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Generating Governance Gain

Best Practices for Building a High Performance Board

Introduction

Hospital and health system governing boards do not become excellent by chance. They build performance excellence by purposefully practicing leadership "habits" that function synergistically and consistently to ensure high performance governing effectiveness.

Best Practices for Building a High Performance Board is the result of over two decades of governWell™ work with hospital and health system governing boards to improve their governance effectiveness. It includes 157 qualities that, if practiced consistently, will help to ensure the board performs its critical leadership accountabilities with a high level of accountability, trust and expertise.

The 157 qualities are outlined in this document in eight areas:

- Fiduciary fitness
- Governance culture
- Strategic leadership
- Knowledge growth

- CEO success
- Alignment of system and physician interests
- Performance accountability
- Community connections .

Yes/no checkboxes appear next to each governance quality. Board members, executives and medical staff leaders can determine whether the board possesses the qualities or exhibits the practices, helping to identify leading areas for potential "governance gain."

Contents

Fiduciary Fitness

Mission at the Center

Characteristics of a high performance board...	Our Board	
	Yes	**No**
1. Has mission, values and vision that drive decision-making at all board meetings	❏	❏
2. Has mission, values and vision that drive organizational strategies, objectives and action plans over the next five years	❏	❏
3. Uses its mission, values and vision when making policy and strategic decisions	❏	❏
4. Tests policy and strategy decisions by asking how/if they will strengthen the ability to achieve the mission and vision	❏	❏
5. Regularly reviews the status of strategies and objectives to ensure their fit with the mission and vision	❏	❏

Quality Leadership

Characteristics of a high performance board...	Yes	No
1. Quality is infused throughout board agendas	❏	❏
2. Actively determines what quality issues are discussed, and to what extent they're discussed	❏	❏
3. Has a board-approved definition of quality that encompasses community health, wellness and prevention	❏	❏
4. Quality improvement process defines, measures and improves quality at all levels, including clinical, service and organizational development	❏	❏
5. Uses the results of patient perception studies to ensure improvement in the patient experience	❏	❏
6. Has approved, clearly defined and measurable quality improvement targets	❏	❏
7. The CEO's performance objectives are based in part on measurable and achievable quality goals	❏	❏

Compliance Certainty

	Our Board	
Characteristics of a high performance board...	**Yes**	**No**
1. The organization's compliance program incorporates the elements cited by the OIG (designate a compliance officer and compliance committee; develop compliance policies and procedures, including standards of conduct; develop open lines of communication; provide appropriate training and education; monitor and audit internally; respond to detected deficiencies; enforce disciplinary standards)	❏	❏
2. Adequate resources are provided for compliance efforts to support best practice performance	❏	❏
3. A direct reporting relationship for the corporate compliance officer exists with the organization's chief executive and board chair	❏	❏
4. The general counsel and corporate compliance officer roles are separate to ensure that the compliance officer is completely independent	❏	❏
5. The organization's corporate compliance committee reports up through the legal and compliance functions and to the board audit and compliance committee as needed	❏	❏
6. Written policies and procedures, including a code of conduct, promote consistent behaviors organization-wide	❏	❏
7. The board committee charged with compliance oversight has a clear charter specifying its roles and responsibilities and an annual work plan	❏	❏
8. An orientation to the board compliance committee's roles and responsibilities is conducted for all committee members	❏	❏
9. Board members with compliance- and risk management-related competencies serve on the board's compliance committee	❏	❏
10. Education is provided at least annually for the full board on current and emerging laws, areas of regulatory focus, and other compliance issues and risks	❏	❏
11. An annual board review of the organization's policies and procedures is conducted	❏	❏
12. A risk assessment is conducted at least annually and a work plan is created to address deficiencies, with results shared with the board	❏	❏
13. Compliance is a standing agenda item for every board meeting	❏	❏

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Financial Fitness

		Our Board	
Characteristics of a high performance board...		**Yes**	**No**
1.	Board members are comfortable asking questions about financial issues during board meetings	❏	❏
2.	Identifies and approves targets for important measures of financial and operational performance	❏	❏
3.	Financial reports are easy to understand, highlight major trends and stimulate creative discussion	❏	❏
4.	Uses financial performance reports to modify assumptions and shift resources, as necessary	❏	❏
5.	The annual budget process defines the most effective allocation of the organization's limited resources	❏	❏
6.	Ensures that adequate capital is available to fund the organization's highest priority strategies	❏	❏

