



GOVERNANCE INNOVATION: a five-part series



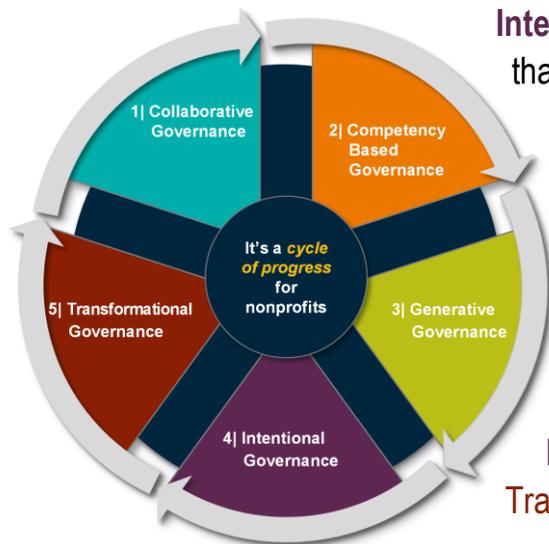
4 | Intentional Governance

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

This paper encourages hospital boards to be more structured and formal in their board work and is provided in cooperation with The Governance Institute with excerpts from their research and publications regarding "Intentional Governance."



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

The five are:

Collaborative Governance

Competency Based Governance

Generative Governance

Intentional Governance

Transformational Governance

This is the fourth 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 fourth of five papers seeks to address these four questions:

What is Intentional Governance?

Why is Intentional Governance so important for health systems boards?

How can board overcome common obstacles to good Intentional Governance?

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



4 | Intentional Governance

People who are willing to volunteer their time and energy want to do so in a way that makes use of their talents and permits them to contribute in a meaningful way to an enterprise they view as important.

What is Intentional Governance?

Intentional governance is board work that is guided by a disciplined decision making processes that drive to protect and promote the organization's mission. The board is structured and systematic in how it accomplishes four essential practices:

1. Establishes a culture of accountability
2. Engages diverse stakeholders
3. Sets strategic direction
4. Wisely stewards resources¹

This content of this paper is derived from The Governance Institute's 2010 signature publication, *Intentional Governance: Advancing Boards Beyond the Conventional*.² As we explore valuable resources for health sector boards to become more effective and efficient, publications by The Governance Institute are a good place to turn for practical wisdom. As a follow up to the 2010 signature publication, The Governance Institute is in the process of creating Intentional Governance Toolbooks for each pillar of Intentional Governance.³

The challenges of our environment as we journey into accountable care and population health management will certainly result in more pressure on hospital leadership – both management and board – as they work to maintain the viability of the organization. Ironically, it is just when the need for leadership is at its most acute that the pool for willing volunteers with the requisite skills seems to be decreasing. As the task of recruiting, engaging, and retaining the right talent becomes more critical than ever, successful health systems must position themselves in a way to attract and retain quality directors.

¹ See "Leaders Who Govern" by Management Sciences for Health at www.leaderswhogovern.org

² Sean P. Murphy and Anne D. Mullaney, *Intentional Governance: Advancing Boards Beyond the Conventional* (signature publication), The Governance Institute, 2010. Used with permission.

³ See: <https://www.governanceinstitute.com/?page=TGIGuides>



“What motivates an individual to consider serving on a hospital board given all its demands?”

“What is a particular individual hoping to get out of the experience of serving on a hospital board?”

Interviews with many current hospital and health system board members reveal a number of common themes relating to what draws board members to hospital service as compared to other potential volunteer opportunities or civic involvement.

Why is Intentional Governance so important to health system boards?

Disciplined decision-making by governing bodies is essential to steady progress to accomplish population health management and accountable care. The boards ask challenging questions of their physician and executive colleagues about how will integrated care process and modern “clinical governance” be accomplished, and how will rigorous financial targets be achieved?

