GOVERNANCE INNOVATION: a five-part series

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A resource from Integrated Healthcare Strategies, a division of Gallagher Benefit Services, Inc.

Integrated Healthcare Strategies
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Generative Governance is one of the five new models of board work that are essential for health systems to successfully move into an era of population health and value based payments.

The five models are:

Collaborative Governance
Competency Based Governance
Generative Governance
Intentional Governance
Transformational Governance

This is the third of a five part series of white papers on new forms of governance for population health management by integrated health systems and accountable care organizations.

We encourage boards to circulate these white papers and engage in spirited conversations about how these models are being mastered in their board work, and what investments could advance them even further into the high performance governance domain.

This paper seeks to address these four questions:

What is Generative Governance?

Why is Generative Governance so important for health system boards?

How can boards overcome common obstacles to good Generative Governance?

What are the three most important board actions to accomplish Generative Governance?

3 | Generative Governance

What is Generative Governance?

Generative Governance is an exciting approach to governance innovation stimulated by the research captured in "Governance as Leadership," by Richard P. Chait, William P. Ryan and Barbara E. Taylor. In their book, they introduced a new paradigm for nonprofit boards. This paradigm is focused on three modes of governance with the third, the generative mode, quickly becoming the new model of choice to improve board process, board outcomes, and board member engagement.[1]

Board leaders can think of Generative Governance as a form of decision-making that seeks to ask and answer thought provoking questions about the fundamental meaning of the organization and the work of the board; it seeks to *generate meaning* by using "generative thinking" to engage in deeper inquiry, exploring root causes for a health system's success, as well as help clarify the organization's values, strategic investment options, and innovative ideas about how to achieve sustainable impact in a region. This is where the essence of board service can be found.

Generative thinking occurs upstream from strategy and much farther upstream from tactics and execution. Generative board leaders ask **"What problem are we solving?"** to gain insight into organizational identity and purpose. Generative thinking provides board members the opportunity to lead as well as govern.

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[1]   Governance as Leadership: Reframing the Work of Non-Profit Board by Richard P. Chait, William P. Ryan and Barbara E. Taylor is published by BoardSource and Wiley. For copies, go to http://www.boardsource.org or call (800) 883-6262

Barry S. Bader, publisher of Great Boards, interviewed one of the book's co-authors, Richard P. Chait, a professor at the Harvard Graduate School of Education, about the book's applications for hospital and health system boards. Q. Common complaints about board performance are that boards are under-involved, excessively involved or unclear about their responsibilities. But you say ***boards suffer from a problem of purpose, not performance***.[2] Professor Chait responded… A. Limited purpose produces limited performance. The question is: How do we create not just a job to do, but a job worth doing? How do we get people not to just do the work, but to do better work? Our assertion has been that as the work of the board becomes truly more consequential, meaningful and influential, the performance of the board will rise. Most boards of larger, more mature organizations go to great lengths to attract talented, bright, successful trustees. Then, the board underperforms because the opportunities are not commensurate with their capacity, and they become bored.[3]

Too many boards are passive for 67 percent of their time at board meetings. Time at typical board meetings is apportioned as follows: 32 percent listening to reports or presentations by the CEO, staff, or committee chairs; 24 percent conducting regular business; and 11 percent getting educated. Boards are actively engaged as follows: 20 percent of time is spent discussing or debating ideas of courses of action; and 13 percent of time is spent making sense (for example, framing issues, thinking from the perspectives of constituents).[4]

Generative work serves to *generate* the understanding, meaning, and insight that create a shared perception of the problems and opportunities at hand and on the horizon. Generative work means think first and think hard about what's at issue and what's at stake. Trower et al urged boards to Find, Frame, and then Focus on matters of paramount importance to the organization's current and future welfare.[5]

The boards that perform at the highest level are those that have incorporated the principles of governance as leadership; they raise and discuss crucial questions that require critical thinking much earlier in the governance decision-making process. In the figure below, Trower and Chait et al encourage board leaders to acknowledge they are too fast to jump into execution (more the manager's realm) then to engage earlier in framing the issues and questions that guide the board's work.

