THE EFFECTIVE BOARD FOR THE FUTURE: PRACTICAL GOVERNANCE SKILLS

James E. Orlikoff

President,
Orlikoff & Associates, Inc.
4800 S. Chicago Beach Drive
Suite 307N
Chicago IL 60615-2054
773-268-8009

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www.ORBoardworks.com

GOVERNANCE MOVES TO THE FRONT PAGE!!

From AHERF to ENRON
THE QUALITY OF GOVERNANCE THAT WAS SUFFICIENT TO GET YOUR ORGANIZATION WHERE IT IS TODAY WILL BE INSUFFICIENT TO GET IT WHERE IT NEEDS TO BE TOMORROW!

VOLUMES OF RESEARCH SUGGEST THAT A DIVERSE GROUP OF INDEPENDENT DIRECTORS WITH ACCESS TO GOOD INFORMATION WILL CONSISTENTLY MAKE BETTER DECISIONS ABOUT BIG PICTURE ISSUES THAN THE MOST INTELLIGENT INDIVIDUAL CAN.
THEN WHY DON’T THEY?

NOT MY BOARD!

➢ SOME BOARDS VALUE HARMONY MORE THAN EFFECTIVENESS AND CREATIVITY
➢ THE WISDOM OF MEETINGS: NONE OF US ARE AS DUMB AS ALL OF US
➢ NEVER UNDERESTIMATE THE POWER OF BAD IDEAS – ESPECIALLY IN GROUPS
➢ THERE IS NO JOY QUITE SO PROFOUND AS BEING TOTALLY CLUELESS
1. WHAT IS THE MISSION OF YOUR GROUP PRACTICE/HEALTHCARE ORGANIZATION?

2. WHAT IS THE JOB (KEY FACTORS) OF THE BOARD?

3. WHAT IS THE JOB OF THE CEO AND SENIOR MANAGEMENT?

WHAT MAKES BOARDS UNIQUE?

1. A BOARD ONLY EXISTS WHEN IT IS MEETING.

2. THE BOARD IS AN ENTITY, NOT A COLLECTION OF INDIVIDUALS.

3. THE AUTHORITY OF THE BOARD DERIVES FROM THE WHOLE, NOT FROM ANY INDIVIDUAL MEMBER.
WHAT IS THE “FIDUCIARY DUTY” OF THE BOARD?

1. THE DUTY OF _________
2. THE DUTY OF _________
3. THE DUTY OF _________

NINE KEY RESPONSIBILITIES OF THE BOARD:
1. Institutional goal setting
2. Relations with the CEO
3. Relations with other Leadership groups and Constituents
4. Quality of care
5. Financial planning and cost containment
6. Relationships with the community, media and the government
7. Self-evaluation
8. Organizational monitoring and evaluation
9. Mission evaluation
THE REAL ROLE OF THE BOARD: RELATIONSHIP MANAGEMENT

THE KEY RELATIONSHIPS:
1. BOARD-MANAGEMENT RELATIONSHIP
2. AMONG BOARD MEMBERS
   a. Committees - Board
   b. Among Different Boards
   c. Among Different Entities
3. BOARD - THE PHYSICIANS (MEDICAL STAFF)
4. ORGANIZATION (BOARD) – CONSTITUENCY RELATIONSHIP
5. BOARD - MISSION OF THE ORGANIZATION

THE SEVEN DEADLY SINS OF INEFFECTIVE GOVERNANCE

1. REPRESENTATIONAL GOVERNANCE
2. LACK OF MISSION FOCUS
3. THE TENDENCY TO RESIST CHANGE RATHER THAN TO LEAD IT
4. BAD GOVERNANCE INFORMATION
5. RELUCTANCE TO DUMP THE DEADWOOD FROM THE BOARD
6. CUMBERSOME, OUTMODED GOVERNANCE STRUCTURES
7. NO JOB DESCRIPTIONS
CRITICAL LEADERSHIP QUESTIONS FOR THE BOARD

1. WHAT DO WE BELIEVE?
2. WHOM DO WE SERVE?
3. WHAT DO WE DO?

THE FALLACY OF COMPOSITION

WHAT IS GOOD FOR THE INDIVIDUAL IS NOT GOOD FOR THE GROUP

WHAT IS GOOD FOR THE GROUP IS NOT GOOD FOR THE INDIVIDUAL
LEADERSHIP

A leader is a person or group that people will follow to places where they would not otherwise go by themselves.