Four key motivations can drive board members to seek more intentional governance:

1. Provide better health improvement
2. Offer services that are more efficient, accessible, and affordable
3. Contribute to the economic vitality of the region
4. Earn position as a respected regional employer

What are the additional, necessary components that take boards beyond mediocrity into excellence? The Governance Institute’s biennial surveys measure board performance in recommended practices, and they evaluate patterns of board structure. Structure and practices are key components in driving board performance, but there is a third, possibly more important component to consider in driving board performance: a board’s interpersonal dynamics and culture.

Intentional Governance involves deliberate and disciplined decision-making processes that enable the board to realize its highest potential. Combining board structure, practices, and culture into the framework of “intentional governance” will bring boards and their executive teams closer to the elusive components of high-performing governance.



Intentional Governance process has, as its outcome, full board engagement in its own development and continuous improvement. The process involves a critical analysis by the board's leaders of what works and what does not work for the board, and the individual directors who make up the board, in carrying out formal oversight responsibility. It addresses the following questions:

- What type of board do we want to be?
- How do we get there?
- What works in our meetings?
- What information do we need?
- What plans do we have to improve?
- What are our collective and individual goals to reach optimal performance?
- How can we continually enhance mutual trust between the board and management?

“In Intentional Governance, the board is driven by disciplined process. When an issue arises, the board refers the issue to the appropriate committee to be analyzed and dealt with. Data replaces emotion. Process trumps intuition. Sometimes it seems cumbersome, but the final outcome is almost always the right one. And it has led to better governance.”

– CEO, hospital in Upstate New York

If a board is to provide effective leadership to the organization it governs, it must go about its job with the same focus and “intentionality” as it would require of management. Although this proposition may seem somewhat self-evident, too many boards are not diligent about their own work. A board must be disciplined about the processes it puts in place to carry out its work, and assess and enhance the effectiveness of its efforts on a periodic basis.

Intentional governance: deliberate and intentional processes addressing board structure, dynamics, and culture that enable the board to realize its highest potential.

Proof of excellence is demanded from every facet of the healthcare organization, other than from the governing body. Management is judged in any number of ways ranging from the financial performance of the institution to the quality of care rendered to patients. Physicians on the medical staff are routinely measured, monitored, and peer reviewed. The board must do the same for itself.



How can the board overcome obstacles to Intentional Governance?

Health system boards face a variety of challenges to fully embrace and use Intentional Governance:

1. Boards, like executive teams, are too often “distracted from diligence” by the tyranny of the urgent and fail to step back from routine meetings and decision-making to develop a disciplined road map to smarter board work. We refer to this as a “Governance Enhancement Plan.”
2. Boards refine their structures without refining their strategies and style of governance decision-making. Boards also avoid candid conversations about how the culture of their interpersonal rapport and relationships can trump well defined strategies and structures. Petty personality disagreements and personal agendas erode trust and derail smart board work.
3. Boards are not explicit enough in defining proxy indicators and measures of the quality of their governance group decision-making. They can lack metrics on attendance, effectiveness of meetings, expected preparation for meetings, the quality of board and committee meetings, and the quality of annual self-assessments that drive to continuously improve their board work.

To overcome these challenges, the board must learn to operate as a high-performing team rather than a collective group of individuals. This important transformation can only happen by putting in place processes – nuts-and-bolts mechanisms – that guide the work of a board; force it to focus on itself and its own effectiveness; and ultimately impose upon itself true accountability. This takes discipline and diligence. It is ***intentional governance*** as The Governance Institute describes in the seven (7) imperatives exhibit on the following page.



| THE LUCKY SEVEN IMPERATIVES ⁴ | | | | | | | |
|--|---|--|---|---|--|--|---|
| DOMAINS | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | Board Recruitment | Board Structure | Board Culture | Education & Development | Evaluation & Performance | Continuous Governance Improvement | Leadership Succession Planning |
| | Organizational needs | Proper size | Clear behavior expectations | Formal orientation | Board assessment | Board mission statement | Written policy statement |
| | Board needs | Committee structure | Encourage robust engagement | Formal board education plan | Committee assessment | Track board performance | Leadership position descriptions selection criteria |
| | Requirements: training, education, experience | Board role: clear definition, responsibilities, accountabilities | Mutual trust and willingness to take action | Education goals and process to meet goals | Director assessment and peer review | Evaluate efficiency and effectiveness beyond annual assessment | Identification and development |
| | Stakeholder analysis | Distinction between managing and governing | Commitment to high standards | Resource allocation | Commitment to making changes | Continuous process analysis | Performance evaluation |
| | Community representation | Effective meetings | | Certification (?) | Appointment and reappointment qualifications | Challenge and change culture | Connection to recruitment |

For a board to engage with its CEO to define what to do in each of these domains, high performing boards need high performing board members.