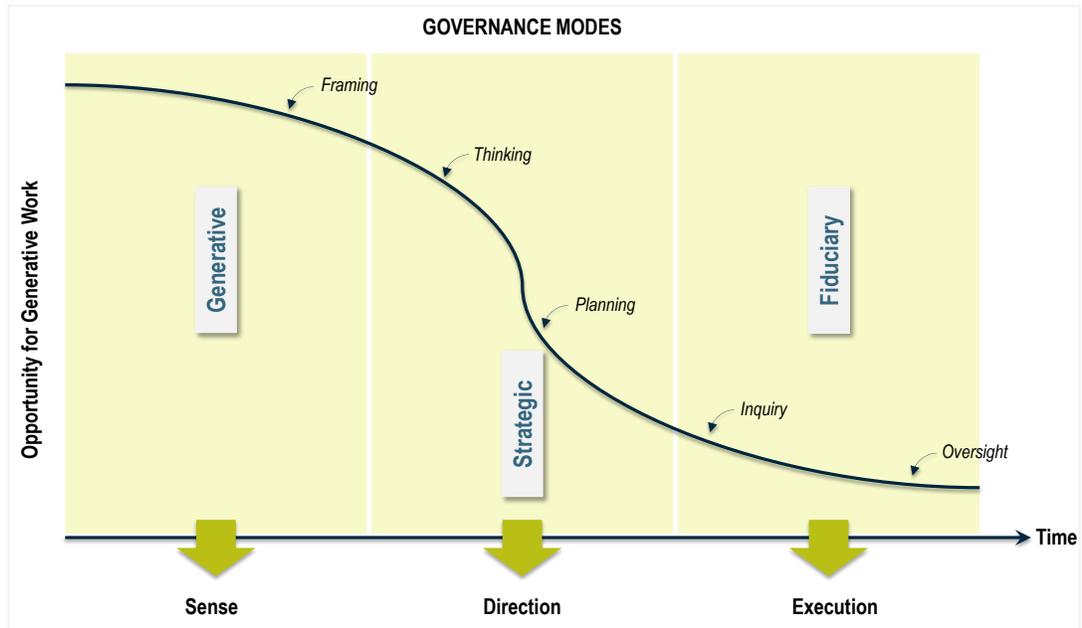[2] From *GreatBoards*, Summer 2005 Vol. V, No. 2, page 1
[3] Ibid
[4] Cathy A. Trower: The Practitioner's Guide to Governance as Leadership; Building High-Performing Nonprofit Boards, Jossey-Bass, 2013
[5] Ibid

Figure 1[6]

Generative governance demands that the board is brought into deliberations early enough to make a difference – when the situation is still ambiguous and subject to multiple interpretations – because "the opportunity to influence generative work declines over time" (Chait et al. 2005, 101). Once an issue has been framed one way, it is difficult to see it any other way.

Looking through a lens of generative thinking, the authors offered four "governance scenarios" (Chait et al. 2005, 98) (see Figure 2) – two that are dysfunctional (quadrants I and III), one that is prevalent but problematic (quadrant IV), and one that is uncommon but preferred (quadrant II) (98).

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[6] Trower Ibid.

