

# Trustee Insights

## GOVERNANCE EFFECTIVENESS



## Governance and The Three Modes

Competence in fiduciary, strategic and generative governance can boost board effectiveness

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**F**or community health care boards to effectively tackle the big challenges their organizations face and to lead successfully into the future, they need to enhance their ability to bring value and insights, think critically and provide strategic guidance. This means focusing on what really matters, thinking things through carefully, challenging the status quo and being ready to make tough but important directional decisions.

To boost board effectiveness, boards need to build muscle in three key modes of governance: fiduciary, strategic and generative. When boards understand and use these modes — both as individuals and as a team — they can make smarter choices and move from being good to truly great.

### The Modes Explained

Each mode of governance requires the board to take on a distinct role. In the fiduciary mode, the board acts as a watchdog, ensuring proper oversight and compliance. In the strategic mode, the board takes on the role of a strategist, solving problems and guiding the organization's direction. In the generative mode,

the board acts as a sense maker, exploring issues from different angles and considering various future possibilities. High-performing boards use all three modes at different times to effectively guide their organizations.

### Fiduciary Governance

Fiduciary governance is closely tied to the core duties of obedience, loyalty and care. As community board members, fulfilling fiduciary duties requires being committed to the organization's mission, disclosing conflicts of interest and coming to meetings well prepared and ready to engage, among other things. This work involves oversight, stewardship, accountability, risk management and compliance.

Key questions community health care boards address in the fiduciary mode include:

- How is our organization fulfilling its mission?
- Are we acting in the best interests of the organization and our communities?
- Do we have a clear understanding of the regulation affecting the organization?
- Are we in compliance?

A community health care board is in the fiduciary mode of governance when, for example:

- A board member self-discloses a conflict of interest and recuses

themselves from related board/leadership discussions.

- It regularly evaluates the CEO's performance, sets goals and ensures accountability.
- It oversees the process by which the organization conducts the community health needs assessment.
- It receives and reviews annual financial and contract audits.

Other examples of fiduciary governance in action include rigorously managing organizational finances and compliance frameworks to enhance transparency and ethical practices. Similarly, in the fiduciary mode, the board will focus on credentialing health care providers to safeguard patient safety and maintain quality services.

## Strategic Governance

In the strategic mode, the board focuses on long-term planning and big-picture discussions of how to move from the current state to a desired future state. Whereas boards use the mission to guide decision-making in all three modes, in the strategic mode, typically during strategic planning, boards focus on reaffirming the organization's mission and establishing the vision of the future. They set broad strategies to achieve the vision, prioritize initiatives and resources allocations, set priorities and regularly review performance.

Key questions a community hospital board would ask include:

- What is our vision for the future of health care for our communities? How will we define success?

- What are the organization's core challenges and opportunities?
- What is changing in our markets — such as competition, regulation, partnerships and affiliations, community health needs — that should be considered as we prepare for the future?
- What are the big areas of focus to prioritize in order to achieve our vision?
- What would happen if we did nothing different from today?

A community health care board is in the strategic mode of governance when, for example:

- It oversees the organization's strategic plan process, ensuring input is incorporated from multiple stakeholders and in which a shared vision of the future is established.
- It receives an update on recent changes to the market, such as new competitors, mergers or affiliations between providers and payer movement. The board then discusses the impact of these changes and considers how the organization should respond and move forward.
- It discusses whether it has accurately evaluated the health factors and needs of its community, if the organization is effectively addressing those needs and how it might do things differently in the future to better meet the needs.
- It explores and makes decisions on strategic partnerships with other organizations to improve service delivery. It receives routine education from experts about health care trends, payment reform, regulatory changes and innovations.

Other examples of strategic governance in action include over-

seeing major initiatives like building a new facility, launching a new program, implementing an electronic health records system or other innovations.

## Generative Governance

While fiduciary and strategic governance focus on the what, where and when, generative governance dives into the why and what if. It's about thinking ahead and looking far into the future. Generative discussions can feel unclear and uncertain, but that's where the real value lies. Answers should not come easily but should be reached through vigorous, ongoing discussion. These discussions should encourage deep thought and reflection to uncover hidden issues, spark new ideas and challenge old assumptions—all while tackling the big questions that matter most to stakeholders.