One way boards can preempt potential board member performance gaps is by looking closely at some general qualifications of the members: their willingness to serve, time availability, commitment and engagement, ability to step out of their own self-interest, objectivity, intelligence, communication skills, integrity, and values⁵. On this “foundational framework” of social criteria, boards can then overlay a skill-based filter, and a gender/diversity filter, to ensure that they do not recreate a narrow microcosm of their social circle, and end up with a board fraught with people problems due to problem people.

“It’s getting harder and harder to recruit directors – especially younger directors. Young people just don’t want to serve. They’re too busy or not interested; they have families, both spouses working, demanding jobs and careers, children – and often times elderly parents they have to care for.”

– CEO, Hospital in Northern New Jersey

⁴ Source: The Governance Institute Intentional Governance

⁵ Washington State Hospital Association, *Governing Board Orientation Manual*, pp. 6-7, (www.whs-seattle.com/manual/cover.html, accessed Feb. 22, 2010)



There is a more compelling argument for the board to be “intentional” with respect to its composition. Boards that are deliberate with regard to identifying and acquiring directors with “desired and needed” skill sets will be able to ask better questions. They will be able to provide management with better advice, guidance, and expertise. They will be better able to anticipate problems, future needs, and opportunities that might otherwise go unnoticed – or noticed too late. Finally, they will be better equipped to engage in the essential, robust strategic and generative discussions that move the organization forward in accordance with its vision and mission.

Non-profit healthcare organizations are different from for-profit businesses, and traditional business experience can carry directors only so far. Directors can easily succumb to the temptation to focus on – and meddle in – matters that are familiar to them, and neglect the imperatives of the organization as a whole.

Intentional boards work intentionally to expect and encourage excellent board/CEO relations.

Being intentional about clearly defining good governance, practices should encourage boards to take strategic approaches to issues rather than focus on operational matters. Boards stray into operations and away from policy for two main reasons: 1) they pursue what is most familiar to them, and 2) they lose faith in the CEO or executive team.

Ideally, the board and the CEO have a symbiotic and trust building relationship, each being accountable to the other and pursuing the same goals for the benefit of the populations served by the organization. Optimal organizational performance is a joint endeavor⁶.

Governing boards are often ostracized for “spend[ing] more meeting time in a passive mode, listening to reports and conducting routine business, than they do actively discussing substantive matters of policy or organizational strategy.”⁷ Intentional Governance worries about how to continuously strengthen the effectiveness of board meetings.

⁶ Elements of Governance®: The Distinction between Management and Governance, The Governance Institute, 2006.

⁷ Barry Bader: “The right stuff, the right way: 10 ways to improve board meetings,” *Great Boards*, Winter 2005 (www.greatboards.org/pubs/Ten_Ways_to_Improve_Board_Meetings.pdf, accessed February 22, 2010.)



It may be time to scrap the traditional monthly, two-hour board meeting and consider longer but less frequent board meetings. The point is not to allow for more reporting from management, but rather to allow more time for discussion and strategic questioning – with each board member participating to his or her fullest in the give-and-take on key issues of strategic consequence to the vitality of the organization and its mission.

Perhaps the most critical aspect of Intentional Governance is also the most elusive to define, measure, and create. It is culture, variously defined as “the way we do things around here,” or “the way people behave when no one is looking.” Like their organizations, boards have a culture too⁸.

Here are a few examples of a dysfunctional board culture:⁹

- The board is dominated by an individual. When a board is dominated by the chair, CEO, or a board member, chances are:
 - Board members may be reluctant, or worse yet, discouraged from actively participating.
 - Board members effectively abdicate their fiduciary, strategic, and generative responsibilities.
 - Cliques form and meetings take place outside the boardroom.
 - The checks and balances needed for effective governance are eliminated.