Figure 2: Generative Thinking: Four Scenarios[7]
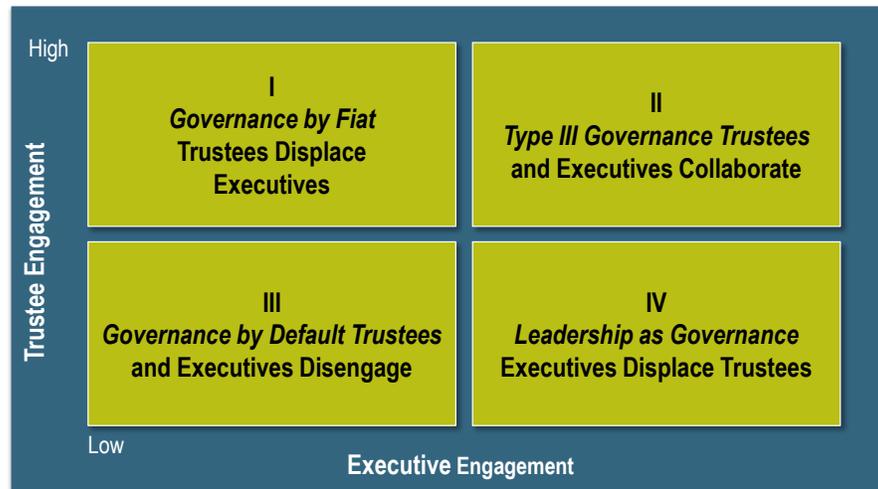
When the engagement of both trustees and executives in generative work is high (Quadrant II), the result is optimal: Type III governance. The other quadrants in Figure 2 depict unbalanced engagements that lead to problematic situations. In Quadrant I, trustees commandeer most of the generative work and impose the results on executives. This might be described as governance by fiat. In Quadrant III, neither executives nor trustees attend to generative work. This produces governance by default, wherein the generative work of other actors inside and outside the organization (for example, staff, funders, regulators, and industry groups) exerts greater influence than that of trustees and executives over strategy, mission, and problem solving. In Quadrant IV, executives dominate generative work, which renders leadership as governance. (Problems of purpose are likely to be acute here.).

Why is Generative Governance so important for Health Systems Boards?

As health sector organizations prepare for their journey into accountable care, population health management, and bundled payments for value more than volume, their boards need a new lens to examine their roadmap into future vitality and then to assemble key resources needed for the journey. Boards need new mindsets to think creatively/innovatively about their purpose and path into an uncertain future. Generative Governance provides such a mindset. Let's explore why that is the case.

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[7] Source: Cathy A. Trower: op. cit. page13. Chait et al. 2005, 98

Chait et al encourage us to recognize that boards govern in three distinct modes. Each mode serves important purposes, and together, the three add up to wise and effective governance.

To make the three aspects of this framework for governance more concrete, the authors use a specific example: the decision that the Boston Museum of Fine Arts had to make about whether to lend 21 Monet paintings to the Bellagio Casino in Las Vegas.[8] The authors often ask board retreat participants to suggest potential questions that board members might ask when addressing this situation. Their questions included: What's in it for us? What are the security arrangements? How does it fit with our mission? How will the paintings be transported? Where will the paintings be displayed? For how long? How will the community that supports the museum react? These questions help illustrate the three modes of governance:

Type I is the "fiduciary mode"

In this mode, the board's central purpose is the stewardship of tangible assets, and its principal role is to act as a sentinel. It oversees operations and ensures efficient and appropriate use of resources, legal compliance, and fiscal accountability. Analogies such as "the board is to the organization as an eye is to sight" suggest this board role. The questions about security and transportation in the Boston Museum example also point to this board role. Ryan noted that, of the three modes of governance, the fiduciary role requires the least amount of knowledge by the board about the organization and its mission. But organizations often have boards that focus almost exclusively on "Type I" concerns.

Type II is the "strategic mode"

Here, the board's central purpose is to ensure a winning strategy for the organization, and its principal role is to be a strategic partner to senior management. Its core work includes setting priorities, reviewing and modifying strategic plans, and monitoring performance against plans. Participants' navigational analogies, such as "the board is to the organization as the rudder is to a ship," suggest this role. Questions that reflect this role in the Boston Museum example include: What's in it for us? What will the community reaction be?

Type III is the "generative mode"

Generative thinking is a cognitive process for deciding what to pay attention to, what it means, and what to do about it. And, Ryan said, this is also a good definition of "governance." In the generative mode, the board's central purpose is to be a source of leadership for the organization, and its principal role is as a "sense maker." The board "decides what to decide"; discerns challenges and opportunities; and probes assumptions, logic and the values behind strategies. In the Boston Museum example, the question "How does it fit with our mission?" reflects the board working in a generative mode.

