

Reaching for the Stars

by Pamela R. Knecht

Now, more than ever, boards of not-for-profit organizations feel compelled to up their game. Most have mastered the basics of governance (e.g., overseeing audit and compliance), and they now want to use governance best practices. They study what stellar boards are doing, so they, too, can reach for (or become) governance stars.

The highest-performing boards across the country share certain key characteristics that can be grouped into five categories:

1. Visionary, Strategic and System-focused
2. Nimble, Streamlined and Clear
3. Intentional, Disciplined and Consistent
4. Competency-based, Informed and Evaluated
5. Objective, Transparent and Accountable

Visionary, Strategic, and System-focused

Outstanding boards see themselves as visionary, co-leaders of their organizations, along with their senior management teams. They help to develop a unique vision for the organization and they encourage others to push themselves to achieve that desired future state. As Carly Fiorina said, "Leadership is not about management, title, position, or budgets. Leadership is about changing the order of things; and unlocking the potential in others." Boards must set the tone from the top so others know where they are going.

The best boards have figured out how to make time for strategic-level thinking and direction-setting. They have

revised their meeting agendas and added time in board retreats for in-depth conversations about the future of the industry, the strategic options, and the best path(s) forward. And, they envision the future together with their key stakeholders. (See recent *Great Boards* articles, *Strategic Governance Practices for Turbulent Times* and *The Shared Governance Imperative* for more information on the steps boards can take to become more strategic.)

Given the new, value-based reimbursement models that require becoming a truly integrated care system, well-performing boards constantly challenge their organizations to think and act like one system. They demand system-wide policies, processes and metrics and they hold the organization accountable vis-à-vis those measures of "systemness." For

example, they require that the board dashboard include metrics that are relevant to systems of care versus inpatient facilities (e.g., seamless care transitions versus average length of stay).

Nimble, Streamlined and Clear

The boards and management teams that are most successful in today's tumultuous environment are those that can make good decisions quickly. One of the ways they do this is to streamline their own governance structures and processes.

For instance, they consolidate and/or eliminate boards and committees so there are fewer layers of decision-making. In addition, they revisit the size of their boards to ensure that there is sufficient air-time for each member's perspectives to be shared. This, ultimately, results in better decision-making.

And, they make sure that all remaining governance entities are perfectly clear about their role, responsibilities and authority. Well-functioning boards ensure this information is clearly spelled out in bylaws and charters. Examples of good charters can be found on the *Great Boards* website, <http://www.greatboards.org/resources/charters/>.

These boards have well-functioning governance committees that make sure that those invited to serve on each board and committee receive robust orientation about the specific role they will play. For instance, in health systems that have subsidiary hospital boards, those boards may have responsibility for quality oversight and community needs identification, but not for financial decisions. If this is the case,



subsidiary board members should understand and respect the valuable role they play and not become disenchanted if they are not approving the capital budget for their hospital.

Intentional, Disciplined and Consistent

Superb boards approach their own practices with intentionality – they decide what they will and will not do, versus allowing past history or current culture to dictate their governance. They take a continuous improvement approach to their work and make explicit decisions about difficult questions such as whether employed physicians can or cannot serve on the board and/or as board chair. Then, those decisions are formalized in written board policies.

Once they have developed governance policies and practices, the best boards use a disciplined approach to implementation. For instance, if they have developed a specific board member recruitment and selection process, they follow that process; they do not allow any individuals to become board members unless they have met the criteria and followed the board's process.

Similarly, very good boards are highly consistent. As an example, if they have decided to use term limits, they apply those rules to all individuals and do not continually extend the terms of certain members. Great boards are also highly consistent in the way they structure themselves and develop their documents. They use the same templates for all committee charters; they have the same committee structures for similar subsidiary boards; and they follow the same format for board meeting materials and minutes across boards and committees.

Competency-based, Informed and Evaluated

Given the complexity of the health care industry transformation, it is critical that each board and committee have all

needed skills, competencies and perspectives. Therefore, a key practice of the best-performing boards is that they are competency-based, not representational. They take the time to determine what competencies are needed for each governing entity and they recruit individuals to fill needed gaps. They also address head-on any legacy, representational approaches to “reserving” seats on the board for certain constituencies (e.g., chief of medical staff; or chair of the foundation board). They eliminate as many *ex-officio* seats as possible to allow the board to decide which individuals it needs.

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Enough cannot be said about the importance of board members needing to be informed. The best boards have developed comprehensive orientation programs and annual, continuing education plans that include internal and external resources of all types. They also consider the orientation mandatory and they offer a mentor to new board members. Many boards have a specific requirement that each board member spend a certain, minimum amount of time in continuing education each year (e.g., 20 hours).

A practice that sets boards apart is their commitment to developing performance expectations and evaluating adherence to them. The best actively use their governance committee to propose expectations, track performance and then hold individual members and the full board accountable. Boards that are ready to advance their use of best practices often institute individual board member evaluations and have candid discussions with board members about their performance. Then, they

help under-performing board members to leave the board with grace.

Objective, Transparent and Accountable

Boards of not-for-profit organizations are expected to provide objective oversight of the public's assets. Some boards have decided to be “beyond reproach” and insist that 100 percent of their parent board be “independent” according to the IRS Form 990. They believe this is the best way to assure the public (and important regulators) that they are fulfilling their fiduciary duties. Other, highly-functioning boards have used different approaches to this difficult issue.

The most important issue in this category, though, is boards being transparent about their membership, processes and policies. Great boards often publish on their organization's website their members' names, their potential con-

licts of interest and key policies. They also hold the entire organization to the same standard of transparency (e.g., publishing quality and cost information in easily understandable formats).

Stellar boards use the same high standards for themselves as they do for their organizations. And, most important, they hold everyone accountable for performance against those standards. In other words, they want both their organizations and their boards to be stars.

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