New Study Urges Boards to Transform Governance
by Mary K. Totten

You are the CEO of Middle America Community Hospital. It’s the week between Christmas and New Year’s Day and you are digging into that pile of reading you set aside for a time when you had more than a few minutes. You pick up a report from the AHA Center for Healthcare Governance titled, “Governance Practices in Era of Health Care Transformation,” and glance through the Table of Contents. The issues the report covers and the governance strengths and opportunities profiled have been the subject of recent conversations you have had with your board chair. You both agree that the board has stepped up its game in response to the myriad challenges confronting your hospital. However, it still has a way to go to establish the governance culture and practices that will make the board a valuable partner in leading the organization through the transformational change it is now undergoing. You read through the report and realize that the stories being told by hospital leaders and board members echo many of the successes and challenges your board, and others like it, are facing in the “two-steps forward, one-step-back” process that often characterizes leadership in times of significant change and opportunity. You put the report down and write an email to your board chair, attaching the report and asking her to read it and then have a conversation with you about how its recommendations might apply to your board.

Once you have read the report, you might wonder where to begin tackling the work of transforming governance to help your board provide more effective transformational leadership for your organization. In this article, three panel members from the governance study share their perspectives about how boards might use the report to challenge and improve their own governance practices.

Where to Begin

The best place for boards to start transforming their governance, panel members said, is to look inward.

“Boards need to critically evaluate themselves using the report’s recommendations as a guide,” said Nancy Formella, who recently retired as executive advisor to the boards, Dartmouth-Hitchcock Health System, Lebanon, N.H. “Every board needs to determine its strengths and weaknesses in relation to what it will take to lead transformation in their organization, and most boards aren’t used to having these conversations.”

Board effectiveness has a lot to do with who is chairing the board, said Katherine Keene, trustee, Salem (Ore.) Health. “Board chairs should ask themselves if they are the right person for the job—whether they have the emotional maturity, ability to ask tough questions and provide constructive feedback, and other skills sets necessary to take on transforming governance. The CEO also has to be supportive of having the board change and grow. Boards should take a serious look at the competencies listed in the report that are needed for success in the current environment, assess the board against these competencies and address gaps. Focusing on competencies is a good place to start.”

“Examining your board’s culture is an important initial step,” said Rick de Filippi, former board chair, Cambridge (Mass.) Health Alliance. “Just like the organizations they govern, boards should establish a high-performance culture which includes being transparent, candid and self-critical. Ongoing evaluation...
needs assessments to set organization levels.

The panel’s report stresses the importance of boards being mission-focused and examining whether different models of governance are required in different parts of the organization, as well as at system, local hospital and physician enterprise levels.

“Putting community health first, understanding how to care for and improve the health of a population and creating a vision for the organization based on what’s best for the health of the community.”

“Holding a mirror up to examine your own performance is difficult for most boards,” Formella noted. “Our board engaged an outside facilitator to help provide objectivity when it took on this work. He analyzed our board agendas and noted that we had not built in much time for discussion, so we spent time modeling what effective board conversations are like. He also interviewed every board member and then reported back to the full board about the needs and challenges members identified. This led us to examine the explicit and implicit assumptions and rules that defined board culture and have a candid discussion about them. The work also included creating written job descriptions for board members and leaders, which then became the basis for ongoing evaluation of performance.”

“We recognized that transforming governance would have an impact on board stakeholders,” she said, “so we involved in the process C-suite staff who typically worked with the board and kept medical staff and academic leaders apprised of our progress. Boards also need to consider that employee engagement is necessary for successful transformation at all levels and ensure employees are engaged in the process.”

Panelists noted that successfully transforming governance depends on board engagement and appropriate support.

“Boards should empower their leadership and their Governance Committees to take on this work,” Keene said. “The immediate past chair of our board chairs the Governance Committee. We have found that our past chairs understand the board’s strengths and weaknesses and can effectively provide leadership continuity.”

“Making this kind of large-scale impact also will require partnering with other health care providers and community organizations to achieve goals that meet value-based priorities.”

Keys to Success

Gaining board, executive and clinical leadership buy-in for governance transformation is critical for success, panelists noted, as is creating an infrastructure to support change. And, even with the right approach and resources in place, the work is not quick or easy.

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“Boards also need to consider that unlike other board committees, such as Finance or Audit and Compliance, the Governance Committee may not have dedicated staff with expertise in governance to support it in leading transformation and carrying out the work of a transformed board, Keene said. “Our outside General Counsel provided key support for our board, acting as the ‘conscience’ of our committee and keeping us focused on our commitments.”