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[8] See:
http://www.pewtrusts.org/~/media/legacy/uploadedfiles/wwwpewtrustsorg/reports/pew_fund_for_hhs_in_phila/governance20as20leadership20summary20finalpdf.pdf

What is different about Generative Governance?

On its face, governance as leadership is deceptively simple – it's easy to grasp the concept of three modes or mindsets – but most boards find that putting the third mode in practice is anything but simple. With generative governance, just about everything that has been familiar is different.

A *different view of organizations*. Organizations do not travel a straight line and rational course from vision to mission to goals to strategy to execution.

A *different definition of leadership*. Leaders enable organizations to confront and move forward on complex, value-laden problems that defy a "right" answer or "perfect" solution.

A *different mindset*. Beyond fiduciary stewardship and strategic partnership, governance is tantamount to leadership.

A *different role*. The board becomes an asset that creates added value and comparative advantage for the organization.

A *different way of thinking*. Boards are intellectually playful and inventive as well as logical and linear.

A *different notion of work*. The board frames higher-order problems as well as assesses technical solutions, and asks questions that are more catalytic than operational.

A *different way to do business*. The board relies more on retreat-like meetings, teamwork, robust discourse, work at the organization's boundaries, and performance metrics linked to organizational learning. (Chait, Ryan, and Taylor 2005, 134)

Because so much is different in generative governance, boards may resist changing the way they have been governing. Change is uncomfortable.

Higher-Level Thinking

Several CEOs and board chairs see generative work as being a higher level than other work – upstream on the generative curve – reflected in the following statements from CEOs: "It's a level above policy setting. It's a more thought-provoking, global level of thinking" and "It is a level of thinking that goes beyond operational, tactical, and strategic and is focused on institutional effectiveness in its broadest sense – what the institution is all about." A board chair said that "Generative work is being able to think at a higher and more creative level about what we would do differently… proposing the bigger questions as opposed to campus plans and fiduciary stuff. A good generative question might by, "How would we think differently, and what might we do differently, if we didn't have to think about setting our tuition? And why would that be?"

Another board chair reflected on generative governance as a "temporary suspension of all the things we *think* we know about how we are *supposed* to think and problem solve… to enter the discussion at an earlier phase and have more philosophical, broader conversations before we discuss a course of action or push for a decision. It's a more creative process that is not solution oriented, and having a freer conversation with no expectation other than having that great discussion… not seeking to identify how to get from point A to point B but instead stopping to just think and ponder."

How can boards overcome common obstacles to good Generative Governance?

Our work with leading health sector boards suggests there are three common obstacles to understand and master Generative Governance:

1. **Fuzzy Concept**: over 50 years of tradition drives boards and executives to the more familiar ideas of the three key fiduciary duties of care, obedience and loyalty found in "Intentional Governance".[9]

2. **Role Confusion/Overlap**: Boards and CEOs fail to clarify who can take the lead in generating the agenda and the meaning of the board's work.[10]

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[9] See The Governance Institute's materials: https://www.governanceinstitute.com/?page=TGIGuides
[10] Chait et al in Trower, op. cit. page xxiii

3. **The Tyranny of the Urgent**: Operational demands for better quality, more staff, financial squeeze from new payment methods and levels, assertive consumers who carry an ever increasing amount of the economic burden of their health care costs; society's burden of chronic disease; changing competitive landscape; and anxiety about promoting and protecting health, not just restoring health.

To prepare to overcome these obstacles, ensure your board work explores the art of asking wise questions about the underlying meaning of this work. Board members should each answer certain key "legacy questions". Here are some from which to choose:

> For what do board members want to be remembered?
>
> Five years from today, what will this organization's key constituents consider the most important legacy of the current board?
>
> What is it that this board provides to this organization that no other board can?
>
> Why do we exist as a board?
>
> You have many commitments, perhaps including volunteering on other boards. Why are you on this board?
>
> What do you find most fulfilling about serving on this board?
>
> What do you find most frustrating about serving on this board?
>
> Are there specific ways we could make better use of your time and talents? Please describe.
> (Trower page 156)

Beyond asking questions, you can redesign your meetings.

