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ENCOURAGING A CULTURE OF INNOVATION

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ENCOURAGING A BOARD CULTURE OF INNOVATION

Continuously improving the work of health sector boards is not easy. Integrated Healthcare Strategies, (Gallagher Integrated), a division of Gallagher Benefit Services, Inc., has published a series of five papers on **Governance Innovation** that you can download now here:

1. Collaborative Governance
2. Competency Based Governance
3. Generative Governance
4. Intentional Governance
5. Transformational Governance

"Innovation." It goes hand-in-hand with transformation and the need to find new, better and more efficient and effective ways of not only delivering great patient care, but improving the health of communities. Innovation is driven by rapid advancement in new technologies, initiatives implemented by the Affordable Care Act (ACA), and market forces that include patient demand for value (lower cost, better outcomes), consolidations and globalization. It's not surprising that many organizations are investing time, money and resources into innovation—something 85 percent of health care executives have considered important or very important to their organizations' success.[1]

Last year, Becker's Hospital Review listed 25 hospitals and health systems with innovation centers.[2] Although the list was not exhaustive, it described how health systems like PeaceHealth and Providence Health and Services in the Pacific Northwest are partnering to develop innovative health initiatives. [3] Also in the Northwest, Oregon State University's College of Public Health and Human Sciences' newly established Oregon Center for Health Innovation is seeking partners in its efforts to find new solutions to health care challenges.[4] The Center for Medicare and Medicaid Services (CMS) Innovation Center (CMMI), established by the ACA, is focused on testing new payment and service delivery models, evaluating and advancing best practices and engaging stakeholders in designing new models for testing. More than 28 CMMI pilot programs involve hospitals and health systems across the nation and many of the early pilots have already been permanently implemented by CMS.[5]

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Innovation Doesn't Happen by Chance

The message for hospital and health system trustees is loud and clear: holding onto the status quo won't push your organization toward success. Health care is complex and competitive, and it's in the midst of seismic change. It won't be the same tomorrow, just as it has already changed from yesterday. Trustees must lead not only by embracing new ideas and creative thinking, but also by accepting responsibility for governing change while keeping a clear focus on the mission.

Successful innovation doesn't happen by chance. It's built by trustees who are committed to fulfilling the hospital or health system's mission, who have a good knowledge of the community's health care needs, and who have a broad perspective of the changes taking place in health care today. Innovative boards not only focus on the future, they take concrete steps to inspire new ideas that will improve health and advance the delivery of care.

The Board's Role in Innovation

Boards of hospitals and health systems trying to keep pace with today's transformational changes must ask themselves whether the board prioritizes, encourages and supports innovation. A culture of innovation does not stand on its own. It must be purposefully integrated into the board's governing practices and responsibilities. Strategic planning, leadership performance and accountability, and board agendas are key areas of governance that help drive the organization's innovative success.

Innovation is strategic.

Boards that want to strengthen innovation need to make sure it is part of each step in the strategic planning process.[6, 7]

For example:

- How can innovation help the organization achieve its mission?
- How can innovation and change help the hospital or health system move closer to its vision?
- Is innovation supported by the organization's values, is it included as a value?
- Do strategic initiatives reflect new ideas, new approaches and fresh thinking?
- In what key areas do we want to focus our innovative efforts?
- Is there a strategy for innovation?

An innovation strategy may be as simple as developing leadership skills in innovation processes or as ambitious as naming a Chief Innovation Officer and opening an innovation center. Strategies often include identifying and developing new products or services, applying new technology or establishing new partnerships. It's important for the board to identify a limited number of key areas where innovation efforts should be focused. For example, an innovation effort may be focused on new ideas and ways to improve community health, strengthen quality and patient safety, or address workforce shortages.

Ultimately, the board must ensure that the organization's innovative efforts are prioritized and well-aligned with its strategic priorities, and are given the resources and support needed to succeed.

Building the board's strength as an innovation leader.

Innovative trustees are, by nature, open to new ideas. They explore trends, needs and challenges to identify implications and find opportunities. They are creative and resourceful, considering situations from different angles and perspectives to make sure they understand the real problems and opportunities. Innovative trustees are willing to challenge the status quo and take calculated risks in the interest of moving their organizations and their community's health forward. These open-minded individuals look into the future and imagine what might be achieved.

Boards that want to be more innovative should start with a board self-assessment designed to help identify innovation strengths and weaknesses. Trustees should be asked to rate their leadership skills using criteria such as:

- Envisioning the future
- Challenging the status quo with new and insightful thinking
- Analyzing environmental trends to determine their implications and opportunities
- Keeping an open mind
- Seeking out and listening to ideas and input from sources both inside and outside of the organization
- Being flexible and adaptable
- Willing to explore creative methods and ideas for addressing challenges
- Willing to take calculated risks
- Providing strong leadership in dynamic, rapidly-changing circumstances
- Demonstrating innovative thinking and leadership

Once the board knows what its innovation strengths and weaknesses are, targeted trustee recruitment using these same or similar criteria can help to build the board's innovative strength.

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Are your executives accountable for innovation?

Strong leadership skills are essential to innovation success for many in the organization in addition to trustees. A McKinsey and Company survey of 600 executives, managers and professionals indicates that the best motivations for innovation are strong leaders who encourage and protect innovation and top executives to manage and drive innovation.[8] In recent years, hospitals and health systems have begun to look outside of the health care field for strong leaders who bring not only fresh perspectives and new ideas, but experience and proven success in developing new, innovative and market-changing approaches.[7]

An important board responsibility is setting clear performance expectations for the CEO. Establishing clearly stated expectations helps to ensure the CEO's performance drives achievement of the organization's goals. Just as the board sets financial and quality performance measures, it should hold executives accountable for innovation by implementing measures and metrics that reflect innovative performance and progress.[7, 8] For example, boards may want to monitor measures that include revenue from new and innovative services, or patient satisfaction and quality outcomes that accompany implementation of new processes, procedures or technology.

Making Innovation a Priority

Innovative boards set the example for their organizations. They make sure that innovation has a place on their agendas. They review initiatives and metrics of innovation performance, progress and success, and discuss challenges and barriers.

Innovative boards make time to question assumptions and explore new and different ways of addressing issues and accomplishing goals. They encourage the open discussion and synergistic thinking that's known to drive new ideas and approaches, they seek ideas from unexpected places, and they understand that a combination of healthy questioning and collaborative thinking provides a springboard for new ideas.

THE RISKS AND CHALLENGES OF INNOVATION

Being innovative means taking calculated risks and accepting the potential for failure, but that doesn't relieve the board from its fiduciary duty of care. On one hand, the board must entertain, encourage and nurture new ways of thinking and doing things, but at the same time it must carefully assess the risks and potential for loss or failure. It also means taking into account the risks that come with not acting. Will the organization lose a competitive advantage or distinction? Will it lose market share? Trustees need to understand and anticipate challenges and barriers to innovation as they guide their organizations through new, different and important changes. Challenges innovation leaders recommend watching for include:[1, 7, 8]

- Not fully understanding or getting to the root of the problem or need being addressed
- Asking employees and other stakeholders for innovative ideas and suggestions, but not acting on them or not communicating status or progress back to those employees and stakeholders
- Failing to look outside of the health care field for ideas
- Not assessing the organization's capacity and willingness to assume risk
- Letting fear of failure override well-calculated opportunities
- Taking on too much
- Under-resourcing innovation initiatives
- Failing to align innovation with strategic priorities
- Lack of clarity and detail in the implementation and execution of the plan
- Not setting performance measures for innovation or monitoring progress and taking corrective action when necessary

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What Does Innovation Look Like in Health Care?

The U.S. Agency for Healthcare Research and Quality (AHRQ) created the Health Care Innovations Exchange to speed the implementation of new and better ways of delivering health care. The Innovations Exchange defines health care innovation as the implementation of new or altered products, services, processes, systems, policies, organizational structures, or business models that aim to improve one or more domains of health care quality or reduce health care disparities. Although the project is no longer funded, the website provides a robust database of case examples, resources and tools at https://innovations.ahrq.gov.

Websites like the Innovations Exchange and the CMS Innovation Center (https://innovation.cms.gov) can give shape and direction to organizations looking for innovative solutions. While innovation looks different at every organization, boards that are intentional about leading this charge may consider questions such as:

- How can board agendas focus more on innovation and encourage outside-the-box thinking? Do your agendas allow for in-depth discussion, dialogue and debate?
- Is your board getting input and insight from inside and outside sources?
- Does your board understand the biggest challenges facing the organization and the community? How can you address those challenges in a different way?
- Does the board encourage innovation throughout the organization, and are the appropriate resources allocated to support it?
- Does your board and/or senior leadership need to engage in innovation training?
- Do you need to recruit additional board members with a focus on or experience in innovative thinking?

Contact us for a conversation about how you can enhance your board's capacity to continuously improve your governance decision-making process.

info@ihstrategies.com

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SOURCES AND MORE INFORMATION

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The Governance & Leadership practice of Integrated Healthcare Strategies, a part of the Gallagher Human Resources & Compensation Consulting practice, uses proven, state-of-the-art governance design, educational programs, and tools to help boards use their time and talents more effectively. Our team of consultants have extensive experience in the assessment of board performance and in the development of strategies and systems to continuously enhance the governance of complex healthcare and hospital systems.

For more than 40 years, Integrated Healthcare Strategies, has provided consultative services and people-based solutions to clients across the healthcare spectrum, including community and children's hospitals, academic medical centers, health networks, clinics, and assisted-care providers. Our Integrated Healthcare Strategies consultants and nationally recognized thought-leaders help organizations achieve their business goals, by ensuring top talent is attracted, retained and engaged, while measuring and maximizing human and organizational performance. With tailored solutions that extend well beyond single services, Integrated Healthcare Strategies offers the knowledge, guidance, and insights that organizations need to not only survive the rapidly changing healthcare environment, but to succeed in it.

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GOVERNANCE INNOVATION:
a five-part series

1 | Collaborative Governance

A resource from Integrated Healthcare Strategies
Human Resources & Compensation Consulting

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Collaborative Governance is one of the five new models of board work that is essential for health systems to successfully move into an era of population health and value based payments. The five are:

Collaborative Governance
Competency Based Governance
Generative Governance
Intentional Governance
Transformational Governance

This is the first of a five-part series of white papers on new forms of governance for population health management (PHM) by integrated health systems and accountable care organizations.

We encourage boards to circulate these white papers and engage in spirited conversations about how these models are being mastered in their board work, and what investments could advance them even further into the high performance governance domain.

This paper seeks to address these four questions:

- What is Collaborative Governance?
- Why is Collaborative Governance so important for health systems boards?
- How can boards overcome common obstacles to good Collaborative Governance?
- What are the three most important board actions to accomplish Collaborative Governance?

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1| Collaborative Governance

What is Collaborative Governance?

How can the board of a single hospital make a meaningful improvement in the health of a city – not only in terms of patients' health, but also with respect to crime, water, shelter, employment and other pressing urban issues?

It can't.

If, on the other hand, the boards of several hospitals – along with those of relevant Non-Governmental Organizations (NGOs) and private sector institutions – were ***to collaborate***, the city's collective good could be very well served. This is the simple proposition that underlies the concept of "collaborative governance" – defined as a structured process in which boards with a common interest engage in joint needs analysis, planning and implementation in service of the collective good, and then share accountability for outcomes.

Although the concept is relatively new to the health care field, its origins reach to the 19th century French concept of a "charrette," a reference to the carts or "chariots" used by Parisian design students working in teams.

In the present day, the term refers to collaborative sessions of design or planning activity, most prominently conducted by city and park planners to design neighborhoods and entire communities. The charrette brings together eclectic groups of people and virtually locks them in a room to solve a complex problem. Drawing from their divergent perspectives, they work through iterations of intense planning. In a relatively short period of time, what results is a higher-quality definition of the problem at hand than would otherwise be achieved, along with commensurately superior solutions.

Also fundamentally important is ***the sense of engagement and ownership*** created by such exercises. Over the past 15 years in the United States for example, the "healthy communities" movement has emerged, based on the belief in the prominence of cities and that cross-organizational, multidisciplinary and cross-sectoral collaboration results in the creation of programs that are more likely to be owned and sustainably implemented.

Over the past decade, a new form of governance has emerged to replace adversarial and managerial modes of policy making and implementation. Collaborative governance, as it has come to be known, brings public and private stakeholders together in collective forums with public agencies to engage in consensus-oriented decision making.[1] This paper explores the need for collaborative governance to help health sector governing boards build bridges among diverse organizations essential to the achievement of population health gains that are both more significant and sustainable.

Why is Collaborative Governance Important?