Governance Culture

Champions of Change

	Our Board	
Characteristics of a high performance board...	**Yes**	**No**
1. Creates and nurtures a governance and organizational culture that welcomes and embraces change as a creator of new opportunities	❏	❏
2. Rejects "status quo" thinking, and values innovative new approaches and ideas	❏	❏
3. Promotes a culture of innovation throughout the organization	❏	❏

Culture of Discovery

Characteristics of a high performance board...	**Yes**	**No**
1. Takes the time to discuss difficult issues	❏	❏
2. Trustees are open about their thoughts and feelings	❏	❏
3. Decision-making culture includes active-involvement, questioning, probing, challenging and stimulating discussion and dialogue on meaningful issues	❏	❏
4. The governance culture is open to alternative views, and constructively challenges "conventional wisdom"	❏	❏
5. Governance decision pathways ensure that all critical decisions include the proper mix of background, discussion alternatives, potential outcomes and preferred choice	❏	❏
6 Every trustee has a voice in decisions	❏	❏
7. Board participation strengthens decision-making, enriches discussion, builds understanding and prepares individual trustees for future leadership challenges	❏	❏

Critical Conversations

Characteristics of a high performance board...	**Yes**	**No**
1. Has a governance ethic of "listen first, and talk later" to avoid miscommunication and misjudgment	❏	❏
2. Engages in critical conversations to positively impact how trustees relate to one another	❏	❏
3. Board meeting management style encourages openness and participation	❏	❏
4. Makes decisions by first thoroughly considering all alternatives	❏	❏
5. Challenges assumptions and refuses to rely on traditional thinking when confronting strategic issues and challenges	❏	❏

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Ethical Center

	Our Board	
Characteristics of a high performance board...	**Yes**	**No**
1. A board-approved statement of values and ethical principles for the organization and board are consistently applied in governance decisions, and in the delivery of patient care	❏	❏
2. The organization's values and principles are a factor in all relationships - employees, physicians, vendors and partners	❏	❏
3. Ensures that ethical principles and values are provided to all individuals who are employed by, volunteer with, or are formally affiliated with the organization	❏	❏
4. Ensures that values and principles are consistently applied to governance decision-making processes, business practices and delivery of patient care	❏	❏
5. Ensures that compliance with ethical values and principles is a component of employee evaluations	❏	❏

Transparency

Characteristics of a high performance board...	**Yes**	**No**
1. Committed to openness and transparency of governance operations	❏	❏
2. Uses governance transparency to build employee and public trust in leadership	❏	❏

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Strategic Leadership

Action Agendas	**Our Board**	
Characteristics of a high performance board...	**Yes**	**No**
1. The board meeting's primary focus is on discussion and decisions regarding strategy in the areas most critical to success	❏	❏
2. The majority of agenda time is devoted to strategic-level discussion and decision-making (what's coming vs. what's happened)	❏	❏
3. Agendas reflect strategic issues and priorities, and focus on specific outcomes the board seeks to achieve at the meeting	❏	❏

Macroleadership

Characteristics of a high performance board...	**Yes**	**No**
1. The board's responsibility is to be strategic <u>thinkers</u> and strategic <u>leaders</u> rather than strategic <u>planners</u>	❏	❏
2. Focus of time on outcomes, not processes	❏	❏
3. Board members understand the evolving health care environment and community needs	❏	❏
4. A flexible, responsive strategic planning process ensures the ability to shift priorities as circumstances change	❏	❏

Energy on the Emergent

Characteristics of a high performance board...	**Yes**	**No**
1. Focuses on trends and strategic priorities, not operational details	❏	❏
2. Focuses on future-oriented strategic thinking about challenges and issues	❏	❏
3. Engages in timely board discussions about major change, and its implications	❏	❏
4. Creates time on board agendas for meaningful discussion of the most significant emerging issues affecting the organization	❏	❏
5. Considers various futures that may develop, and understands that there are no longer any "straight lines to the future." Scenarios tell where the organization might be, and what actions it might take	❏	❏
6. Judges itself on strategic, not tactical success	❏	❏

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Effectiveness Through Efficiency

	Our Board	

Characteristics of a high performance board... **Yes** **No**

1. Places a premium on board chair leadership, organization and meeting management style ❏ ❏

2. The board chair is well-skilled in the dynamics of effective meeting management and leadership ❏ ❏

3. Trustees' time is respected and used efficiently; trustee involvement and participation are enhanced as a result ❏ ❏

4. Evaluates the success of every board meeting ❏ ❏

Rapid Cognition and Pattern

Characteristics of a high performance board... **Yes** **No**

1. Has an effective early warning system that detects issues before they become problematic ❏ ❏

2. Bores below the surface of issues and challenges, and ensures board-wide understanding before taking actions ❏ ❏

3. Has a governance style that enables a rapid chain of thinking that capitalizes on every trustee's experience and skills ❏ ❏