Key questions a community hospital board would ask in the generative mode include:

- What does our organization represent to our community and why?
- What is the legacy we want to provide for our grandchildren and great grandchildren of this community?
- How will changes in our society (demographic shifts or technological advances) influence our organization's greater purpose?
- What are the problems and new possibilities of the future?

A community hospital board is in the generative mode of governance when, for example:

- It engages in meaningful

discussions about what constitutes health (not just health care).

- It explores the bigger picture of why health matters and how to enable health and wellness for communities, now and for generations to come.
- It brainstorms how technological innovations or partnerships could enhance the organization's ability to fulfill its mission and add value.

Generative governance success stories include Cleveland Clinic redefining its role in community health by addressing food insecurity and housing stability. The Robert Wood Johnson Foundation developed pioneering programs by asking transformative questions such as, "Why does health disparity exist?" and "How can we lead systemic change?"

Not surprisingly, generative governance can be the most challenging mode to understand and apply. It requires critical thinking, curiosity, open-mindedness and a willingness to hear different perspectives. Generative governance is understanding not just what the answers might be, but what the right questions are in the first place.

## Strengthening governance muscle in the three modes

The following offer practical ways for boards to strengthen governance muscle in all three modes.

### Board Meetings

Design board meeting agendas to reflect the three modes of governance, focusing on topics aligned with the organization's mission and

strategy. Include clear discussion questions to guide board debate and allocate ample time for meaningful dialogue and deep thinking. Use consent agendas to streamline routine matters, combining them into a single item for quick approval or denial.

To ensure board members have time to review, prepare and arrive ready to engage, share insights and ask thoughtful questions, provide well-curated, high-level strategic reading materials in advance of the meeting and avoid management report-outs of pre-distributed materials to prioritize discussion and decision-making during meetings.

### Board Discussion

Management plays a key role in facilitating productive board discussions. Instead of ending with a simple "any questions?," include specific discussion questions at the end of each agenda topic. Focus on what management needs from the board to help think through the issue. Make these discussion questions visible on the agenda and in the pre-reading materials to guide the conversation.

Encourage board members to ask thoughtful questions that spark dialogue and deeper analysis. Examples include:

- Why is this issue important for us to consider?
- Why does this problem persist?
- How can we view the situation from a different perspective?
- What are the best and worst possible outcomes?

This approach helps create a more dynamic and engaging discussion, ensuring that board input is both valuable and actionable.

## Board Composition

It's common for individuals to feel more comfortable operating in one or two governance modes but rarely in all three. This is where the composition of a board becomes a significant advantage. Different board members bring varied skills and different levels of comfort across the three modes, enriching discussions and decision-making. We recommend building boards that are balanced, with members who bring unique experiences and perspectives. This helps the board recognize cues and insights that might otherwise be missed.

## Leadership

The nonprofit health care board chairperson plays a critical role in helping the board strengthen its governance abilities across the three modes—fiduciary, strategic and generative. Here's how they can support this development:

- Set the tone and establish a culture that values all three governance modes and highlights their importance.
- Shape the agenda to ensure they are balanced with routine oversight, strategic planning and deep forward-thinking discussions.
- Foster a healthy relationship with the chief executive officer to maintain clear distinction of roles between what is governance and what is management.
- Promote different voices in board member composition and encourage participation from all board members.
- Prioritize board education to build the board's capacity to effectively operate in all three modes.

- Guide discussions and redirect conversations when they become too operational.

- Encourage the board to evaluate its governance approach and identify areas for growth through regular board self-assessment.

## Conclusion

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The responsibilities of today's health care governing boards are significant. The board's role goes beyond simply oversight. To be truly effective, boards must analyze complex issues, ask insightful questions and envision a future that aligns with their organization's goals and the needs of the community they serve.

By strengthening fiduciary, strategic and generative governance muscles, boards can elevate their decision-making processes and amplify their organization's positive impact. Fiduciary governance seeks to ensure organizational compliance, financial and operational accountability, strategic governance focuses on setting and achieving long-term goals and generative governance focuses on deeper questions, exploring ideas and possibilities that shape the organization's future for generations to come.

When boards balance these three modes — combining oversight with forward-thinking discussions and proactive leadership

— they unlock their full potential. This thoughtful approach not only strengthens the organization but also leads to meaningful and lasting benefits for the communities they are dedicated to serving.

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