Collaborative governance enables community leaders serving on governing bodies of health related organizations to more fully and effectively engage in what is being referred to as "Collective Impact."[2] In an era of population health management, collective impact for sustainable health gain is essential. This impact is a function of diverse organizations coordinating their work to productively manage the social determinants of health described by the World Health Organization.[3]

"Collaborate" and "collaboration" mean a mutually beneficial well-defined relationship entered into by two or more organizations to achieve common goals. Collaboration is the process of various individuals, groups or systems working together but at a significantly higher degree than through co-ordination or co-operation. Collaboration typically involves joint planning, shared resources and joint resource management. Collaboration occurs through shared understanding of the issues, open communication, mutual trust and tolerance of differing points of view. To collaborate is to "co-labor".[4]

1 For an extensive review of the literature see: Collaborative Governance in Theory and Practice Chris Ansell Alison Gash, University of California, Berkeley in JPART 18:543–571
2 To learn more about Collective Impact, see: http://www.collaborationforimpact.com/collective-impact/
3 See: http://www.who.int/social_determinants/sdh_definition/en/
4 Maureen Quigley, Local Health Integration Network / Health Service Provider December 15, 2008 Governance Resource and Toolkit for Voluntary Integration Initiatives page vii

How can boards overcome common obstacles to good Collaborative Governance?

During the past decade, several factors have served as obstacles to collaborative governance; four key factors are:

1. Board leaders and executives believe that inter-organizational cooperation is a zero sum process that only results in winners and losers. They are so driven to protect their mission that they fail to see their mission as an expression of the broader community's welfare.
2. There has been a lack of political and economic incentives to pool ideas, leadership and resources for the broader community's benefit.
3. Board leaders lack experience in effective cooperative problem definition and resolution.
4. Leaders are unable to establish joint action plans and metrics to guide and monitor progress to desired collective impact.

Overcoming these obstacles requires people and processes to be guided by certain principles and practices.

Principles of "Governance to Governance"

Collaborating boards can consider the following principles as a starting point in pursuing a dialogue within and between organizations related to governance collaboration/collaborative governance:[5]

- The need for boards to develop a new understanding of how to govern shared/integrated services – including interdependence and shared accountability with other health related organizations for integration initiatives within the region
- Understand the "Best Interest of the Corporation" as collaborating with others to improve the integration of health services delivery to effectively meet community health needs

5 Ibid

- Health services Boards of Directors have the same fiduciary duty for the oversight of joint integration initiatives with other health related organizations as they do for the oversight of internal programs and services within their organizations
- New governance structures, formal agreements and reporting mechanisms may be required to facilitate joint accountability with other community health organizations for specific integration initiatives

Criteria to Measure Progress to Mission of PHM

Certain key criteria against which voluntary integration proposals can be assessed are: access, coordination, quality and efficiency.

- **Access.** Volumes relative to population health indicators, wait times relative to community health targets, distance (for primary, secondary or tertiary services), and choice.
- **Coordination.** Does the proposal advance coordination and collaboration? Has the continuity and coordination of services for the patient/client across the continuum of care been improved or adequately addressed? Have impacts on other affected services been addressed and improved (e.g. emergency departments)? Have impacts on complementary services been addressed and improved (e.g. obstetrics and pediatrics)? Is there a positive impact on the local public health system?
- **Quality.** Consistency with patient/client centered health care, patient/client and workforce safety, critical mass for program competence and sustainability, evidence of clinical best practice and high health outcomes, defined responsibility for system, organizational and clinician quality, and a quality measurement plan.
- **Efficiency.** Impact on use of resources and health system sustainability, cost (initial and ongoing) and availability of resources, cost-benefit (e.g. the greater the volume, the lower the price), and impact on labor and employment relations.

Board practices that help achieve these metrics can help guide the collaborative decision-making process, such as:

- **No surprises.** The purpose of transparent community health needs assessment (CHNA) is to identify integration opportunities at a very early stage in the process, to inform community leaders of the potential partnership, and to ensure that due diligence requirements are met by both the collaborative leadership group and the various health service providers.
- **Ethical**. Decision making about the plans and budgets must be free of conflicts of interest and avoid too much power concentration in the hands of single organizations or groups.
- **Equity**. Equity does not deal with the issue of ideal supply of services, but rather about levelling the field, even when services are in short supply. Ensure that any one person's level of access is reasonable relative to all others who need the service.
- **Diversity or cultural competence**. To guide what is to be done for whom, but also how the work can be done so all in the community can understand and fully participate and benefit from the collaboration.
- **Public accountability** and **transparency**. Plans and progress are openly reported to the community in mass media and new social medical systems.
- **Alignment** with local community health priorities.
- **Cooperation** and **coordination**. Diverse groups from schools to chambers of commerce, housing, and faith-based organizations.
- **Innovation.** May include partnerships with non-traditional and/or private providers to continuously challenge and enhance process, plans, and results.
- **Evidence-based decision making.** Ensures that decisions about health and health care are based on the best available knowledge.[6]

[6] Insights from the Foster McGaw Award Program now offer many practical cases studies and guides for effective and efficient cooperation for community health. See: http://www.aha.org/about/awards/foster/index.shtml

What are the three most important board actions to accomplish Collaborative Governance?

As you surface the concept of Collaborative Governance within your board and executive team, consider these three key initiatives:

Initiative 1: Co-produce and widely publish a rigorous and bold "**Community Health Needs Assessment**" that clearly identifies the goals and gaps to community health vitality.[7]

Initiative 2: Develop a "Collective Impact Partnership" governed by an inter-organizational committee, council or board to serve as "a neutral Switzerland" between the many health related organizations in a community or region. This cooperative body would serve three essential roles of the cross-community and cross-organization work for health gain: **The Champion** (to advocate for continued joint planning and investment for health gain); **The Conscience** (to constantly remind, celebrate and sanction all parties regarding the value and joint plans to guide the journey to community health gains); and **The Concierge** (to help assemble and allocate scarce resources to implement the joint plans toward shared goals).

Initiative 3: Establish and govern across organizations with a trust building style and culture that embraces these key enablers:[8]

[7] For guidance on how best to conduct such assessments, see: http://www.phi.org/uploads/application/files/dz9vh55o3bb2x56lcrzyel83fwfu3mvu24oqqvn5z6qaeiw2u4.pdf

[8] See: Governance Centre of Excellence, "Effective Governance Collaboration to Advance Integration: A Resource Guide" Prepared for the GCE Roundtable April 28, 2014

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ENABLERS TO COLLABORATION

Common Purpose / Vision	• Ensure the process and Board work always connect to a purpose and vision for the good of the broader community • Avoid being pre-occupied with structure before strategy or vision
Build on Strengths	• Build on the communities' and/or organizations' strengths in planning for the future
Start Small and Build	• Focus on shared problems and challenges • Don't try to do it all or be all things to all people: bite-sized successes can help build a stronger and broader foundation for future work together • Spend time getting to know each other, each organization's needs, desires, ideas, and goals before rushing into rigid planning activities
Balance Roles	• Respect the important role of the CEOs for guiding and supporting the collaborative process; but they should not dominate the process • Keep open minds and ensure balanced roles among all players to avoid allowing the larger organizations to dominate • Debrief all board members on progress (i.e., don't have it rest in the hands and minds of a select few) • Suspend turf and ownership until much later in the process
Engagement	• Engage frontline workers, patients, and physicians to share their ideas (and fears/concerns) before locking into our own ideas: it should be about them more than about us • Be open to include partnering opportunities with non-traditional social welfare organizations, social services, and educational players • Try to have the collaborative process be as voluntary as possible and not forced upon any party
Provide Training and Other Support	• Promote more education about developing, maintaining, and rebuilding trust • Guide collaborative planning with real stories about real patients and community members • Invest in "generative thinking" training and orientation for all participants in the process • Hard-wire informal socializing and informal meet-and-greet activities into the process in order to build relationships, and ultimately, trust, which will foster momentum and solid gains for future efforts • As collaboration plans gel, be sure to include objective and honest risk assessments so there are limited surprises or derailments by realties

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Attachment

Street Smart Insights for Enhanced Collaborative Governance

Participants in a session on "Collaborative Governance" were invited to share their ideas about how leadership teams and governing bodies of health services organizations in Ontario, Canada might strengthen their approach to the exploration of wise collaborative governance in the coming years.

This paper summarizes the array of excellent insights shared by these participants. Leaders are encouraged to review these, add to them and then discuss how you might put them into action in your own organizations and collaborative processes in the next 2-3 years.

The lists of items are shared in random order to stimulate smarter thinking, conversations, and collaborative planning.

There are two lists, one that lists actions that could derail or serve as obstacles to successful collaborative governance (avoid these); and one a list of actions that are judged to have the potential to improve the chances for successful collaborative governance (invest in these)

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Taboo's

Please avoid these actions that could frustrate collaborative governance.

Take time to read these. Try to edit them. Some can be combined.

Go through a group process to prioritize the ten (10) biggest obstacles, and then boil those down to the most essential five (5). The group can then discuss sensible actions that will remove, reduce or work around these obstacles. Once you have implemented action to move the process forward, and then do another list of the next most important five. By then the process will be achieving some early wins that can help sustain the longer term processes. Remember they are in random order.

1. Try to not have the drive for collaboration so pre-occupied by money and cost savings. (Think value, community benefit and service improvement)
2. Stay away from structure before we explore vision, strategies, and cultures. Don't rush to a final vision of the desired future state until we know each other and explore real opportunities
3. Avoid past rivalries, jealousies and historical differences before we explore shared views and interests in the needs of patients/persons we serve
4. Don't wait for the payers to drive us
5. Don't shut the door on new players, younger players, and vulnerable group players, as they may have some of the best ideas
6. Avoid unwillingness to change and look for a new mindset and lens to look at our challenges and opportunities
7. Don't say it will be easy or wonderful, as it may be a bit messy and difficult
8. Don't try to sell "IT" before we engage and explore what IT is
9. Don't have the group too large or cumbersome at the start, but be open to be inclusive as soon as possible
10. Respect heritage, but don't let it get in the way of building a new shared heritage that celebrates the past and embraces the future
11. Avoid integration for innovation, and start with focus on "Improvement"
12. Make sure this is not about merger (even if that may be part of the future)
13. Do not work without communicating often, openly, and well
14. Don't make this only about acute care and hospitals. Walk the talk about social determinants of health
15. Do not state… "That's fine as long as we do it our way"
16. Don't assume that bigger is always better
17. Avoid thinking we/you own the patient. We exist to serve, not milk the patient

18. Don't say we have to do this because the government told us to… drive it as a better response to the needs of patients and communities
19. Failure to invite a broad array of players to the table and process. Don't try to do it with the big bosses alone. Invite in the community, it is, after all, their community! Don't give lip service to eclectic invitations to be engaged
20. Celebrate successes together
21. Don't assume you know what it takes to earn/build trust with the other players, ask them and earn it
22. Guard against an executive committee doing all the work. Avoid disconnects with the rest of your boards. Keep us all informed and engaged in various ways
23. Don't let the perfect be the enemy of the good. Try some small steps and grow from there
24. Avoid listing why this will be tough or won't work in the first meeting. Emphasize the positives and visionary aspects first, without being naive
25. Don't rush into the process without taking time to know the other players. Do not assume we know their backgrounds, hopes, fears, aspirations, family experiences in health etc.
26. Don't go in with a closed mind, or with a fixed definition of the problem or challenge or solutions. Let it bubble up from the players/process
27. Don't come to the table of cooperation thinking your organization is the victim or the weakest link
28. Avoid structures that give too much weight and influence to the larger organizations, stay focused on what is right for the most people in our region/community
29. Don't assume that the larger organizations are the only source of good ideas for innovation and service improvement
30. Don't always hold meetings at the bigger organization, move the venues around. It helps us to get better acquainted
31. Do not rush the discussions. It takes time for trust to evolve, and then we can build on that for the joint planning process
32. Don't make promises you cannot keep (and look for some early wins as the longer term events and results evolve)
33. Language matters. Don't assume even the most basic terms like "team" mean the same to all players or potential partners
34. Funding service silos fosters competition more than collaboration
35. Most players worry about a loss of control, or that our prerogatives will not be given their proper recognition and value
36. Try to avoid fear of being eaten up by the larger organizations and avoid reinforcing this fear if you are the larger organization
37. Avoid focus on "the institution" more than the outcomes and "what is in it for the community or our patients"
38. Avoid rushing to plans without stakeholder engagement in meaningful "big picture visioning". Try to have us all own the desired future vision