How to get your board into a 'Generative' mode[11]

Getting your board into the mindset for generative thinking is not easy – especially when board members are used to acting in strictly fiduciary or strategic modes – but the book "Governance as Leadership" provides several helpful hints. To carve out generative space, it is recommended to incorporate the following tactics into your board meetings:

Have a consent agenda. In developing the agenda for the meeting, combine all of the routine matters that need board approval into one item on the agenda that the board can vote up or down. This can free up time for other discussions.

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[11] Trower: op. cit.

Use silent starts. When there is an important matter for the board to consider, give everyone a minute to think about it and write something down on the topic under discussion. This helps people become more thoughtful and engaged in the topic.

Use one-minute essays. At the end of the discussion, ask people to write down what they would like to say about the issue if there were more time. After the board meeting, read what they have written. These often tend to be "Type III concerns"—comments that reflect generative thinking—which can be used to help set the agenda for the following board meeting.

Include time for mini executive sessions. During each meeting, have the boardwork for ten or fifteen minutes without an agenda. These brief sessions—which can be called "board reflection"—interrupt the usual pattern of just following an agenda and having the CEO always take the lead at board meetings.

Promote robust discussions. During discussions about even seemingly routine matters, look for "generative landmarks." These include multiple interpretations by board members about what a situation is or what requires attention, or indications that an issue means a great deal to many of the board members and touches on their perception of the organization's core values. Take advantage of these "landmarks" to promote generative discussions.

The generative mode is vital to the long-term success of any board. It helps organizations identify their biggest challenges, as well as their most rewarding work. Most of all, it ensures that boards are staying ever-cognizant of their true purpose and incorporating that into every key decision that they make.

What are the three most important board actions to accomplish Generative Governance?

As you surface the concept of **Generative Governance** within your board and executive team, consider these three key initiatives, as well as discussing the two appended case studies:

Initiative 1: Conduct "Strategic Visioning Charrettes." A Charrette is a new age planning retreat that relies on much more diverse stakeholder engagement then in the past, as well as on creative tools for alternate scenario based visioning.[12]

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[12] For resources to design and conduct such an innovative session, see: http://www.charretteinstitute.org/

Initiative 2: Schedule calendar of themed meetings with innovative agenda design. To change the tone and nature of your conversations in board meetings, change the flow and structure for the meetings. It is more than just relying on consent agendas. High performing boards define when certain types of decisions are needed in their fiscal year, and ensure that there are thought provoking speakers and readings in advance of these decision meetings. For example in a fiscal year based on the calendar year January to December, decisions about the capital and operating budgets are usually conducted in November of December. So generative questions, thinking, and speakers on investing and allocating capital should occur in meetings of The Fall. Because you should not try to discuss all of your challenges in every meeting, you can consider a themed meeting on medical staff relations and quality in the late Spring, and a session with conversations about the board's self-assessment of their work in the past year could occur in February.

Initiative 3: Re-invent the "Community Plunge." A community plunge is a well organized journey of health system leaders into the community to explore solutions to the underlying causes of health risks and disease. While an old strategy, your organization can make it new in your journey to population health. You can now use this personalized engagement as a key means to conduct your Community Health Needs Assessments, such here at ThedaCare.[13]

In the early days of community health improvement, health gain was known to be more likely when diverse community leaders and organizations worked together to define and remove barriers to good health. Guidance can now be found within the American Public Association Health Communities Movement. [14]

Once the board has a handle on the meaning of generative work, board members can "practice" by deliberately and explicitly evoking all three modes and then discussing the experience. The following two examples, in Trower's book, show how the boards of organizations practiced "triple helix thinking" by generating questions about mission-critical issues.