Stolen from Jim Conway, who Stole it from Cathy Trower, Harvard Graduate School of Education
THE LEVERS OF EFFECTIVE SYSTEM LEADERSHIP

TO BE EFFECTIVE, A BOARD OR OTHER LEADERSHIP GROUP MUST CONTROL ITS:

- TIME
- AGENDA
- INFORMATION
- STRUCTURES
- POLICY

EFFECTIVE GOVERNANCE PYRAMID

- VISION
  - Evaluation
  - Related Gov. Issues
  - Board Information Control
  - Board Agenda Control
  - Annual Committee Work plans
  - Board Committee Structure
  - Board Goals & Objectives

- MISSION
- Objectives
- Annual Goals & Objectives
- Strategic Plan

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GOVERNANCE AS LEADERSHIP – Richard Chait - Harvard

1. Fiduciary Governance
2. Strategic Governance
3. Generative Governance

Modes of Governance

Fiduciary. Stewardship of tangible assets. Oversee operations; deploy resources wisely; ensure legal and financial integrity; monitor results.

Strategic. Partner with senior staff to scan internal & external environments; design & modify strategic plans; strengthen comparative advantage.

Generative. Source of leadership to discern, frame, and confront challenges rooted in values, traditions, and beliefs; engage in sense-making, meaning-making, and problem framing.

Richard Chait
FIDUCIARY GOVERNANCE

- Protect Assets
- Meet Regulatory Requirements
- Assure Resources Used in Pursuit of Mission

Dot those “i’s” and cross the “t’s”!

STRATEGIC GOVERNANCE

Guide the Organization From the Present to a Known Future.
- Often Incremental
- Always Logical
- Goal Based.

Much Time Spent on Getting Everyone on the Same Page – Strategic Planning Retreats.
GENERATIVE GOVERNANCE

Re-Define The Future
Ask the Questions BEHIND The Questions
Re-Shape the Thinking in the Other Two Modes
Look For Cues and Clues

Often Non-Linear
Usually Disruptive to the Organization

Core Concepts

• Emphasize modes, not tasks, of governance.
• Think and work in three different modes.
• All three serve important purposes.
• Value added increases as board:
  – Becomes more proficient in more modes;
  – Does more work in Generative mode;
  – Chooses appropriate mode(s) of work.

Richard Chait
Generative Thinking

- Makes sense of circumstances.
- Invites prior questions, alternative hypotheses.
- Puts perceived problems/opportunities in new light.
- Finds and frames new problems and opportunities.
- Concerns values, beliefs, and assumptions.
- Spawns policy, strategy, and decisions.

BOARDS AS TEAMS

“Real teams don’t emerge unless individuals on them take risks involving conflict, trust, interdependence & hard work.”

Katzenbach & Smith
GREAT TEAMS HAVE GOOD FIGHTS!

• The complete absence of conflict in a board or committee (team) is *not* harmony, it’s more likely apathy.

• Great teams have these characteristics:
  • they focus on the facts or the tasks
  • they generate and truly consider alternatives
  • they create common goals
  • they use humor
  • they balance the power structure
  • they seek consensus with qualification

GREAT BOARDS HAVE GREAT PROCESS.

• They have defined process for both routine and infrequent situations. They rely upon and follow these processes – and only change them rarely and after a clear decision to do so.

• *They Decide How They will Make Decisions!*
  Different Situations may call for different Decision-Making Processes and Rules.