4. Expects new insights and new ideas to emerge at every board meeting ❏ ❏

5. Uses a dashboard or balanced scorecard to measure progress towards strategic initiatives that enables the board to focus on the connection between now and the future ❏ ❏

6. Governs through "strategic gap analysis" that highlights the most important areas requiring board attention ❏ ❏

7. Relies on evidence, not anecdote and "best guesses" when making decisions ❏ ❏

Strategic Scorekeeping

Characteristics of a high performance board... **Yes** **No**

1. Regularly monitors progress toward the achievement of strategic objectives, using board-approved key performance indicators, and makes timely modifications to direction when necessary ❏ ❏

2. Timely corrective actions are taken if/when objectives are not being met ❏ ❏

3. Annually reviews the strengths and weaknesses of major service lines and programs, and their role and value in mission and vision fulfillment ❏ ❏

Knowledge Growth

Strategic Surveillance

Characteristics of a high performance board...	Our Board	
	Yes	No
1. Trustees are provided with the information and intelligence they need to lead with purpose	❑	❑
2. Trustees receive well thought-out strategic options and alternatives from management prior to defining a strategic course of action	❑	❑
3. New information and new assumptions are expected at board meetings	❑	❑
4. Meeting materials promote meaningful board meeting dialogue and critical decision-making	❑	❑
5. Governance information is relevant, timely, understandable and actionable, and facilitates board decision-making	❑	❑
6. Trustees have a clear and comprehensive understanding of the implications of a rapidly changing health care environment	❑	❑
7. The board's understanding of the evolving health care environment ensures effective strategic decision-making	❑	❑
8. Familiar with the planning data and assumptions that form the foundation for the strategic plan	❑	❑
9. The strategic information provided to the board ensures a clear understanding of issues and challenges	❑	❑

Knowledge Capital Development

Characteristics of a high performance board...	Yes	No
1. Has an annual governance education plan supported by a budget	❑	❑
2. Trustees participate in governance education as a condition of board appointment and/or election	❑	❑
3. Uses governance education to acquire and absorb new ideas and make sense out of complex issues	❑	❑
4. Governance education creates a solid grounding and awareness of critical issues and trends and their impact on the organization	❑	❑

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CEO Success

Deliberative Dependence

Characteristics of a high performance board...	Our Board	
	Yes	No
1. Strategy/policy responsibilities and the CEO's operational responsibilities are consistently followed	❏	❏
2. The board and CEO have clear, mutually agreed-upon expectations of one another	❏	❏
3. Trustees do not interfere with the CEO's operations management role	❏	❏
4. Consistently supports the CEO in the pursuit and implementation of board-approved objectives	❏	❏
5. The board and CEO and medical staff work together with a sense of purpose	❏	❏
6. Always hears from the CEO in advance of a difficult or potentially problematic organizational issue	❏	❏

Performance Motivation

Characteristics of a high performance board...	Yes	No
1. The CEO is involved in setting and approving his/her accountabilities	❏	❏
2. Evaluates and compensates the CEO using defined expectations and performance targets tied to achievement of the mission, vision and strategic objectives	❏	❏
3. CEO compensation is linked to strategic performance	❏	❏
4. CEO compensation stimulates and rewards excellent performance	❏	❏
5. Regularly reviews progress toward the CEO's attainment of board-approved performance objectives, and acts as partners for success	❏	❏

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Succession Success

Characteristics of a high performance board...	Yes	No
1. Has defined the business changes and challenges the organization will likely face in the future	❏	❏
2. Has defined the skills, personal qualities and characteristics that will be required of the successful future CEO	❏	❏
3. Has an approved process for leadership succession planning linked to strategy and business priorities	❏	❏
4. Has strong CEO participation and support in the succession plan	❏	❏

Our Board

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Alignment of System and Physician Interests

Enlightened Engagement

	Our Board	
Characteristics of a high performance board...	**Yes**	**No**
1. Management and medical staff have a mutually shared understanding of mission, vision and values	❏	❏
2. Physicians are well-aware of the board's commitment to help them successfully cope with turbulent economic and operating challenges	❏	❏
3. Includes physicians in meaningful ways as partners for organizational progress, involving physicians in conversations and decision making about critical issues	❏	❏
4. Holds management and the board accountable for building medical staff alignment as a strategic imperative	❏	❏
5. Provides a consistent, predictable level of commitment to physicians	❏	❏
6. Backs up commitments with concrete actions and accountability	❏	❏
7. Always places the quest for quality patient care at the center of mutual efforts	❏	❏