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[13] https://www.thedacare.org/Getting-Involved/Improving-Community-Health/Community-Plunge.aspx or here in Memorial Health South Bend https://qualityoflife.org/che/community-outreach/test-plunge/
[14] See:
http://www.apha.org/topics-and-issues/healthy-communities?gclid=Cj0KEQjwlLm3BRDjnML3h9ic_vkBEiQABa5oeTDuMntkHRP9u2A99-Z9B-0fMltTIo5f-7zzP6P8eyQaAhbq8P8HAQ) and also in lessons from the Foster McGaw Award Program of the American Hospital Association. See: http://www.americangovernance.com/resources/reports/brp/2016/index.shtml

Example 1: The Copley Health System Practices Thinking in Three Modes[15]

At a board retreat, the board learned about governance as leadership and practiced thinking in the three modes about the mission-critical question decided in advance by the CEO, board chair, and chair of the governance committee: "What are the most important questions Copley must address to fulfill its mission in the current and changing economic and health care environment?" Board members formed three groups and were instructed that they had an hour to suggest fiduciary, strategic, and generative questions that the mission-critical question spawned.

- That process elicited numerous questions, including:
- How do we fulfill our mission in a fiscally sustainable way?
- How do we make Copley the most desirable place for health care?
- How do we incent the community to be responsible for their care?
- What is a sustainable model which meets community needs and our mission?
- What is Copley's role in redefining a sustainable health care network and transitioning to/incorporating wellness?

Perhaps even more important than generating questions was the discussion that followed, in which the board discussed the process of thinking in the two modes. One board member generated laughter by saying, "That was like a brain colonoscopy!" While not necessarily *that* bad, there was general agreement that the exercise "cleared the brain's cobwebs" and required critical thinking. For some board members, the fiduciary questions sprang forth easiest, but not for all; others most enjoyed the upstream questions about Copley's mission and values. There was also acknowledgement that not all questions fit into one single category. The question, "How do we fulfill our mission in a fiscally sustainable way?" has fiduciary, strategic, and generative dimensions.

After the conversation about the triple-helix exercise, the board broke into four groups to "Describe the most practical, valuable change the board could make in the way it does business to ensure that it spots, and attends to, triple-helix work." Board members decided they would like to ensure that the board:

- Has materials in advance of meetings that includes questions for consideration
- Spends time discussing what to decide, how to decide, and how to frame the issues
- Engages in robust discourse so that the board can truly "respond" rather than just "react"
- Designs agendas that keep the board on task, spending 90 percent of its time discussing the most critical issues facing the hospital
- The Governance Committee was charged with ensuring that these ideas would be put into practice beginning with the next meeting

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[15] Cathy A. Trower: op. cit.

Example 2: Southwestern Vermont Medical Center Board

As its retreat, following an examination of governance and a board self-assessment, the Southwestern Vermont Medical Center board focused on two triple-helix questions; one was: "Should the hospital become affiliated or consolidated with a larger system?" The task was to generate the fiduciary, strategic, and generative questions that the big question elicited; the process produced a number of excellent questions, including these:

Fiduciary

- Are we going to grow our services and numbers?
- What will be the political issues/result; how will the state of Vermont view this?
- Will insurance cover out-of-state service (if we partner out of state)?

Strategic

- How will the medical group view this?
- How will this be viewed in the community?
- What about those doctors who do not want to join?
- What is the intention of the larger entity, for example, altruism or regional dominance?

Generative

- Do we lose our identity?
- Who decides what we should do?
- Why do we want to do this? Can we afford not to do this?
- Does this fit with our mission statement?
- How do we ensure cultural compatibility (with the other hospital or system)?

The board chair commented:

We discussed alliances, not from a detailed point of view, but whether the community would feel good about such and alliance. Would we be marginalized or disappear? Would we lose our local influence? The board retreat provided an ideal venue for this sort of thinking and discussion. The community cherishes the organization and it was helpful to have a sense of whether or not this would fly. It really helped management to put some meat on that concept. The hospital is now looking to align itself with an academic institution. I think it's the result of the generative discussions we had on the board. Generative topics tend to bring out the board's critical thinking and discussions are quite interesting, in part, because board members feel that they're on comfortable ground where they can add value. It's not all about technical matters, like finances or things only health care professionals effectively comment on… where most board members don't have the background. A generative level discussion liberates the board to bring its best ideas forward.[16]

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[16] Trower, page 12

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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Strategic Vision