• A Key Job of the Effective Board Chair is to Make Certain that these Key Processes Exist; that they are Robust; and to Follow Them!
GREAT BOARDS HAVE GREAT PROCESS.

When a situation arises where there is no process, the Chair uses established principles and protocols to establish one. That process is then evaluated, modified, and codified.
“GENTLEMEN, I TAKE IT THAT WE ARE IN COMPLETE AGREEMENT ON THE DECISION HERE. THEN, I PROPOSE THAT WE POSTPONE FURTHER DISCUSSION TO GIVE OURSELVES TIME TO DEVELOP DISAGREEMENT AND PERHAPS GAIN SOME UNDERSTANDING OF WHAT THE DECISION IS ALL ABOUT”

Alfred Sloan: GM Chairman and CEO from 1923-1956
Quoted in New Yorker, March 8, 2004 p. 30
Common Problems With the Chair Position

- No written job description
- No formal or meaningful orientation
- No mechanism nor criteria for routine performance evaluation
- No mechanism for performance feedback based on an evaluation
- Great and often conflicting expectations: maintain status quo – bring about sweeping change
- Economic or social risk
- Infrequent turnover (no term limits), or too frequent turnover – lack of leadership continuity
UNLESS THE POSITION, DUTIES, ROLES AND RESPONSIBILITIES, AND AUTHORITY OF THE BOARD CHAIR ARE CLEARLY DEFINED THE EFFECTIVENESS OF THE BOARD TENDS TO FLUCTUATE AS A FUNCTION OF CHANGING BOARD CHAIRS. PERSONALITY, NOT PRINCIPLE OR POLICY, DICTATES BOARD FUNCTIONING AND CULTURE.

The Written Chair Job Description

FIRST, DEVELOP PRINCIPLES FOR THE POSITION. HERE ARE SOME KEY ONES:

- THE BOARD HAS THE ULTIMATE AUTHORITY
- THE CHAIR IS ACCOUNTABLE TO THE BOARD
- THE CEO REPORTS TO THE BOARD, NOT THE BOARD CHAIR
- WE EXPECT AND EMPHASIZE COMPETENCE AND ACCOUNTABILITY IN ALL BOARD MEMBERS AND LEADERS
- THE EXECUTIVE COMMITTEE IS ACCOUNTABLE TO THE BOARD
- OTHERS?
RESOLVING CONFLICT AT (OR BETWEEN) MEETINGS

REMEMBER:

*HOW* THE CHAIR ADDRESSES CONFLICT OR A PROBLEM WILL BE REMEMBERED LONG AFTER THE ACTUAL CONFLICT IS RESOLVED.

RESOLVING CONFLICT AT MEETINGS

- Define the problem as objectively as possible and get board members to agree to the definition of the problem before addressing possible solutions or actions.
- Confine the debate and discussion to principles and issues, not personalities.
- At critical moments, use active listening to restate each person’s perspective in order to both understand the problem and to demonstrate accurate understanding. Do NOT overuse!
- Facilitate a brainstorming session to generate a list of solutions or alternative approaches
- Take a break and consider the possible solutions at a subsequent meeting.
RESOLVING CONFLICT: TIPS FOR TOUGH CONVERSATIONS

- Try not to “go it alone”
- Rehearse the conversation in advance; play out several scenarios and “what ifs”
- Where possible, de-personalize the conversation. Where not possible, use “I” statements, not “you” statements
- Be prepared to suggest solutions or alternative approaches

RESOLVING CONFLICT: TIPS FOR TOUGH CONVERSATIONS

Look for ways to re-frame the issue to defuse tension. Example: a board that has a history of unanimity often will freeze, erupt, threaten mass resignations, or manifest some other dysfunctional and atypical behavior when they first confront internal conflict, dissention, or a divided board.