- Board members do not feel qualified to offer their perspective. Board members lacking healthcare or population health enhancement experience may not feel qualified or are intimidated from offering their perspective. Some suggest that not only are there no dumb questions, but that all board members should be required to ask at least one question. The board, board chair, and CEO want and need each member’s perspective. These diverse insights must be intentionally cultivated in each meeting.

- Board chair and CEO are buddies. If the chair and CEO are too friendly, chances are:
 - The board sees itself as a rubber stamp for decisions already made.
 - Open and candid discussions may be stifled.
 - The roles of the CEO, board chair, and individual board members are blurred.
 - Board members may withdraw from participation and fail to help encourage a culture of intentional inquiry and innovation.

⁸ Barry Bader, “Culture: The Critical but Elusive Component of Great Governance”, Special Commentary in *Governance Structure and Practices*, The Governance Institute, 2009.

⁹ Rex P. Killian, J.D., “Health System Governance: Board Culture,” *BoardRoom Press*, December 2007. The Governance Institute.



Prybil has found that boards in high-performing systems exhibit “**three dimensions of board culture**” and **nine specific behaviors** under their dimensions¹⁰:

Robust Engagement

1. Board meetings are characterized by high enthusiasm.
2. Constructive deliberation is encouraged at board meetings.
3. Respectful disagreement and dissent are welcome at board meetings.
4. The board is actively and consistently engaged in discourse and decision-making processes. Most board members are willing to express their views and constructively challenge each other and the management team.

Mutual Trust And Willingness To Take Action

5. The board’s actions demonstrate commitment to our organization’s mission.
6. The board tracks our organization’s performance (financial and clinical) and actions are taken when performance does not meet our targets.
7. There is an atmosphere of mutual trust among the board members.

Commitment To High Standards

8. The board systematically defines its needs for expertise and recruits new members to meet these needs.
9. Board leadership holds board members to high standards of performance.

For a board to govern with intention, board education to achieve these nine traits must be more than a periodic event. It must be an integral part of the board’s mission, purpose, and agenda; not an idea or plan that gets dusted off annually.

As a part of intentional governance, board education needs to be deliberate, planned, and appropriate. The board should be committed to a formal board education plan that includes everything on the education spectrum from orientation, certifications, seminars, and board retreats, to speakers on hot topics integrated within the board meeting agenda. The complexity and demands of population health management and accountable care require nothing less.

¹⁰ Source: <https://greatboardsblog.wordpress.com/2009/11/12/culture-the-elusive-component-of-great-governance/>



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

To more fully accomplish what the Governance Institute refers to as Intentional Governance, consider these three key initiatives.

Initiative 1: Develop and follow an annual 360° assessment of your board work, with input on how to continuously improve the effectiveness and efficiency of your decision-making from: board members, executives, physicians, and other community leaders.

Initiative 2: Build and follow a “Governance Authority Matrix”¹¹ to guide clarity of your disciplined balancing of roles and responsibilities of the board, board committees, and the executive team.

Initiative 3: Be more creative and deliberate about your board’s use of internet and mobile based technologies to support more deliberate and intentional decision-making.¹²

¹¹ See: http://www.integratedhealthcarestrategies.com/services/governance/services_governance_digital_library.aspx

¹² Resources can be found at: BoardVantage (www.boardvantage.com); BoardEffect (www.boardeffect.com); Directors Desk (<http://business.nasdaq.com/intel/directors-desk-board-portal>)



ATTACHMENT¹³

Intentional and periodic board and director evaluation is one of the great challenges of high-performing governance.

Specific Issues Include

Culture/Internal Resistance -- For a board member, there is a tension inherent in being an unpaid volunteer and having to go through the process of performance evaluation.

Standards -- The board may lack standards or requirements for individual director assessment; though there are accreditation standards and third-party tools for the full board assessment from most state hospital associations.