Board members also need to be prepared to take on some of this work themselves, and CEOs need to let them get involved.

“We required board members to do outside reading and framed questions for discussion at each meeting, which ensured everyone was prepared,” Formella noted. The Dartmouth-Hitchcock board spent three to four years improving their governance practices, and ongoing coaching for new board leaders continues to occur.

“Our outside facilitator acted as a buffer for us, which is important because lots of denial can be a part of the governance transformation process,” she said, “and boards can get discouraged.” One way to help get past some of these obstacles, Formella suggested, is to first ask the board to discuss what irritates them about the way the organizations works. Then ask them how they as a board reflect some of those irritating practices when they do their work. This helps the board get at their own shortcomings indirectly. “This work is a lot harder than you think it is,” she said, “but boards have to persevere and dig in, because this is board work and can’t be delegated.”

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“CEOs and their executive assistants may not have formal training in governance and may not see transforming board work as their first priority, given all the other issues they are responsible for in guiding their organizations through the significant changes now occurring in health care,” Keene said. “Yet making
sure the board is up to leading transformational change should be an organizational priority. CEOs who decide not to focus on it are missing a great opportunity to share the burden with community leaders who have demonstrated an interest in helping the organization succeed. The time of the ‘omnipotent’ CEO is past, and those CEOs who still feel they have to solve every problem or have all the answers are failing the test of leadership.”

Returning routinely to the mission as a touchstone for board work helps ensure that both boards and organizations focus on the right purpose for transforming governance. Always being mindful of what’s right for the community will lead to a conversation that panelists believe is a critical step in transforming board work, particularly for smaller hospitals.

“Boards of smaller, freestanding organizations must conduct a fact-based, hard-headed assessment of whether the organization can continue to stand alone or whether it needs to partner with a larger organization,” Keene said. “This focus will help boards ask important generative questions such as: Are we doing the best we can do? Are we using our organization’s resources in ways that can achieve the best results for our community?”

Boards governing health care organizations that may partner or merge with another hospital or system should also take this potential step into account when transforming their own governance, she said. Filling vacant board seats with people skilled in large-scale change, population health and strategic thinking and empowering the Governance Committee to look for people with these types of skills are some activities boards can undertake.

Ongoing Effort Required

For most boards the hard work of truly transforming governance still lies ahead, but for those farther down the road, the work is proving worth the effort.
The focus of the Salem Health board is continuous governance improvement based on having needed competencies," Keene said. "We noticed a big change when we updated our competency matrix from looking for job titles to seeking specific skill sets. This signaled that we were concentrating more on the type of work an individual has done rather than on the venue in which he or she has done it. Improving our board practices also made us realize we needed to get tougher on conflicts of interest. As part of that process we decided to bring in people with clinical backgrounds from outside the organization. We still invite our medical staff president and president-elect to attend board meetings and provide input, but people in these positions are no longer automatically members of the board."

Is Transformation Working?

When asked how boards will know whether their transformation efforts are working, panelists offered these observations.

“When governance improves, the organization’s quality performance should improve as well,” Keene said. “Boards should see that the tough issues are being raised and addressed. Board members that have done this work will find it easier to have tough conversations and disagree without thinking that they are under personal attack. Over time, skills develop and these conversations will move from being perceived as acceptable to being viewed as a requirement of good board work.”

This is also true of building leadership development and succession planning into the board’s work, she added. “Often people who are not in the right positions are relieved that they have been given the opportunity for a graceful exit.”

Boards need to understand that once improved governance practices are put into place they won’t sustain themselves. “A tenacious commitment is required and boards need to put up ‘guardrails’ to prevent themselves from lapsing into old practices,” Formella said. “Some boards still yearn for the old days when they met for dinner and had a nice conversation. It’s very hard to change a board’s culture and expectations.”

The worst outcome, Keene said, would be for a board to only scratch the surface of governance change and then adopt a “been there, done that” attitude. “Anything less than a rigorous, self-critical examination of board practices is not enough in times like these.”

“The study panel had an obligation to be open and honest in assessing the progress health care boards have made in governing effectively,” de Filippi said. “The time has passed for boards to think change is optional, and the substantial transformation our health care organizations are now undergoing to improve their performance makes a compelling case for boards to raise their performance as well.”

“Boards that believe high-performance governance is required will be willing to change,” he added. “Yet, I think about some boards I know and wonder whether their chairs will be willing to have their competency evaluated or whether they will be happier and more comfortable leaving things the way they are. The panel believed it had to go on record saying that boards must significantly improve the way they govern as soon as possible to effectively lead transformation in their organizations. It’s time for boards to lead by example.”