish and use board committee appropriately** – The board should ensure that it establishes its committees with reference to sound governance principle. There is no inherent role for committees, because they exist to support the board. Committees do work on behalf of the board and therefore do 'pre-board work.' Committees also provide opportunities for supervision of management, allow members to contribute special expertise, in addition to helping the board perform a more detailed review of board matters than time would allow during board meetings.

11. **Ensure meetings enhance board performance** – The board should ensure that its meeting processes contribute to board effectiveness. The board must take responsibility for all aspects of board meetings, including: agenda setting, distribution of materials, the provision of expert advice, attendance policies, and quality of board minutes.

12. **Commit to continuous improvement** – The board should explicitly state its commitment to continuous self-improvement through ongoing education and evaluation, and should adopt processes to improve board performance. The board needs to commit to education concerning the organization, the industry environment and board governance. The board needs to conduct and use self-evaluations as a basis for continuous board improvement.

As you annually convene your board to review its performance, please ask these questions:

1. How do you believe your governing body is performing against these guiding practices?

2. In which areas are you excelling, where you should celebrate with pride your good work?

3. In which areas might you benefit from additional assistance from your executive team or an external adviser?

The Governance & Leadership practice of Integrated Healthcare Strategies uses proven, state-of-the-art governance design, educational programs, and tools to help boards use their time and talents more effectively. Our team of consultants have extensive experience in the assessment of board performance and in the development of strategies and systems to continuously enhance the governance of complex healthcare and hospital systems.

For more than 40 years, Integrated Healthcare Strategies (Gallagher Integrated), a division of Gallagher Benefit Services, Inc., has provided consultative services and people-based solutions to clients across the healthcare spectrum, including community and children's hospitals, academic medical centers, health networks, clinics, and assisted-care providers. Our Gallagher Integrated consultants and nationally recognized thought-leaders help organizations achieve their business goals, by ensuring top talent is attracted, retained and engaged, while measuring and maximizing human and organizational performance. With tailored solutions that extend well beyond single services, Gallagher Integrated offers the knowledge, guidance, and insights that organizations need to not only survive the rapidly changing healthcare environment, but to succeed in it.

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