39. Don't have a closed mind to the potential good that can come from collaboration, improvement and integrated approaches, even if contrary to policy at the moment. If we do well, the policy can then be adjusted
40. Guard against egos and narrow self-interests of the big players at table. Focus on the broader good for the community we exist to serve
41. Don't have one board dominate the process. Mix us up into work groups that cut across organizations and disciplines
42. Don't get stuck in history, but also be willing to celebrate what we all bring to the party/table/process
43. Do not attempt this work behind closed doors, be open minded and transparent, even when it might be a bit embarrassing
44. Avoid overlooking the important role played by primary care providers of all types, and of those that provide health
45. Do not meet without the CEO and other key executives, but don't be a hostage to the CEOs either
46. Do not threaten what the other partner holds dear
47. Do not propose partnerships that only benefit one partner
48. Do not assume that the benefits are well understood by the players. Celebrate the benefits and make sure they are clear to all
49. Don't take too long to deliver meaningful results, early wins, or activities that were promised. Not trying is worse than trying and failing and learning from the process
50. Avoid the "professional volunteer meeting attenders" that do not contribute or help carry the water once we decide something is needed
51. Do not start implementing without clear roles and responsibilities, shared in a balanced way among the organizations
52. Do not avoid measurable targets that the plans are to achieve, and once the targets are set, do not avoid measuring progress to plan and celebrating progress and being ready and willing to make mid-course corrections
53. Do not assume your organization knows more than the others
54. Don't fool yourself or the other players about your organization's strengths and weaknesses
55. Do not form sloppy goals, but do use SMART goals. Targets of accomplishment that are: **specific**, **measurable**, **attainable**, **relevant** and **time-bound**
56. Avoid wrong perceptions that your board is the only smart board
57. Avoid resentment, feeling forced to collaborate
58. Don't assume people are on the same page about the need or direction in the process
59. Don't assume "leadership" means the same to all players (some think it is telling others what to do)
60. Stigma can get in the way. Don't avoid having conversations about ethnic minorities, mental health patients and other special population groups engaged
61. Don't let the "operational vortex" suck you under
62. Don't just motivate, inspire

63. Don't force, facilitate
64. Avoid selecting board members that are too similar or you get group think
65. Avoid setting up governance process/strategies that are not built on clear roles and responsibilities
66. Avoid assuming you know what they want, how they think and what they feel can come from this cooperation. Ask and Listen not assume
67. Avoid the petty, and focus on the promising
68. Avoid a poorly planned or facilitated process that allows distractions and digression (but don't also be too rigid and tight or we stifle fresh ideas)
69. Don't be afraid to take some risks if they are in the interest of the health of the people and communities we exist to serve
70. Others?

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Do's

Please try these actions that can enhance opportunities for more successful collaborative governance:

There are many sensible and bold ideas shared in the following list. Please consider how they can be grouped and refined. Remember that they are in random order.

Prioritize them to the ten (10) most important and powerful ideas. Then distill those further to the top five (5). Take those five and ask the group to identify ways these can best be understood and acted on over the next few months in your specific situations. Their engagement in such a process of reflection and joint decision-making has been shown to build a deeper sense of understanding and ownership of the path forward. That ownership of the challenge and the plan is critical to the successful implementation of the plan.

1. Focus on "person centered care" and patient centered needs
2. Understand the continuum of care, and the social determinants of health, in all we do for collaborative planning and board-to-board relationship building
3. Approach the dream with a humble heart
4. Make sure the process and our board work always connects to a purpose and vision for the good of the broader community
5. Consider trust making, not just deal making
6. Consider fears and loss of autonomy as real issues we will eventually have to address in the process
7. Invite 2-3 groups of 9 youth to consider the future they would like to inherit. Explore how we can make that happen. Then invite similar groups of seniors/elders to do the same exercise, but with a lens to define what could have been avoided and what must be the essential themes and principles to embrace as we plan for the future
8. Build on our communities' and/or organizations' strengths as we look to the future
9. Make sure the process is orderly, with several meetings to keep the momentum moving. Report wisely and well on progress of the planning process to diverse and eclectic stakeholders
10. Board conduct needs to mirror the codes of conduct in our organizations
11. Evaluate and measure progress to plan along the journey of collaborative governance
12. Focus on ***the why and the how*** more than the what as we start the process of collaboration
13. Keep open minds and balanced roles among all players, and avoid the bigger organizations trying to dominate
14. Invest in "generative thinking" training and orientation for all participants in the process

15. Guide our collaborative planning with real stories about real patients and community members that can gain from this hard work
16. Hard-wire informal people-to-people, socializing, and informal meet and greet activities into the process. Build relationship, to build trust which builds momentum and solid gains for future efforts when the going gets tougher
17. Have the process include "What if brainstorming." Be scenario builders for brighter and a bolder future for our kids and grandkids
18. Identify failure derailers and obstacles so we can be forewarned and forearmed
19. Suspend turf and ownership until much later in the process
20. Probably look at the things others in this room come up with as obstacles, and avoid them!
21. Look for win-win opportunities, and early wins to build momentum and enthusiasm about the possibilities, more than the problems
22. Drive for improvement and innovation for quality and safety along the continuum of care
23. Be honest and truthful as we work together to build trust among the diverse players
24. Ask frontline workers, the patients, and the community for their ideas before we lock into ours. It should be about them, more than about us
25. We can benefit from the coordinating committee to help shape and catalyze ideas for collaboration, but why wait for them?
26. Engage clinicians, invite their ideas and fears in the process
27. Engage boards, not just the Executive Directors to shape and guide the process
28. Stop talking and "Just do it!"
29. Be specific on tangible targets and early win activities. Success will lead to more successes. Keep the process accountable and acceptable
30. Consider how new social media and process web portals can help stimulate joint planning and idea generation
31. Explore our shared dreams and hopes and fears. Keep the big picture in front of us and keep going back to these dreams and plans as we make the journey
32. Hold a clear vision of what we have agreed to, and be creative on how we work together to get there
33. Park our histories, egos and turf protection issues outside the room/process. We can always come back to them later
34. Engage hearts and minds with open and powerful visioning about how we would like the system to look and behave in the future
35. Listen to learn, and learn to listen to each other and to the people in vulnerable populations we rarely see or consider in our planning
36. Boards must respect the important role of CEOs to guide and support the collaborative process, but not dominate the process

37. Spend time up-front getting to know each other, our needs, desired ideas and goals before we rush into rigid planning activities
38. Seek sensible and skilled external facilitators for the process
39. Payer and provider boards need to cast a bigger net to invite in more diverse players into the process
40. Collaborative process is not a destination, but a process that will be ongoing. We need continuing support in workshops and shared learning opportunities about collaborative governance
41. Consider how to use the "Charrette technique" in our processes
42. Consider organizing networking opportunities to get to know each other, do some field trips together to settings where they have done some good and innovative strategies, even out of our region
43. Be open to include partnering opportunities with non-traditional social welfare organizations, social services and educational players
44. Have some clear guiding principles to shape our joint planning work
45. Treat all parties as equal in the eyes of the community's health and well being
46. Communicate, communicate, communicate
47. Celebrate, celebrate, celebrate
48. Be transparent in the work, and celebrate progress to plan along the way
49. Use mutually understood words, concepts, processes and vocabulary. Words matter. Language matters
50. Trust our CEOs, but occasionally have board members meet alone with our counterparts and neighbors
51. Explore how that "Aikido" process might help us work through obstacles and problems
52. Have "improving the system" a part of our organizations' missions and plans
53. Spend more time in "Generative thinking" as we explore collaborative governance around the question of "What can we do to dramatically change the patient/family/person experience for health gain, not just health care?"
54. Try to have the collaborative process be as voluntary as possible. (not forced on us)
55. Build more personal relationships among us board members across the organizations involved in the process
56. Be open for results that may be different from the early vision
57. Listen to others' fears and hopes and desires as we launch the process
58. Promote more education about trust building and ways to earn it, keep it and rebuild when needed
59. Co-creation is key to sustained success, we must avoid "not invented here" resistance, and embrace shared ownership of good plans and progress
60. Think patient centered before bricks and mortar
61. Seek clear agreement on principles and rules of engagement to guide the process
62. Identify skilled enablers and champions within our organizations, but also be open to neutral third party facilitators

63. Identify deal breakers once we are moving the process forward, but not too early in the process
64. As plans gel, include objective and honest risk assessments. Let's not be surprised or derailed by realities
65. We need a "plan to plan", and the process must be sensitive to use the time and talents of all players wisely and well
66. Listen to what is not being said as well as what is being said
67. Follow-up in timely and transparent manners in all we do in the process
68. Debrief all board members on our progress. Don't have it all rest in the hands and minds of a select few
69. Don't try to do it all, or be all things to all people. Bite sized successes can help build a stronger and broader foundation for future work together
70. Focus on shared problems and challenges and avoid being pre-occupied with structure before strategy or vision
71. Use graphic artists and "story boards" to capture the process and progress in stories and pictures of the journey
72. Approach the process with an open mind, an open heart, and open meetings
73. Study examples in collaborative governance in other fields and other communities
74. Engage and trust our staff to surface opportunities and sensible obstacles to be thoughtfully anticipated and overcome
75. Others?

Thank you for all you do to enhance the health and health care in your local communities.

Take some risks as you take your journeys to smarter patient and person centered health gain and health care in your communities.

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The Governance & Leadership practice of Integrated Healthcare Strategies, a part of the Gallagher Human Resources & Compensation Consulting practice, uses proven, state-of-the-art governance design, educational programs, and tools to help boards use their time and talents more effectively. Our team of consultants have extensive experience in the assessment of board performance and in the development of strategies and systems to continuously enhance the governance of complex healthcare and hospital systems.

For more than 40 years, Integrated Healthcare Strategies, has provided consultative services and people-based solutions to clients across the healthcare spectrum, including community and children's hospitals, academic medical centers, health networks, clinics, and assisted-care providers. Our Integrated Healthcare Strategies consultants and nationally recognized thought-leaders help organizations achieve their business goals, by ensuring top talent is attracted, retained and engaged, while measuring and maximizing human and organizational performance. With tailored solutions that extend well beyond single services, Integrated Healthcare Strategies offers the knowledge, guidance, and insights that organizations need to not only survive the rapidly changing healthcare environment, but to succeed in it.

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GOVERNANCE INNOVATION:
a five-part series

2 | Competency Governance

A resource from Integrated Healthcare Strategies
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Competency Governance is one of the five new models of board work that is essential for health systems to successfully move into an era of population health and value based payments. The five are:

Collaborative Governance
Competency Based Governance
Generative Governance
Intentional Governance
Transformational Governance

This is the second of a five-part series of white papers on new forms of governance for population health management by integrated health systems and accountable care organizations.

We encourage boards to circulate these white papers and engage in spirited conversations about how these models are being mastered in their board work, and what investments could advance them even further into the high performance governance domain.

This paper seeks to address these four questions:

What is Competency Based Governance?
Why is Competency Based Governance so important for health systems boards?
How can boards overcome common obstacles to good Competency Based Governance?
What are the three most important board actions to accomplish Competency Based Governance?

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2| Competency Based Governance

What Is Competency Based Governance?

Governance experts from many countries observe that "competence" is the integration of experience, knowledge, skills, attitudes, values, and beliefs. In the case of boards, which are the ultimate decision makers for most organizations, the competencies of directors are particularly important.[1]

This paper shares practical insights into the knowledge, skills, and attitudes (competencies) needed for smart governance of health sector organizations as they move into the era of population health management and accountable care. Many of the insights provided are excerpted from the excellent monograph published by the AHA's Center for Healthcare Governance, **"Competency Based Governance: *A Foundation for Board and Organizational Effectiveness."*** [2]

The Blue Ribbon Panel on Trustee Core Competencies was convened by The Center for Healthcare Governance in 2008 to:

- Identify individual board member core competencies common to different types of boards that can be used to improve board and organizational performance; and

- Provide guidance and direction for the field in developing educational and other resources that can be used to apply these competencies to the work of hospital and health system governing boards

As our U.S. health sector is so critical to our society, many suggest that governing our health related organizations needs to borrow the best insights from all sectors, and from outside the U.S.