Implementation -- Much of the most important feedback that directors can receive is “subjective” (i.e., related to performance of the board and its behaviors). It takes leadership and skill to implement processes that enable the board to give meaningful feedback on the committees that will result in meaningful change.

Board self-assessment is the baseline – the point at which the board must begin. It must feed forward in continuous governance improvement, standards, and structure, and planning for the future of the board itself.

Boards need to evaluate their own processes in the same manner and with the same vigor that they evaluate the hospitals and health systems that they are charged to govern.

Challenges Include

Inertia -- Gravity has a way of keeping us from doing things differently, from taking on the challenge of change.

Lack of Model or Mandate -- Boards have neither a systemic model nor mandate to perform regular and ongoing governance improvement.

Metrics -- No uniform method of measurement for governance excellence.

Culture -- Boards that are change-averse will find the journey to Intentional Governance very unsettling.

¹³ These insights have been generated by the good works of The Governance Institute and its faculty.



The intentional board regularly asks questions that are critical to enhance its performance:

- Are our meetings effective?
- Do we have the right information that we need to govern?
- Is our board organized and structured properly?
- Are our committees organized and operating effectively?
- Are we accountable stewards of our community assets? Can we prove it?

INTENTIONAL GOVERNANCE REQUIRES BOARD SUCCESSION PLANNING

Studies by The Governance Institute indicate that over 80 percent of respondents believed their hospital or health system would benefit by having formal policies and procedures for board leadership succession planning.

Essential elements of board leadership succession planning include:

- A written policy statement on its importance
- Clear board leadership position descriptions
- Selection criteria driven by the board's aspirational competencies profile
- Board leadership identification and development (partnering/mentoring programs, etc.)
- Board leadership performance evaluation

Governing boards need to be intentional throughout the spectrum: from board recruiting to leadership succession planning. The governing board should have an idea about when board leaders contemplate (or may be contemplating) leaving the board (for whatever reason) so that the board can effectively identify new members in advance of their departure, in order to continue the vital governance leadership continuity loop.

An intentionally constituted board is essential to the success of a healthcare organization.

Boards should carefully review their processes for intentional board work, and compare those with the board's current processes and practices, to see where there is room for change and continuous improvement.

Have periodic candid conversations about the balance of responsibilities and degrees of authority illustrated in the following matrix.



| Sample Authorities ¹⁴ | Governance | Management | Both | Recommended ¹⁵ |
|--|------------|------------|------|---------------------------|
| Overall Direction (Mission, Vision, Values) | | | | |
| Revise mission, vision, values | | | | G |
| Determine annual goals | | | | G |
| Monitor progress on goals | | | | G |
| Determine strategies to achieve goals | | | | B |
| Recommend policy | | | | M |
| Approve policy | | | | G |
| Implement policy | | | | M |
| Change bylaws | | | | G |
| Employ outside consultants (counsel, financial, etc.) | | | | B |
| Ensure compliance with regulations | | | | B |
| Strategic Planning | | | | |
| Develop strategic plan | | | | B |
| Approve strategic plan | | | | G |
| Approve strategic plan budget | | | | G |
| Approve deviations from strategic plan | | | | G |
| Finance | | | | |
| Approve annual operating budget | | | | G |
| Approve capital budget | | | | G |
| Approve deviations from operating budget | | | | G |
| Approve deviations from capital budget | | | | G |
| Approve senior management travel budget | | | | M |
| Board Effectiveness | | | | |
| Prepare and administer a board self-assessment program | | | | G |
| Prepare and approve a board orientation program | | | | B |
| Recommend changes in board composition | | | | G |
| Recruit new board members | | | | B |
| Quality of Care | | | | |
| Recommend criteria for credentialing | | | | M |
| Approve criteria for credentialing | | | | G |
| Recommend quality indicators | | | | M |
| Approve quality indicators | | | | G |
| Establish standards for quality of care | | | | G |
| Monitor quality improvement program | | | | B |

¹⁴ Source: Intentional Governance, The Governance Institute

¹⁵ G = the responsibility of the board / M = the responsibility of the CEO / executive management / B = the board and CEO / management share the responsibility

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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