Real Voice for Physicians

Characteristics of a high performance board...	**Yes**	**No**
1. Dedicates adequate time to listening to and understanding physicians' needs	❏	❏
2. Provides "heads-up" advance information to the medical staff on critical issues and decisions	❏	❏
3. Provide a forum for physicians to encourage their input into important decisions well before the decisions are made	❏	❏
4. Controls the "rumor mill" with early, open and honest communication	❏	❏
5. Involves physicians in meaningful ways in securing recommendations about planning and budgeting	❏	❏
6. Ensures strong physician leadership on the board, in committees and task forces	❏	❏
7. Routinely solicits physicians' viewpoints, advice and counsel	❏	❏
8. Invites recommendations from the medical staff for ways to improve the practice environment	❏	❏
9. Plays a strong role, with the medical staff, in setting agenda discussions of quality that are designed to result in greater overall organizational performance and higher clinical quality performance	❏	❏

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Performance Accountability

Continuous Governance Gain	**Our Board**	
Characteristics of a high performance board...	**Yes**	**No**
1. An annual board self-assessment is a core governance accountability	❏	❏
2. Assesses leadership strengths and weaknesses and identifies "governance gaps"	❏	❏
3. Sets performance and effectiveness goals for the board, committees, and individual trustees	❏	❏
4. A governance development process is in place that identifies governance issues, determines educational needs, and manages the governance self-assessment process	❏	❏
5. Develops and implements an annual governance improvement plan designed to close "governance gaps"	❏	❏
6. Gauges governance effectiveness in large part on the organization's strategic progress and performance	❏	❏
7. Conducts an annual personal and peer governance review	❏	❏
8. The peer review process helps board members improve their performance, and achieve higher levels of governance excellence	❏	❏

Succession, Not Recruitment

Characteristics of a high performance board...	Yes	No
1. Has governance succession plans, not trustee recruitment plans, that define the ideal trustees for the board	❏	❏
2. The trustee succession plan looks forward at least five years	❏	❏
3. Has clearly defined criteria for identifying, screening, interviewing, evaluating and recruiting new trustees	❏	❏
4. Matches present governance skills against current and emerging trends, challenges and issues when undertaking governance succession planning	❏	❏
5. Has a trustee expertise "portfolio" that outlines the experience, expertise and personal characteristics required of trustees	❏	❏
6. Has an established process to determine new governance skills required for effective leadership	❏	❏

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Community Connections

Commitment to Community	**Our Board**	
Characteristics of a high performance board...	**Yes**	**No**
1. Understands the community's needs, and has a community health improvement focus in the board's governance work	❏	❏
2. Addresses community needs as part of the ongoing environmental assessment process	❏	❏
3. Connects community needs and community benefit	❏	❏
4. Ensures that stakeholders' and constituents' needs, interests and viewpoints are assessed when developing goals and strategies	❏	❏
5. Has a board-approved process for eliciting community input and viewpoints about future service needs and opportunities	❏	❏
6. Trustee advocacy advances the organization's image and reputation	❏	❏
7. The board's actions contribute to building and sustaining a positive image for the organization	❏	❏
8. Ensures that the organization's plans and priorities are well-communicated to the community's stakeholders	❏	❏
9. Utilizes trustees as "ambassadors" to the community and with stakeholders on important health care issues	❏	❏
10. Works with others in the community to develop collaborative partnerships to build a healthier community	❏	❏
11. The board's role in local, regional and state political advocacy advances the organization's standing with political leaders	❏	❏
12. Building and sustaining positive attitudes about the organization by the public is a board priority	❏	❏

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Belief in Benefit

	Our Board	
Characteristics of a high performance board...	**Yes**	**No**
1. Has a written policy and/or procedure that defines the board's position on community benefit, including a statement of commitment; a process for board oversight; a definition of community benefit; a methodology for measuring community benefit; measurable goals; a financial assistance policy; and a commitment to transparent, public communication	❏	❏
2. Regularly engages in formal discussions about the organization's community benefit responsibilities and programs	❏	❏
3. Ensures that the organization defines, measures and reports community benefit	❏	❏
4. Collaborates regularly with other local organizations in community needs assessment	❏	❏
5. Measures success in part by improvements in community health	❏	❏
6. Uses the community benefit report to build community trust, confidence and loyalty	❏	❏
7. Receives regular reports on the organization's progress toward established community benefit objectives	❏	❏

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