The issue can often be de-fused by reframing the issue: We do not have a clear process to resolve conflict; to address a divided board; to make split decisions; - because we have never had to confront this before. What should our process be?
TIPS FOR TOUGH CONVERSATIONS

- Focus on data, information, and process. When presented with anecdote, assumption, or denial respectfully challenge with “do you have data to back that up?”

- Use “meta discussion” technique to process the conversation immediately afterwards. “Look at how we handled that… We did something different/we fell back into an old behavior…How comfortable was everyone with the conversation? How should we handle a similar conversation in the future?” Etc....

TIPS FOR TOUGH CONVERSATIONS

- Tie the issue to the responsibility of the board and the mission and strategic plan of the organization. Use fiduciary duty of the board, external regulators and forces, board liability, job descriptions of the board/board committee, and board/committee workplans as foundation and rationale for the question/conversation

- Pick your spots!

- Stick to your guns! You are fighting the good fight!
CHALLENGE of LEADERSHIP

IN A STABLE ENVIRONMENT
KEEP THINGS THE SAME, INCREMENTAL IMPROVEMENT

IN A REVOLUTIONARY ENVIRONMENT
“THE JOB OF LEADERSHIP IS TO RE-DEFINE REALITY”

Max DePree _Leadership is an Art_
INNOVATIONS/PRACTICES THAT CHANGE CULTURE, BEHAVIOR, AND THE ORGANIZATION; AND CREATE A COLLECTIVE BODY OF KNOWLEDGE AND A NEW SET OF HABITS.

THE TYPICAL BOARD

“FLASH POINTS”

- EXECUTIVE SESSIONS
- BOARD MEMBER PERFORMANCE EVALUATION
- “INAPPROPRIATE” BEHAVIOR
- SPLIT VOTES; CONFLICT
- CEO SUCCESSION PLANNING
- CEO COMPENSATION
**DISRUPTIVE GOVERNANCE:**

- Do post board meeting mini evaluations; discuss results and adjust practices at next meeting
- Do a “governance audit” once every two years (policies/practices review)
- Use consent agendas
- Use timed agendas but build in one “deep dive” discussion at each board meeting

**DISRUPTIVE GOVERNANCE:**

- Put an outside, “emperor has no clothes” member on the board
- Develop and continuously refine, a board information dashboard
- Put a quality expert on the board – have a “quality expert” and “quality literacy for all board members”
- No “denominators” for quality data; 0% or 100% targets only!
**DISRUPTIVE GOVERNANCE:**

- Have “Meta” conversations at critical points (after a split vote; after a disagreement on the board; after the board has “slipped back” into an old behavior)
- Post Board Member Meeting attendance for all to see
- Do member performance evaluation one year prior to expiration of term, provide feedback then

**DISRUPTIVE GOVERNANCE:**

- Do a “Board Composition Profile” and review and discuss as a full board each year
- Do “Trustee Credentialing”; require board continuing education, retreat attendance, etc.
- Conduct regular executive sessions of the board
- Practice “Decision Sequencing”, no surprise decision requests.
**DISRUPTIVE GOVERNANCE:**

- Limit the authority of the executive committee (or eliminate the executive committee)
- Policy: Prohibit board members from doing business with the hospital
- Use web-based governance information systems
- Re-define board meetings as an ongoing process, not a discrete event.

**DISRUPTIVE GOVERNANCE:**

- Rotate board members into different roles and leadership positions
- Become comfortable with change.
  
  Change: Meeting locations and times; agenda order; seating arrangement; retreat model; etc.
- Discuss the board-ceo relationship and how it could be improved
**DISRUPTIVE GOVERNANCE:**

- Create and embrace a board culture of constructive challenge and respectful dissent; of contrarian thinking and vigorous debate
  - Recognize that debate, creative tension, and even a “good fight” are acceptable and even desirable aspects of effective governance
  - Create rules for constructive conflict; process it afterwards

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**IT IS NOT THE STRONGEST WHO SURVIVE, OR THE FASTEST.**

**IT IS THE ONES WHO CAN CHANGE THE QUICKEST.**

Charles Darwin