[1] In Australia, see: http://www.effectivegovernance.com.au/how-competent-are-your-directors
[2] See: http://www.americangovernance.com/resources/reports/brp/2009/brp-2009.pdf

BoardSense in New Zealand finds that there is a core set of competencies which every board member should possess, and the board should also include members with some additional specific competencies.[3] The core competencies include:

1. General Competencies

- Ability to make informed business decisions
- Entrepreneurial
- Can see wider picture and perspective
- Integrity in personal and business dealings
- International experience
- A personal commitment to the Purpose, Vision and Values of the organization

2. Character Competencies

- Acts on morals and values
- Is willing to act on and remain accountable for board decisions
- Courage to pursue personal convictions
- Can be objective at all times about what is best for the organization
- A good sense of humor
- Has an independent mind and is inquisitive
- Ability to act as a team player
- Prepares well for board meetings – reads papers, seeks answers
- Committed to seeing the organization makes a difference

[3] See: http://www.boardsense.com/contact-us.html

3. Communication Competencies

- Can articulate thoughts, opinions, rationales, and points in a clear, concise, and logical manner
- Is flexible and willing to change stances when necessary or appropriate
- Has the ability to listen, process, and understand key points
- Can interact with other board members in a group setting, both contributing to, and valuing the contributions of all members
- Ability to coach members of staff
- Ability to deal with the media – comfortable on public platforms
- Recognizes the motivations of stakeholders such as investors, members, customers, competitors, employees, regulators, and other groups, and communicates with them accordingly
- Has the ability to relate to a wide range of people and establish quality relationships
- Can influence and persuade others
- Adds value to the board dialogue
- Is able to focus at the governance level of issues
- Is able to disagree without being disagreeable
- Is competent and experienced in using the Internet and email
- Has a cultural awareness and an understanding and appreciation of different cultural needs

4. Knowledge Competencies

- Understands responsibilities as a director
- Aware of latest business and management practices
- Understands the roles, processes, and relationships of the board and its members
- Knows the key performance indicators of the company and its senior management
- Understands legal, accounting, and regulatory requirements affecting the company
- Keeps up to date developing knowledge and skills – reads widely
- Has a knowledge of own limitations and is prepared to ask for help
- Has governance experience

The above competencies should be present in every board member, and the following competencies should also be represented around the board table – not necessarily by every board member, but at least by some.

5. Strategic Competencies

- Can see strengths and weaknesses of the organization, and how decisions will impact them
- Ability to recognize opportunities and threats in each industry or industry segment
- Ability to recognize wider business and societal changes, particularly in the context of global markets
- Ensures strategies, budgets, and business plans are compatible with vision and strategy
- Aware of change and the need for change
- Understands the difference between governance and management issues

6. Analytical Competencies

- Can read and interpret financial reports
- Ability to think critically and challenge proposals
- Understand issues from different perspectives
- Asks for and uses information to make informed judgements/assessments

7. Sector Competencies

- Specific experience with the sector in which the organization operates
- Professional expertise in the sector in which the organization operates
- A deep understanding of the particular business model most effective in the sector
- It is good practice is to conduct an "annual competency assessment" prior to calling for nominations (or appointments) for director vacancies.[4] Then, when calling for nominations, the competencies which the board sees itself short of can be included in the desirable characteristics of a nominee.

Delivering these competencies is more complex than we may have thought. It is more than just having specific knowledge, skills, or other characteristics. It also has a lot to do with how we behave when we're in certain situations or when we perform various tasks or jobs, as well as how we work together with others in reaching decisions or meeting goals.[5]

[4] Ibid
[5] Center for Healthcare Governance, op cit, page 8.

In addition to developing individual board member competencies, the AHA panel also considered what makes a board an effective team, and identified tools and resources to help boards begin to apply competencies to health care organization governance. Adapting studies by the NCHL, the AHA Panel defined a powerful series of 14 key board member core competencies shown below.[6]

1. **Accountability**: guides creation of a culture of strong accountability throughout the organization; appropriately and effectively holds others accountable for demanding high performance and enforcing consequences of non-performance; accepts responsibility for results of own work and that delegated to others.

2. **Achievement Orientation**: ensures high standards are set and communicated; makes decisions, sets priorities, or chooses goals based on quantitative inputs and outputs, such as consideration of potential profit, risks, or return on investment; commits significant resources and/or time in the face of uncertain results when significantly increased or dramatic benefits could be the outcome.

3. **Change Leadership**: maintains an eye on strategic goals and values during the chaos of change; exhibits constancy of purpose, providing focused, unswerving leadership to advance change initiatives; demonstrates quiet confidence in the progress and benefits of change; provides direction for overcoming adversity and resistance to change; defines the vision for the next wave of change.

4. **Collaboration**: promotes good working relationships regardless of personal likes or dislikes; breaks down barriers; builds good morale or cooperation within the board and organization, including creating symbols of group identity or other actions to build cohesiveness; encourages or facilitates a beneficial resolution to conflict; creates conditions for high-performance teams.

[6] Adapted from NCHL Healthcare Leadership Competency Model, 2005 and Lee, Soon-Hoon and Phillip H. Phan. "Competencies of Directors of Global Firms: Requirements for Recruitment and Evaluation." Corporate Governance: An International Review. Vol. No. 8, No. 3: 204- 214 (2000), at 204, 207-210.

5. **Community Orientation**: advocates for community health needs at community, state, and federal levels; engages in meaningful actions at the national level to move recognized priorities forward; partners across health constituencies to create a coordinated and dynamic health system that meets long-term health and wellness needs; understands needs of health stakeholders and pushes their agenda forward.

6. **Information Seeking**: Asks questions designed to get at the root of a situation, a problem or a potential opportunity below the surface issues presented; seeks comprehensive information; seeks expert perspective and knowledge; establishes ongoing systems or habits to get information; enlists individuals to do regular ongoing information gathering; encourages adoption of best practices from other industries.

7. **Innovative Thinking**: makes complex ideas or situations clear, simple, or understandable, as in reframing a problem or using an analogy; fosters creation of new concepts that may not be obvious to others to explain situations or resolve problems; looks at things in new ways that yield new or innovative approaches — breakthrough thinking; shifts the paradigm; starts a new line of thinking; encourages these behaviors in others.

8. **Complexity Management**: balances tradeoffs, competing interests, and contradictions and drives for the bigger, broader picture both to reach resolutions and expand one's knowledge; exhibits highly developed conceptual capacity to deal with complexities such as expanding markets; understands the vision, mission, and strategy and their implications for the organization's structure, culture, and stakeholders.

9. **Organizational Awareness**: becomes familiar with the expectations, priorities, and values of health care's many stakeholders; recognizes internal factors that drive or block stakeholder satisfaction and organizational performance; addresses the deeper reasons for organization, industry, and stakeholder actions, such as the underlying cultural, ethnic, economic, and demographic history and traditions; uses these insights to ensure organizational leaders are building long-term support for creating local, regional, and national integrated health systems that achieve a national agenda for health and wellness.

10. **Professionalism**: develops governance roles/values compatible with improving population and individual health; ensures that the organization values and exhibits professional, patient- and community-oriented behaviors; commits to addressing the health and wellness needs of the total population, including adopting new approaches that address diverse cultural attitudes about health; ensures organizational stewardship and accountability for honesty and fair dealing with all constituents.

11. **Relationship Building**: builds and maintains relationships with influential people in the health care field, the community and other constituencies that involve mutual assistance and support.

12. **Strategic Orientation**: understands the forces that are shaping health over the next 5 to 10 years; helps shape the organization's vision and future direction; aligns strategy and resource needs with the long-term environment and guides positioning the organization for long-term success; develops a perspective on long-term health and wellness trends and developments that is respected by colleagues and leading policymakers; helps shape competitive positioning for the organization and the industry through policymaking forums and industry-specific groups.

13. **Talent Development**: holds management accountable for developing people in the organization; ensures that succession plans for the CEO and senior leaders are robust and current; serves as a coach and mentor within the board and organization as needed and industry-wide to develop health care talent.

14. **Team Leadership**: establishes and models norms for board behavior; takes appropriate action when board members violate the norms; works with board members to gain their personal commitment and energy to support board goals; removes or reduces obstacles to board effectiveness; coaches and develops board members to top performance; encourages these team leadership behaviors organization wide; is recognized throughout the health industry as an outstanding leader.

    How prepared is your board to encourage, develop, and refine these competencies to strengthen your future board work? How should you best assess the degree to which you already have these competencies available for your board work?

Why is Competency Based Governance so important for Health Systems Boards?

Governance that intentionally recruits and develops community leaders with the above competencies is needed for the decision-making challenges of: forging population health strategic alliances; conducting wise capital financial planning; encouraging oversight of new forms of bundled payment contracts with payers; and establishing policies that create a performance based culture that drives to high quality health outcomes.

The call for more competency based board work across the U.S. health sector is therefore driven by the need for bolder and more sustainable organizational performance. A growing body of research is beginning to connect competencies to both individual and organizational performance in many sectors including health care.[7] This link is motivating interest in competency based selection, and developing the competencies of people in roles of service on both for-profit and not-for-profit governing boards.

Competency based governance is important for two interdependent reasons: (1) it fuels faster and smarter board work for higher levels of performance, and (2) it encourages the intersection of disciplines and perspectives essential for governance innovation and continuous renewal of processes and practices for wiser and more effective board decision-making. It also builds a greater sense of pride among board members that their work draws upon the best experiences and thinking from their region; and helps ensure that their time and talent will be used wisely.

7 Center for Healthcare Governance, op. cit. page 8

How can boards overcome common obstacles to good Competency Based Governance?

Too many boards are not willing to do the hard work of following the principles of Competency Based Governance. They prefer to take the easier path of inviting friends and traditional community leaders into their board work. This path may sub-optimize their board's effectiveness and is a function of these three large challenges:

- Board leaders are uncertain about the types of decisions they will need to make to be successful in population health management, so they are uncertain about the knowledge, skills, and attitudes they will need for successful decision-making in the coming years.

- Board leaders and executives naively believe that smart, well-motivated community leaders should already possess the competencies needed for the uncharted waters of accountable care and new, "value for money" based payments from government and private purchasers, so they are not motivated to follow a competency based recruitment and development process.

- Boards are not familiar with how to use a "Competency Map" to guide their recruitment and development activities.

Most people want their boards to be effective, and nominators may well consider filling these competency gaps with the people they put forward. How do we start down this path of competency based governance? The first step is creating a "Board Competency Profile".

A Board Competency Profile can be developed either using the organization's own resources or with the help of a consultant. In the first case, a nominating committee may simply identify what, in its view, are the essential skills and knowledge needed on the board to successfully develop and implement strategies needed to accomplish their strategic plan as a roadmap for their journey into population health management and accountable care. A more thorough process may involve engaging a consultant who interviews current board members and management and reviews the strategic plan's requirements to define desired competencies. The advantage of this method is that senior staff and members can have frank conversations with the consultant about who the board really needs.

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What are the three most important board actions to accomplish Competency Based Governance?

As you surface the concept of **Competency Based Governance** within your board and executive team, consider these three key initiatives:

Initiative 1: Assessment: Ask your board colleagues about the degree to which they believe their time and talents are being well used in your board work. At the same time, ask each member to define 3-5 key competencies needed to implement your strategic plans. This collection of competencies can be prioritized by your board, and then used in Initiative 2 below to guide your board development.

Initiative 2: Guide for Improvement: Use a formal "Competency Map" to guide three board activities:

- Recruiting talented new board members;
- Assessing board performance against the desired profile; and
- Invest in educational efforts to enhance gaps or overcome weaknesses in your competency mastery.

Initiative 3: Stakeholder Engagement: Expand invitations to diverse stakeholder groups to engage in board committees or special, ad hoc advisory councils to supplement your board's access to needed mission critical relationships, competencies, and resources.

Have a conversation at your next board meeting about how best to understand and apply "Competency Based Governance" in your pursuit of continuous board improvement and to support governance innovation.

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GOVERNANCE INNOVATION:
a five-part series

3 | Generative Governance

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This paper seeks to address these four questions:

- What is Generative Governance?
- Why is Generative Governance so important for health system boards?
- How can boards overcome common obstacles to good Generative Governance?
- What are the three most important board actions to accomplish Generative Governance?

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3| Generative Governance

What is Generative Governance?

Generative Governance is an exciting approach to governance innovation stimulated by the research captured in "Governance As Leadership," by Richard P. Chait, William P. Ryan and Barbara E. Taylor. In their book, they introduced a new paradigm for nonprofit boards. This paradigm is focused on three modes of governance with the third, the generative mode, quickly becoming the new model of choice to improve board process, board outcomes, and board member engagement.[1]

Board leaders can think of Generative Governance as a form of decision-making that seeks to ask and answer thought provoking questions about the fundamental meaning of the organization and the work of the board; it seeks to *generate meaning* by using "generative thinking" to engage in deeper inquiry, exploring root causes for a health system's success, as well as help clarify the organization's values, strategic investment options, and innovative ideas about how to achieve sustainable impact in a region. This is where the essence of board service can be found.

Generative thinking occurs upstream from strategy and much farther upstream from tactics and execution. Generative board leaders ask **"*what problem are we solving?*"** to gain insight into organizational identity and purpose. Generative thinking provides board members the opportunity to lead as well as govern.

[1] Governance as Leadership: Reframing the Work of Non-Profit Board by Richard P. Chait, William P. Ryan and Barbara E. Taylor is published by BoardSource and Wiley. For copies, go to http://www.boardsource.org or call (800) 883-6262

Barry S. Bader, publisher of Great Boards, interviewed one of the book's co-authors, Richard P. Chait, a professor at the Harvard Graduate School of Education, about the book's applications for hospital and health system boards. Q. Common complaints about board performance are that boards are under-involved, excessively involved or unclear about their responsibilities. But you say ***boards suffer from a problem of purpose, not performance***.[2] Professor Chait responded… A. Limited purpose produces limited performance. The question is: How do we create not just a job to do, but a job worth doing? How do we get people not to just do the work, but to do better work? Our assertion has been that as the work of the board becomes truly more consequential, meaningful and influential, the performance of the board will rise. Most boards of larger, more mature organizations go to great lengths to attract talented, bright, successful trustees. Then, the board underperforms because the opportunities are not commensurate with their capacity, and they become bored.[3]

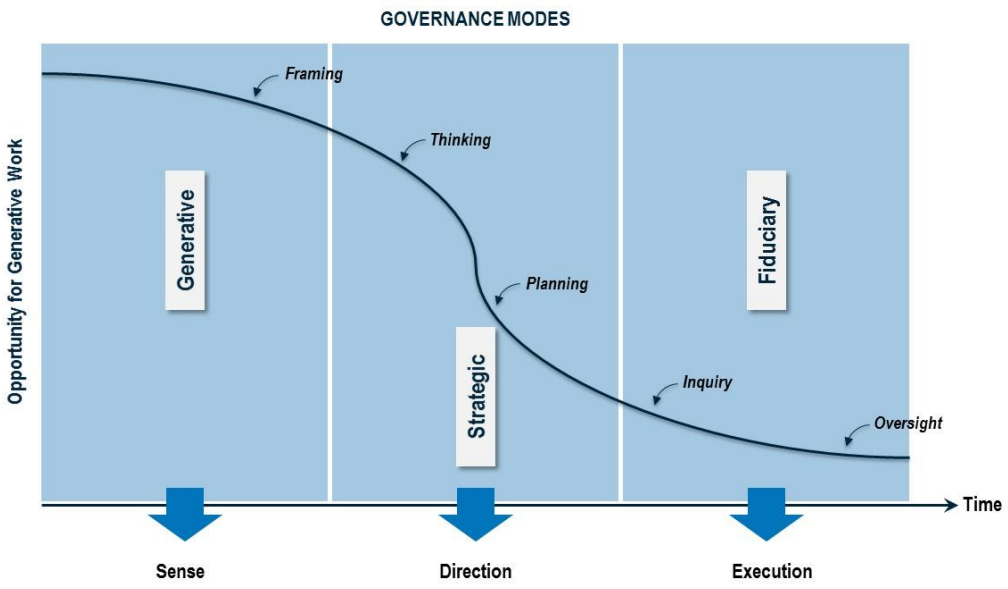
Too many boards are passive for 67 percent of their time at board meetings. Time at typical board meetings is apportioned as follows: 32 percent listening to reports or presentations by the CEO, staff, or committee chairs; 24 percent conducting regular business; and 11 percent getting educated. Boards are actively engaged as follows: 20 percent of time is spent discussing or debating ideas of courses of action; and 13 percent of time is spent making sense (for example, framing issues, thinking from the perspectives of constituents).[4]

Generative work serves to *generate* the understanding, meaning, and insight that create a shared perception of the problems and opportunities at hand and on the horizon. Generative work means think first and think hard about what's at issue and what's at stake. Trower et al urged boards to Find, Frame, and then Focus on matters of paramount importance to the organization's current and future welfare.[5]

2 From ***GreatBoards***, Summer 2005 Vol. V, No. 2, page 1
3 Ibid
4 Cathy A. Trower: The Practitioner's Guide to Governance as Leadership; Building High-Performing Nonprofit Boards, Jossey-Bass, 2013
5 Ibid

The boards that perform at the highest level are those that have incorporated the principles of governance as leadership; they raise and discuss crucial questions that require critical thinking much earlier in the governance decision-making process. In the figure below, Trower and Chait et al encourage board leaders to acknowledge they are too fast to jump into execution (more the manager's realm) then to engage earlier in framing the issues and questions that guide the board's work.

Figure 1[6]

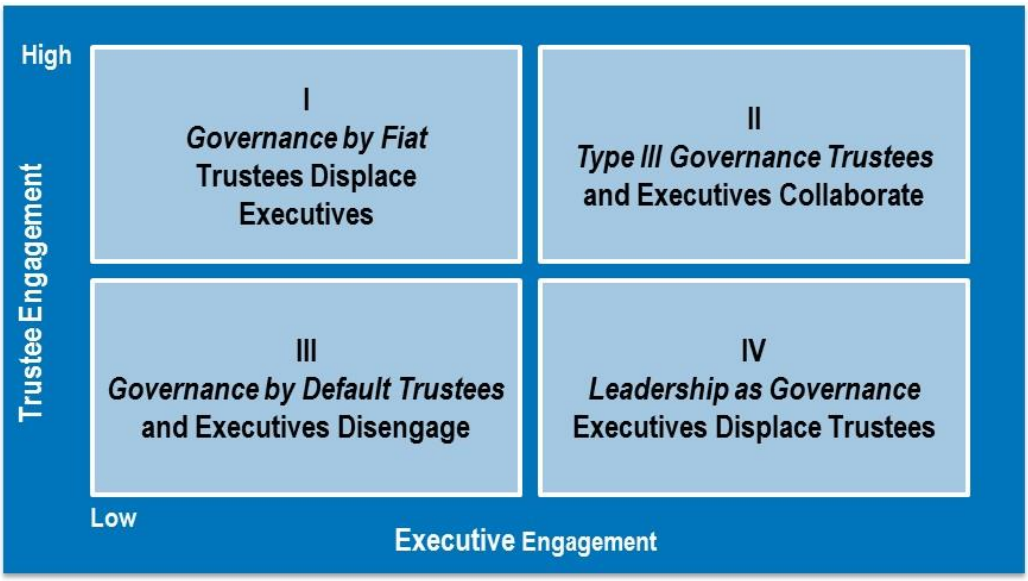


Generative governance demands that the board is brought into deliberations early enough to make a difference – when the situation is still ambiguous and subject to multiple interpretations – because "the opportunity to influence generative work declines over time" (Chait et al. 2005, 101). Once an issue has been framed one way, it is difficult to see it any other way.

[6] Trower Ibid.

Looking through a lens of generative thinking, the authors offered four "governance scenarios" (Chait et al. 2005, 98) (see Figure 2) – two that are dysfunctional (quadrants I and III), one that is prevalent but problematic (quadrant IV), and one that is uncommon but preferred (quadrant II) (98).

Figure 2: Generative Thinking: Four Scenarios[7]



When the engagement of both trustees and executives in generative work is high (Quadrant II), the result is optimal: Type III governance. The other quadrants in Figure 2 depict unbalanced engagements that lead to problematic situations. In Quadrant I, trustees commandeer most of the generative work and impose the results on executives. This might be described as governance by fiat. In Quadrant III, neither executives nor trustees attend to generative work. This produces governance by default, wherein the generative work of other actors inside and outside the organization (for example, staff, funders, regulators, and industry groups) exerts greater influence than that of trustees and executives over strategy, mission, and problem solving. In Quadrant IV, executives dominate generative work, which renders leadership as governance. (Problems of purpose are likely to be acute here.).

7 Source: Cathy A. Trower: op. cit. page13. Chait et al. 2005, 98

Why is Generative Governance so important for Health Systems Boards?

As health sector organizations prepare for their journey into accountable care, population health management, and bundled payments for value more than volume, their boards need a new lens to examine their roadmap into future vitality and then to assemble key resources needed for the journey. Boards need new mindsets to think creatively/innovatively about their purpose and path into an uncertain future. Generative Governance provides such a mindset. Let's explore why that is the case.
Chait et al encourage us to recognize that boards govern in three distinct modes. Each mode serves important purposes, and together, the three add up to wise and effective governance.

To make the three aspects of this framework for governance more concrete, the authors use a specific example: the decision that the Boston Museum of Fine Arts had to make about whether to lend 21 Monet paintings to the Bellagio Casino in Las Vegas.[8] The authors often ask board retreat participants to suggest potential questions that board members might ask when addressing this situation. Their questions included: What's in it for us? What are the security arrangements? How does it fit with our mission? How will the paintings be transported? Where will the paintings be displayed? For how long? How will the community that supports the museum react? These questions help illustrate the three modes of governance:

Type I is the "fiduciary mode"
In this mode, the board's central purpose is the stewardship of tangible assets, and its principal role is to act as a sentinel. It oversees operations and ensures efficient and appropriate use of resources, legal compliance, and fiscal accountability. Analogies such as "the board is to the organization as an eye is to sight" suggest this board role. The questions about security and transportation in the Boston Museum example also point to this board role. Ryan noted that, of the three modes of governance, the fiduciary role requires the least amount of knowledge by the board about the organization and its mission. But organizations often have boards that focus almost exclusively on "Type I" concerns.

[8] See: http://www.pewtrusts.org/~/media/legacy/uploadedfiles/wwwpewtrustsorg/reports/pew_fund_for_hhs_in_phila/governance20as20leadership20summary20finalpdf.pdf

Type II is the "strategic mode"
Here, the board's central purpose is to ensure a winning strategy for the organization, and its principal role is to be a strategic partner to senior management. Its core work includes setting priorities, reviewing and modifying strategic plans, and monitoring performance against plans. Participants' navigational analogies, such as "the board is to the organization as the rudder is to a ship," suggest this role. Questions that reflect this role in the Boston Museum example include: What's in it for us? What will the community reaction be?
Type III is the "generative mode"
Generative thinking is a cognitive process for deciding what to pay attention to, what it means, and what to do about it. And, Ryan said, this is also a good definition of "governance." In the generative mode, the board's central purpose is to be a source of leadership for the organization, and its principal role is as a "sense maker." The board "decides what to decide"; discerns challenges and opportunities; and probes assumptions, logic and the values behind strategies. In the Boston Museum example, the question "How does it fit with our mission?" reflects the board working in a generative mode.

What is different about Generative Governance?

On its face, governance as leadership is deceptively simple – it's easy to grasp the concept of three modes or mindsets – but most boards find that putting the third mode in practice is anything but simple. With generative governance, just about everything that has been familiar is different.

*A **different view of organizations**.* Organizations do not travel a straight line and rational course from vision to mission to goals to strategy to execution.

*A **different definition of leadership**.* Leaders enable organizations to confront and move forward on complex, value-laden problems that defy a "right" answer or "perfect" solution.

*A **different mindset**.* Beyond fiduciary stewardship and strategic partnership, governance is tantamount to leadership.

*A **different role**.* The board becomes an asset that creates added value and comparative advantage for the organization.

*A **different way of thinking**.* Boards are intellectually playful and inventive as well as logical and linear.

*A **different notion of work**.* The board frames higher-order problems as well as assesses technical solutions, and asks questions that are more catalytic than operational.

*A **different way to do business**.* The board relies more on retreat-like meetings, teamwork, robust discourse, work at the organization's boundaries, and performance metrics linked to organizational learning. (Chait, Ryan, and Taylor 2005, 134)

Because so much is different in generative governance, boards may resist changing the way they have been governing. Change is uncomfortable.

Higher-Level Thinking

Several CEOs and board chairs see generative work as being a higher level than other work – upstream on the generative curve – reflected in the following statements from CEOs: "It's a level above policy setting. It's a more thought-provoking, global level of thinking" and "It is a level of thinking that goes beyond operational, tactical, and strategic and is focused on institutional effectiveness in its broadest sense – what the institution is all about." A board chair said that "Generative work is being able to think at a higher and more creative level about what we would do differently… proposing the bigger questions as opposed to campus plans and fiduciary stuff. A good generative question might by, "How would we think differently, and what might we do differently, if we didn't have to think about setting our tuition? And why would that be?"

Another board chair reflected on generative governance as a "temporary suspension of all the things we *think* we know about how we are *supposed* to think and problem solve… to enter the discussion at an earlier phase and have more philosophical, broader conversations before we discuss a course of action or push for a decision. It's a more creative process that is not solution oriented, and having a freer conversation with no expectation other than having that great discussion… not seeking to identify how to get from point A to point B but instead stopping to just think and ponder."

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How can boards overcome common obstacles to good Generative Governance?

Our work with leading health sector boards suggests there are three common obstacles to understand and master Generative Governance:

1. **Fuzzy Concept**: over 50 years of tradition drives boards and executives to the more familiar ideas of the three key fiduciary duties of care, obedience and loyalty found in "Intentional Governance".[9]
2. **Role Confusion/Overlap**: Boards and CEOs fail to clarify who can take the lead in generating the agenda and the meaning of the board's work.[10]
3. **The Tyranny of the Urgent**: Operational demands for better quality, more staff, financial squeeze from new payment methods and levels, assertive consumers who carry an ever increasing amount of the economic burden of their health care costs; society's burden of chronic disease; changing competitive landscape; and anxiety about promoting and protecting health, not just restoring health.

To prepare to overcome these obstacles, ensure your board work explores the art of asking wise questions about the underlying meaning of this work. **Board members should each answer certain key "legacy questions." Here are some from which to choose.**	For what do board members want to be remembered? Five years from today, what will this organization's key constituents consider the most important legacy of the current board? What is it that this board provides to this organization that no other board can? Why do we exist as a board? You have many commitments, perhaps including volunteering on other boards. Why are you on this board? What do you find most fulfilling about serving on this board? What do you find most frustrating about serving on this board? Are there specific ways we could make better use of your time and talents? Please describe. (Trower page 156) Beyond asking questions, you can redesign your meetings.

[9] See The Governance Institute's materials: https://www.governanceinstitute.com/?page=TGIGuides
[10] Chait et al in Trower, op. cit. page xxiii

How to get your board into a 'Generative' mode[11]

Getting your board into the mindset for generative thinking is not easy – especially when board members are used to acting in strictly fiduciary or strategic modes – but the book "Governance as Leadership" provides several helpful hints. To carve out generative space, it is recommended to incorporate the following tactics into your board meetings:

Have a consent agenda. In developing the agenda for the meeting, combine all of the routine matters that need board approval into one item on the agenda that the board can vote up or down. This can free up time for other discussions.

Use silent starts. When there is an important matter for the board to consider, give everyone a minute to think about it and write something down on the topic under discussion. This helps people become more thoughtful and engaged in the topic.

Use one-minute essays. At the end of the discussion, ask people to write down what they would like to say about the issue if there were more time. After the board meeting, read what they have written. These often tend to be "Type III concerns"—comments that reflect generative thinking—which can be used to help set the agenda for the following board meeting.

Include time for mini executive sessions. During each meeting, have the boardwork for ten or fifteen minutes without an agenda. These brief sessions—which can be called "board reflection"—interrupt the usual pattern of just following an agenda and having the CEO always take the lead at board meetings.

Promote robust discussions. During discussions about even seemingly routine matters, look for "generative landmarks." These include multiple interpretations by board members about what a situation is or what requires attention, or indications that an issue means a great deal to many of the board members and touches on their perception of the organization's core values. Take advantage of these "landmarks" to promote generative discussions.

[11] Trower: op. cit.

The generative mode is vital to the long-term success of any board. It helps organizations identify their biggest challenges, as well as their most rewarding work. Most of all, it ensures that boards are staying ever-cognizant of their true purpose and incorporating that into every key decision that they make.

What are the three most important board actions to accomplish Generative Governance?

As you surface the concept of **Generative Governance** within your board and executive team, consider these three key initiatives, as well as discussing the two appended case studies:

Initiative 1: Conduct "Strategic Visioning Charrettes." A Charrette is a new age planning retreat that relies on much more diverse stakeholder engagement then in the past, as well as on creative tools for alternate scenario based visioning.[12]

Initiative 2: Schedule calendar of themed meetings with innovative agenda design. To change the tone and nature of your conversations in board meetings, change the flow and structure for the meetings. It is more than just relying on consent agendas. High performing boards define when certain types of decisions are needed in their fiscal year, and ensure that there are thought provoking speakers and readings in advance of these decision meetings. For example in a fiscal year based on the calendar year January to December, decisions about the capital and operating budgets are usually conducted in November of December. So generative questions, thinking, and speakers on investing and allocating capital should occur in meetings of The Fall. Because you should not try to discuss all of your challenges in every meeting, you can consider a themed meeting on medical staff relations and quality in the late Spring, and a session with conversations about the board's self-assessment of their work in the past year could occur in February.

[12] For resources to design and conduct such an innovative session, see: http://www.charretteinstitute.org/

Initiative 3: Re-invent the "Community Plunge." A community plunge is a well-organized journey of health system leaders into the community to explore solutions to the underlying causes of health risks and disease. While an old strategy, your organization can make it new in your journey to population health. You can now use this personalized engagement as a key means to conduct your Community Health Needs Assessments, such here at ThedaCare.[13]

In the early days of community health improvement, health gain was known to be more likely when diverse community leaders and organizations worked together to define and remove barriers to good health. Guidance can now be found within the American Public Association Health Communities Movement. [14]

Once the board has a handle on the meaning of generative work, board members can "practice" by deliberately and explicitly evoking all three modes and then discussing the experience. The following two examples, in Trower's book, show how the boards of organizations practiced "triple helix thinking" by generating questions about mission-critical issues.

[13] https://www.thedacare.org/Getting-Involved/Improving-Community-Health/Community-Plunge.aspx or here in Memorial Health South Bend https://qualityoflife.org/che/community-outreach/test-plunge/

[14] See: http://www.apha.org/topics-and-issues/healthy-communities?gclid=Cj0KEQjwlLm3BRDjnML3h9ic_vkBEiQABa5oeTDuMntkHRP9u2A99-Z9B-0fMltTIo5f-7zzP6P8eyQaAhbq8P8HAQ) and also in lessons from the Foster McGaw Award Program of the American Hospital Association.
See: http://www.americangovernance.com/resources/reports/brp/2016/index.shtml

Example 1: The Copley Health System Practices Thinking in Three Modes[15]

At a board retreat, the board learned about governance as leadership and practiced thinking in the three modes about the mission-critical question decided in advance by the CEO, board chair, and chair of the governance committee: "What are the most important questions Copley must address to fulfill its mission in the current and changing economic and health care environment?" Board members formed three groups and were instructed that they had an hour to suggest fiduciary, strategic, and generative questions that the mission-critical question spawned.

- That process elicited numerous questions, including:
- How do we fulfill our mission in a fiscally sustainable way?
- How do we make Copley the most desirable place for health care?
- How do we incent the community to be responsible for their care?
- What is a sustainable model which meets community needs and our mission?
- What is Copley's role in redefining a sustainable health care network and transitioning to/incorporating wellness?

Perhaps even more important than generating questions was the discussion that followed, in which the board discussed the process of thinking in the two modes. One board member generated laughter by saying, "That was like a brain colonoscopy!" While not necessarily *that* bad, there was general agreement that the exercise "cleared the brain's cobwebs" and required critical thinking. For some board members, the fiduciary questions sprang forth easiest, but not for all; others most enjoyed the upstream questions about Copley's mission and values. There was also acknowledgement that not all questions fit into one single category. The question, "How do we fulfill our mission in a fiscally sustainable way?" has fiduciary, strategic, and generative dimensions.

After the conversation about the triple-helix exercise, the board broke into four groups to "Describe the most practical, valuable change the board could make in the way it does business to ensure that it spots, and attends to, triple-helix work." Board members decided they would like to ensure that the board:

- Has materials in advance of meetings that includes questions for consideration
- Spends time discussing what to decide, how to decide, and how to frame the issues
- Engages in robust discourse so that the board can truly "respond" rather than just "react"
- Designs agendas that keep the board on task, spending 90 percent of its time discussing the most critical issues facing the hospital
- The Governance Committee was charged with ensuring that these ideas would be put into practice beginning with the next meeting

[15] Cathy A. Trower: op. cit.

Example 2: Southwestern Vermont Medical Center Board

At its retreat, following an examination of governance and a board self-assessment, the Southwestern Vermont Medical Center board focused on two triple-helix questions; one was: "Should the hospital become affiliated or consolidated with a larger system?" The task was to generate the fiduciary, strategic, and generative questions that the big question elicited; the process produced a number of excellent questions, including these:

Fiduciary

- Are we going to grow our services and numbers?
- What will be the political issues/result; how will the state of Vermont view this?
- Will insurance cover out-of-state service (if we partner out of state)?

Strategic

- How will the medical group view this?
- How will this be viewed in the community?
- What about those doctors who do not want to join?
- What is the intention of the larger entity, for example, altruism or regional dominance?

Generative

- Do we lose our identity?
- Who decides what we should do?
- Why do we want to do this? Can we afford not to do this?
- Does this fit with our mission statement?
- How do we ensure cultural compatibility (with the other hospital or system)?

The board chair commented:

We discussed alliances, not from a detailed point of view, but whether the community would feel good about such and alliance. Would we be marginalized or disappear? Would we lose our local influence? The board retreat provided an ideal venue for this sort of thinking and discussion. The community cherishes the organization and it was helpful to have a sense of whether or not this would fly. It really helped management to put some meat on that concept. The hospital is now looking to align itself with an academic institution. I think it's the result of the generative discussions we had on the board. Generative topics tend to bring out the board's critical thinking and discussions are quite interesting, in part, because board members feel that they're on comfortable ground where they can add value. It's not all about technical matters, like finances or things only health care professionals effectively comment on… where most board members don't have the background. A generative level discussion liberates the board to bring its best ideas forward.[16]

[16] Trower, page 12

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The Governance & Leadership practice of Integrated Healthcare Strategies, a part of the Gallagher Human Resources & Compensation Consulting practice, uses proven, state-of-the-art governance design, educational programs, and tools to help boards use their time and talents more effectively. Our team of consultants have extensive experience in the assessment of board performance and in the development of strategies and systems to continuously enhance the governance of complex healthcare and hospital systems.

For more than 40 years, Integrated Healthcare Strategies, has provided consultative services and people-based solutions to clients across the healthcare spectrum, including community and children's hospitals, academic medical centers, health networks, clinics, and assisted-care providers. Our Integrated Healthcare Strategies consultants and nationally recognized thought-leaders help organizations achieve their business goals, by ensuring top talent is attracted, retained and engaged, while measuring and maximizing human and organizational performance. With tailored solutions that extend well beyond single services, Integrated Healthcare Strategies offers the knowledge, guidance, and insights that organizations need to not only survive the rapidly changing healthcare environment, but to succeed in it.

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GOVERNANCE INNOVATION:
a five-part series

4 | Intentional Governance

A resource from Integrated Healthcare Strategies
Human Resources & Compensation Consulting

This paper encourages hospital boards to be more structured and formal in their board work and is provided in cooperation with The Governance Institute with excerpts from their research and publications regarding "Intentional Governance."

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Intentional Governance is one of the five new models of board work that is essential for health systems to successfully move into an era of population health and value based payments. The five are:

Collaborative Governance
Competency Based Governance
Generative Governance
Intentional Governance
Transformational Governance

This is the fourth of a five part series of white papers on new forms of governance for population health management by integrated health systems and accountable care organizations.

We encourage boards to circulate these white papers and engage in spirited conversations about how these models are being mastered in their board work, and what investments could advance them even further into the high performance governance domain.

This fourth of five papers seeks to address these four questions:

What is Intentional Governance?
Why is Intentional Governance so important for health systems boards?
How can boards overcome common obstacles to good Intentional Governance?
What are the three most important board actions to accomplish Intentional Governance?

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4| Intentional Governance

People who are willing to volunteer their time and energy want to do so in a way that makes use of their talents and permits them to contribute in a meaningful way to an enterprise they view as important.

What is Intentional Governance?

Intentional governance is board work that is guided by a disciplined decision making processes that drive to protect and promote the organization's mission. The board is structured and systematic in how it accomplishes four essential practices:

1. Establishes a culture of accountability
2. Engages diverse stakeholders
3. Sets strategic direction
4. Wisely stewards resources[1]

This content of this paper is derived from The Governance Institute's 2010 signature publication, *Intentional Governance: Advancing Boards Beyond the Conventional.*[2] As we explore valuable resources for health sector boards to become more effective and efficient, publications by The Governance Institute are a good place to turn for practical wisdom. As a follow up to the 2010 signature publication, The Governance Institute is in the process of creating Intentional Governance Toolbooks for each pillar of Intentional Governance.[3]

1 See "Leaders Who Govern" by Management Sciences for Health at www.leaderswhogovern.org
2 Sean P. Murphy and Anne D. Mullaney, *Intentional Governance: Advancing Boards Beyond the Conventional* (signature publication), The Governance Institute, 2010. Used with permission.
3 See: https://www.governanceinstitute.com/?page=TGIGuides

The challenges of our environment as we journey into accountable care and population health management will certainly result in more pressure on hospital leadership – both management and board – as they work to maintain the viability of the organization. Ironically, it is just when the need for leadership is at its most acute that the pool for willing volunteers with the requisite skills seems to be decreasing. As the task of recruiting, engaging, and retaining the right talent becomes more critical than ever, successful health systems must position themselves in a way to attract and retain quality directors.

"What motivates an individual to consider serving on a hospital board given all its demands?"

"What is a particular individual hoping to get out of the experience of serving on a hospital board?"

Interviews with many current hospital and health system board members reveal a number of common themes relating to what draws board members to hospital service as compared to other potential volunteer opportunities or civic involvement.

Why is Intentional Governance so important to health system boards?

Disciplined decision-making by governing bodies is essential to steady progress to accomplish population health management and accountable care. The boards ask challenging questions of their physician and executive colleagues about how will integrated care process and modern "clinical governance' be accomplished, and how will rigorous financial targets by achieved?

Four key motivations can drive board members to seek more intentional governance:

1. Provide better health improvement
2. Offer services that are more efficient, accessible, and affordable
3. Contribute to the economic vitality of the region
4. Earn position as a respected regional employer

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What are the additional, necessary components that take boards beyond mediocrity into excellence? The Governance Institute's biennial surveys measure board performance in recommended practices, and they evaluate patterns of board structure. Structure and practices are key components in driving board performance, but there is a third, possibly more important component to consider in driving board performance: a board's interpersonal dynamics and culture.

Intentional Governance involves deliberate and disciplined decision-making processes that enable the board to realize its highest potential. Combining board structure, practices, and culture into the framework of "intentional governance" will bring boards and their executive teams closer to the elusive components of high-performing governance.

Intentional Governance process has, as its outcome, full board engagement in its own development and continuous improvement. The process involves a critical analysis by the board's leaders of what works and what does not work for the board, and the individual directors who make up the board, in carrying out formal oversight responsibility. It addresses the following questions:

Intentional governance: deliberate and intentional processes addressing board structure, dynamics, and culture that enable the board to realize its highest potential.

- What type of board do we want to be?
- How do we get there?
- What works in our meetings?
- What information do we need?
- What plans do we have to improve?
- What are our collective and individual goals to reach optimal performance?
- How can we continually enhance mutual trust between the board and management?

"*In Intentional Governance, the board is driven by disciplined process. When an issue arises, the board refers the issue to the appropriate committee to be analyzed and dealt with. Data replaces emotion. Process trumps intuition. Sometimes it seems cumbersome, but the final outcome is almost always the right one. And it has led to better governance.*" – CEO, hospital in Upstate New York

If a board is to provide effective leadership to the organization it governs, it must go about its job with the same focus and 'intentionality" as it would require of management. Although this proposition may seem somewhat self-evident, too many boards are not diligent about their own work. A board must be disciplined about the processes it puts in place to carry out its work, and assess and enhance the effectiveness of its efforts on a periodic basis.

How can the board overcome obstacles to Intentional Governance?

Health system boards face a variety of challenges to fully embrace and use Intentional Governance:

1. Boards, like executive teams, are too often "distracted from diligence" by the tyranny of the urgent and fail to step back from routine meetings and decision-making to develop a disciplined road map to smarter board work. We refer to this as a "Governance Enhancement Plan."

2. Boards refine their structures without refining their strategies and style of governance decision-making. Boards also avoid candid conversations about how the culture of their interpersonal rapport and relationships can trump well defined strategies and structures. Petty personality disagreements and personal agendas erode trust and derail smart board work.

3. Boards are not explicit enough in defining proxy indicators and measures of the quality of their governance group decision-making. They can lack metrics on attendance, effectiveness of meetings, expected preparation for meetings, the quality of board and committee meetings, and the quality of annual self-assessments that drive to continuously improve their board work.

To overcome these challenges, the board must learn to operate as a high-performing team rather than a collective group of individuals. This important transformation can only happen by putting in place processes – nuts-and-bolts mechanisms – that guide the work of a board; force it to focus on itself and its own effectiveness; and ultimately impose upon itself true accountability. This takes discipline and diligence. It is ***intentional governance*** as The Governance Institute describes in the seven (7) imperatives exhibit on the following page.

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THE LUCKY SEVEN IMPERATIVES[4]							
DOMAINS	1	2	3	4	5	6	7
	Board Recruitment	**Board Structure**	**Board Culture**	**Education & Development**	**Evaluation & Performance**	**Continuous Governance Improvement**	**Leadership Succession Planning**
	Organizational needs Board needs Requirements: training, education, experience Stakeholder analysis Community representation	Proper size Committee structure Board role: clear definition, responsibilities, accountabilities Distinction between managing and governing Effective meetings	Clear behavior expectations Encourage robust engagement Mutual trust and willingness to take action Commitment to high standards	Formal orientation Formal board education plan Education goals and process to meet goals Resource allocation Certification (?)	Board assessment Committee assessment Director assessment and peer review Commitment to making changes Appointment and reappointment qualifications	Board mission statement Track board performance Evaluate efficiency and effectiveness beyond annual assessment Continuous process analysis Challenge and change culture	Written policy statement Leadership position descriptions selection criteria Identification and development Performance evaluation Connection to recruitment

For a board to engage with its CEO to define what to do in each of these domains, high performing boards need high performing board members.

One way boards can preempt potential board member performance gaps is by looking closely at some general qualifications of the members: their willingness to serve, time availability, commitment and engagement, ability to step out of their own self-interest, objectivity, intelligence, communication skills, integrity, and values[5]. On this "foundational framework" of social criteria, boards can then overlay a skill-based filter, and a gender / diversity filter, to ensure that they do not recreate a narrow microcosm of their social circle, and end up with a board fraught with people problems due to problem people.

> "It's getting harder and harder to recruit directors – especially younger directors. Young people just don't want to serve. They're too busy or not interested; they have families, both spouses working, demanding jobs and careers, children – and often times elderly parents they have to care for."
>
> – CEO,
> Hospital in Northern New Jersey

4 Source: The Governance Institute Intentional Governance

5 Washington State Hospital Association, *Governing Board Orientation Manual*, pp. 6-7, (www.whs-seattle.com/manual/cover.html, accessed Feb. 22, 2010)

There is a more compelling argument for the board to be "intentional" with respect to its composition. Boards that are deliberate with regard to identifying and acquiring directors with "desired and needed" skill sets will be able to ask better questions. They will be able to provide management with better advice, guidance, and expertise. They will be better able to anticipate problems, future needs, and opportunities that might otherwise go unnoticed – or noticed too late. Finally, they will be better equipped to engage in the essential, robust strategic and generative discussions that move the organization forward in accordance with its vision and mission.

Non-profit healthcare organizations are different from for-profit businesses, and traditional business experience can carry directors only so far. Directors can easily succumb to the temptation to focus on – and meddle in – matters that are familiar to them, and neglect the imperatives of the organization as a whole.

Intentional boards work intentionally to expect and encourage excellent board / CEO relations.

Being intentional about clearly defining good governance, practices should encourage boards to take strategic approaches to issues rather than focus on operational matters. Boards stray into operations and away from policy for two main reasons: 1) they pursue what is most familiar to them, and 2) they lose faith in the CEO or executive team.

Ideally, the board and the CEO have a symbiotic and trust building relationship, each being accountable to the other and pursuing the same goals for the benefit of the populations served by the organization. Optimal organizational performance is a joint endeavor[6].

Governing boards are often ostracized for "spend[ing] more meeting time in a passive mode, listening to reports and conducting routine business, than they do actively discussing substantive matters of policy or organizational strategy."[7] Intentional Governance worries about how to continuously strengthen the effectiveness of board meetings.

6 Elements of Governance®: The Distinction between Management and Governance, The Governance Institute, 2006.
7 Barry Bader: "The right stuff, the right way: 10 ways to improve board meetings, "*Great Boards*, Winter 2005 (www.greatboards.org/pubs/Ten_Ways_to_Improve_Board_Meetings.pdf, accessed February 22, 2010.)

It may be time to scrap the traditional monthly, two-hour board meeting and consider longer but less frequent board meetings. The point is not to allow for more reporting from management, but rather to allow more time for discussion and strategic questioning – with each board member participating to his or her fullest in the give-and-take on key issues of strategic consequence to the vitality of the organization and its mission.

Perhaps the most critical aspect of Intentional Governance is also the most elusive to define, measure, and create. It is culture, variously defined as "the way we do things around here," or "the way people behave when no one is looking." Like their organizations, boards have a culture too[8].

Here are a few examples of a dysfunctional board culture:[9]

- The board is dominated by an individual. When a board is dominated by the chair, CEO, or a board member, chances are:
  - Board members may be reluctant, or worse yet, discouraged from actively participating.
  - Board members effectively abdicate their fiduciary, strategic, and generative responsibilities.
  - Cliques form and meetings take place outside the boardroom.
  - The checks and balances needed for effective governance are eliminated.

- Board members do not feel qualified to offer their perspective. Board members lacking healthcare or population health enhancement experience may not feel qualified or are intimidated from offering their perspective. Some suggest that not only are there no dumb questions, but that all board members should be required to ask at least one question. The board, board chair, and CEO want and need each member's perspective. These diverse insights must be intentionally cultivated in each meeting.

8 Barry Bader, "Culture: The Critical but Elusive Component of Great Governance", Special Commentary in *Governance Structure and Practices*, The Governance Institute, 2009.
9 Rex P. Killian, J.D., "Health System Governance: Board Culture," *BoardRoom Press*, December 2007. The Governance Institute.

- Board chair and CEO are buddies. If the chair and CEO are too friendly, chances are:
  - The board sees itself as a rubber stamp for decisions already made.
  - Open and candid discussions may be stifled.
  - The roles of the CEO, board chair, and individual board members are blurred.
  - Board members may withdraw from participation and fail to help encourage a culture of intentional inquiry and innovation.

Prybil has found that boards in high-performing systems exhibit "**three dimensions of board culture**" and **nine specific behaviors** under their dimensions[10]:

Robust Engagement
1. Board meetings are characterized by high enthusiasm.
2. Constructive deliberation is encouraged at board meetings.
3. Respectful disagreement and dissent are welcome at board meetings.
4. The board is actively and consistently engaged in discourse and decision-making processes. Most board members are willing to express their views and constructively challenge each other and the management team.
Mutual Trust And Willingness To Take Action
5. The board's actions demonstrate commitment to our organization's mission.
6. The board tracks our organization's performance (financial and clinical) and actions are taken when performance does not meet our targets.
7. There is an atmosphere of mutual trust among the board members.
Commitment To High Standards
8. The board systematically defines its needs for expertise and recruits new members to meet these needs.
9. Board leadership holds board members to high standards of performance.

[10] Source: https://greatboardsblog.wordpress.com/2009/11/12/culture-the-elusive-component-of-great-governance/

For a board to govern with intention, board education to achieve these nine traits must be more than a periodic event. It must be an integral part of the board's mission, purpose, and agenda; not an idea or plan that gets dusted off annually.

As a part of intentional governance, board education needs to be deliberate, planned, and appropriate. The board should be committed to a formal board education plan that includes everything on the education spectrum from orientation, certifications, seminars, and board retreats, to speakers on hot topics integrated within the board meeting agenda. The complexity and demands of population health management and accountable care require nothing less.

What are the three most important board actions to accomplish Intentional Governance?

To more fully accomplish what the Governance Institute refers to as Intentional Governance, consider these three key initiatives.

Initiative 1: Develop and follow an annual 360° assessment of your board work, with input on how to continuously improve the effectiveness and efficiency of your decision-making from: board members, executives, physicians, and other community leaders.

Initiative 2: Build and follow a "Governance Authority Matrix"[11] to guide clarity of your disciplined balancing of roles and responsibilities of the board, board committees, and the executive team.

Initiative 3: Be more creative and deliberate about your board's use of internet and mobile based technologies to support more deliberate and intentional decision-making.[12]

[11] See: http://www.integratedhealthcarestrategies.com/services/governance/services_governance_digital_library.aspx

[12] Resources can be found at: BoardVantage (www.boardvantage.com); *BoardEffect* (www.boardeffect.com); *Directors Desk* (http://business.nasdaq.com/intel/directors-desk-board-portal)

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ATTACHMENT[13]

Intentional and periodic board and director evaluation is one of the great challenges of high-performing governance.

Specific Issues Include
Culture/Internal Resistance -- For a board member, there is a tension inherent in being an unpaid volunteer and having to go through the process of performance evaluation.
Standards – The board may lack standards or requirements for individual director assessment; though there are accreditation standards and third-party tools for the full board assessment from most state hospital associations.
Implementation -- Much of the most important feedback that directors can receive is "subjective" (i.e., related to performance of the board and its behaviors). It takes leadership and skill to implement processes that enable the board to give meaningful feedback on the committees that will result in meaningful change.

Board self-assessment is the baseline – the point at which the board must begin. It must feed forward in continuous governance improvement, standards, and structure, and planning for the future of the board itself.

Boards need to evaluate their own processes in the same manner and with the same vigor that they evaluate the hospitals and health systems that they are charged to govern.

Challenges Include
Inertia -- Gravity has a way of keeping us from doing things differently, from taking on the challenge of change.
Lack of Model or Mandate -- Boards have neither a systemic model nor mandate to perform regular and ongoing governance improvement.
Metrics -- No uniform method of measurement for governance excellence.
Culture -- Boards that are change-averse will find the journey to Intentional Governance very unsettling.

[13] These insights have been generated by the good works of The Governance Institute and its faculty.

The intentional board regularly asks questions that are critical to enhance its performance:

- Are our meetings effective?
- Do we have the right information that we need to govern?
- Is our board organized and structured properly?
- Are our committees organized and operating effectively?
- Are we accountable stewards of our community assets? Can we prove it?

INTENTIONAL GOVERNANCE REQUIRES BOARD SUCCESSION PLANNING

Studies by The Governance Institute indicate that over 80 percent of respondents believed their hospital or health system would benefit by having formal policies and procedures for board leadership succession planning.

Essential elements of board leadership succession planning include:

- A written policy statement on its importance
- Clear board leadership position descriptions
- Selection criteria driven by the board's aspirational competencies profile
- Board leadership identification and development (partnering/mentoring programs, etc.)
- Board leadership performance evaluation

Governing boards need to be intentional throughout the spectrum: from board recruiting to leadership succession planning. The governing board should have an idea about when board leaders contemplate (or may be contemplating) leaving the board (for whatever reason) so that the board can effectively identify new members in advance of their departure, in order to continue the vital governance leadership continuity loop.

An intentionally constituted board is essential to the success of a healthcare organization.

Boards should carefully review their processes for intentional board work, and compare those with the board's current processes and practices, to see where there is room for change and continuous improvement.

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Have periodic candid conversations about the balance of responsibilities and degrees of authority illustrated in the following matrix.

Sample Authorities[14]	Governance	Management	Both	Recommended[15]
Overall Direction (Mission, Vision, Values)				
Revise mission, vision, values				G
Determine annual goals				G
Monitor progress on goals				G
Determine strategies to achieve goals				B
Recommend policy				M
Approve policy				G
Implement policy				M
Change bylaws				G
Employ outside consultants (counsel, financial, etc.)				B
Ensure compliance with regulations				B
Strategic Planning				
Develop strategic plan				B
Approve strategic plan				G
Approve strategic plan budget				G
Approve deviations from strategic plan				G
Finance				
Approve annual operating budget				G
Approve capital budget				G
Approve deviations from operating budget				G
Approve deviations from capital budget				G
Approve senior management travel budget				M
Board Effectiveness				
Prepare and administer a board self-assessment program				G
Prepare and approve a board orientation program				B
Recommend changes in board composition				G
Recruit new board members				B
Quality of Care				
Recommend criteria for credentialing				M
Approve criteria for credentialing				G
Recommend quality indicators				M
Approve quality indicators				G
Establish standards for quality of care				G
Monitor quality improvement program				B

14 Source: Intentional Governance, The Governance Institute

15 G = the responsibility of the board / M = the responsibility of the CEO / executive management / B = the board and CEO / management share the responsibility

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The Governance & Leadership practice of Integrated Healthcare Strategies, a part of the Gallagher Human Resources & Compensation Consulting practice, uses proven, state-of-the-art governance design, educational programs, and tools to help boards use their time and talents more effectively. Our team of consultants have extensive experience in the assessment of board performance and in the development of strategies and systems to continuously enhance the governance of complex healthcare and hospital systems.

For more than 40 years, Integrated Healthcare Strategies, has provided consultative services and people-based solutions to clients across the healthcare spectrum, including community and children's hospitals, academic medical centers, health networks, clinics, and assisted-care providers. Our Integrated Healthcare Strategies consultants and nationally recognized thought-leaders help organizations achieve their business goals, by ensuring top talent is attracted, retained and engaged, while measuring and maximizing human and organizational performance. With tailored solutions that extend well beyond single services, Integrated Healthcare Strategies offers the knowledge, guidance, and insights that organizations need to not only survive the rapidly changing healthcare environment, but to succeed in it.

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GOVERNANCE INNOVATION:
a five-part series

5 | Generative Governance

A resource from Integrated Healthcare Strategies
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Transformational Governance is one of the five new models of board work that is essential for health systems to successfully move into an era of population health and value based payments. The five are:

Collaborative Governance
Competency Based Governance
Generative Governance
Intentional Governance
Transformational Governance

This is the fifth of a five part series of white papers on new forms of governance for population health management by integrated health systems and accountable care organizations.

We encourage boards to circulate these white papers and engage in spirited conversations about how these models are being mastered in their board work, and what investments could advance them even further into the high performance governance domain.

This paper seeks to address these four questions:

What is Transformational Governance?

Why is Transformational Governance so important for health systems boards?

How can boards overcome common obstacles to good Transformational Governance?

What are the three most important board actions to accomplish Transformational Governance?

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5| Transformational Governance

What is Transformational Governance?

Transformational governance is a series of strategies and practices that enable governing bodies of public oriented, not-for-profit, and safety net hospitals to strengthen their capacity to create positive conditions within which those who deliver and manage health services for vulnerable populations are more likely to succeed.[1] To transform the governance model, change must be embraced and mastered by the board's leaders and executive team; not just marginal changes in meetings and decision support tools, but fundamental changes in the people, the principles, the processes, and the practices of the boards of trustees / directors / governors.

Great boards are robust, effective social systems and they must pay attention to, work at, and really assess how well they function as teams in order to govern effectively.[2]

The board's role is now recognized as essential in guiding their organizations through the transforming health sector. "Consolidation involving vertical and horizontal integration creates the potential for a change in board composition. This may lead to a change in board dynamics and culture. This change can either nourish or disrupt the functioning of the board. This dynamic needs to be managed carefully so it is a nourishing change. Agreements from all parties on their governance model is a good start. Clear management and governance metrics, including subsidiary boards, should document the roles of decision-making throughout the management and governance structure. This clear accountability for decision-making underlies successful consolidation in other industries as well as health systems."[3]

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1 These materials derived from Larry Gage writing for The Center for Healthcare Governance of the American Hospital Association

2 See "Achieving Exceptional Governance" Mary Totten in Trustee April 2007. Further insights are available in the excellent resource text from the AHA's Center for Healthcare Governance, http://www.americangovernance.com/resources/reports/brp/2007/index.shtml

3 See John Koster, Gary Bigbee and Ram Charan, "The n=1 How the uniqueness of each individual is transforming healthcare" The Academy Press 2014, page 175

The insights shared in this short paper have been distilled from excellent resource documents published by Wiley and ASAE[4] and the American Hospital Association entitled: "Transformational Governance: Best Practices for Public and Nonprofit Hospitals and Health Systems."[5]

These studies remind board leaders and executives that reform of the legal and governance structures by themselves will not guarantee your viability, especially at a time when the number of uninsured and underinsured patients still remains high and sources of funding for population health management are often inadequate and uncertain.

Why is Transformational Governance so important for health systems boards?

Gage observes that at its foundation, transformational governance results when a well-qualified, well-educated board of trustees exercises wise stewardship over an explicit community trust, balancing the mission and success of the organization with the needs of those it serves. Transformational governance takes these expectations to a higher level of effectiveness and efficiency.[6]

[4] Transformational Governance: How Boards Achieve Extraordinary Change, By: Kissman Katha, Publication Date: 2015, see: https://www.asaecenter.org/en/about-us

[5] The author for this reference document is Larry Gage. Larry Gage has practiced law in Washington DC since 1972. He currently serves as Senior Counsel in the Washington D.C. office of the law firm of Alston+Bird LLP. Mr. Gage founded the National Association of Public Hospitals and Health Systems (NAPH) and he served as President of that organization from 1981 to 2011. In 2012, he was honored to receive the Board of Trustees Award of the American Hospital Association. Mr. Gage is a graduate of Harvard College and the Columbia University Law School. He can be reached at Larry.Gage@Alston.com

[6] Gage ibid, page 16

Old forms of governance decision making for health are unlikely to be as agile, creative, effective, or efficient as needed for the new era of population health gains in large populations, especially vulnerable populations in high risk communities, employers, and neighborhoods. As a result, traditional board work and structures face the following challenges, and are often ill prepared for these new challenges.[7]

Non-existent and fragmented incentives: Providers are not paid to cooperate with each other, and chronic disease patients require complex care management systems and technologies in non-acute settings, and in organizations not owned by the hospital or accountable care organization.

Misaligned primary care: Licensure and professional control boundaries make it difficult to organize teams of care providers that may not have the right or experience to deliver care navigation that is demanded in population health management.

Spotty information sharing: Even though the EPIC electronic health record has broad market spread, it has not been designed for managing population health, but instead for individual patient healthcare.

Poor patient activation: Aging populations with co-morbidities drive up costs and make it difficult for any single provider to manage all of the care venues needed for success. And patients still lack tools and incentives for behavior change to healthy lifestyles.

[7] See the good work by the Advisory Board here: https://www.advisory.com/research/care-transformation-center/care-transformation-center-blog/2015/06/global-barriers-to-population-health-management

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How can boards overcome common obstacles to good Transformational Governance?

The journey into transformational governance as a means toward population health management must also overcome these key obstacles:

1. Board leaders may be complacent. Their organization has been working well for over a decade, so why make changes now just because the environment and payment methods are changing?
2. Board leaders and their executive teams are not sure how to design and implement a process of self-examination and reform that might shake the fundamental assumptions of board structure, board composition, the processes of decision making for planning, budgeting, quality assurance, and collaboration needed to enhance engagement with other community health organizations.
3. Transformational change is not easy when the change is to be established while also governing the organization (ala the classic dilemma of changing the tires on the car while it is being driven).
4. Immobilization by leaders who are *unwilling to take any steps* because they mistakenly believe you have to make all of the changes all at once, rather than in logical and incremental steps.

Overcoming these obstacles, transformational boards learn that in order to master their basic legal and fiduciary duties, they must attend to six key areas of responsibility: strategic orientation, public accountability, financial oversight, quality assurance, advocacy, and board development.[8]

[8] Gage op cit, page 18-19

Strategic Orientation. Board members should be actively involved in shaping the strategic orientation of the health system, including reviewing and approving a strategic plan that is consistent with the health system's purpose and mission. To make informed decisions regarding strategic orientation, board members should keep up to date on the health system's regulatory and competitive environment, including health system trends, opportunities, and threats. Once strategic priorities are set, they should be reassessed regularly and the health system's progress toward those goals monitored regularly.

Public Accountability. Public accountability refers to the responsibility of board members to assess the short- and long-term needs of the community and the health system's patient population and to monitor the fulfillment of these needs. The board may accomplish this by facilitating regular communication with political leaders, the press, relevant organizations, and the public at large. Board members must coordinate these communications within the health system, rather than undertaking them haphazardly or on their own. They also should ensure that the health system is in compliance with all applicable laws and regulations.

Financial Oversight. Financial oversight responsibilities include reviewing and approving financial plans, evaluating organization goals, and ensuring that internal and external independent financial audits are completed on a timely basis. Board members also should be prepared to participate, if needed, in negotiations with the local government and to monitor the health system's investment strategies and otherwise ensure protection of invested assets. It is helpful to have comparative numbers such as historic performance or the performance of comparable organizations, to gauge the health system's financial status.

Quality Assurance. The board must ensure that an effective quality improvement system is in place, with ongoing, systematic assessment resulting in action plans to strengthen performance. A board member's responsibilities include regularly reviewing quality performance data, holding management and clinical staff accountable for patient safety and quality of care, and ensuring that resources are available for these purposes. Quality goals should be linked to performance ratings and incentives and staff privileges. Through continuous quality management, an effective board can decrease the likelihood of adverse outcomes and encourage a culture of quality and patient safety along the full continuum of support for health, from in-home disease prevention and health promotion, to primary care, to hospitals and long-term chronic care.

Advocacy. A governing board has the responsibility to engage in advocacy on behalf of the health system and the population served by the health systems and its programs and facilities. Members of the board should identify proactively both informal and formal opportunities for advocacy. Specific goals should be set with respect to public advocacy, and the role of the board in fund development and philanthropy should be articulated. Board members should have a common understanding of the health system's goals, needs, and key issues. Equally important is the ability of the board to present a unified message. The board or its chair should therefore establish a protocol as to who may speak on behalf of the board and when, both generally and in the context of a specific advocacy agenda.

Board Development. A separate yet critical transformational board responsibility pertains to continuous and innovative board development and self-assessment. Board members should routinely assess the health system's bylaws to identify areas that need improvement. Additionally, mechanisms should be established to evaluate the performance of the board, its committees, and individual board members. Board education to fix performance gaps also should be a regular aspect of the board's activities.

But transformative boards go above and beyond simply being competent or effective. As a group of governance experts that explored characteristics of exceptional boards concluded:

"Moving beyond the basics of governance, as important as those are, creates new opportunities. Exceptional (transformative) boards add significant value to their organizations. Making discernible differences in their advance on mission…Responsible boards are competent stewards. Focusing on fiduciary oversight, they ensure that their organizations comply with the law, act with financial integrity, and operate effectively and ethically. Exceptional (transformative) boards add active engagement and independent decision-making of their oversight function. Their members are open and honest with each other and the chief executive. They passionately challenge and support efforts in pursuit of the mission. The difference between responsible and exceptional boards lies in thoughtfulness and intentionality, action and engagement, knowledge and communication. The difference—the source of power—serves as the multiplier that powers exceptional boards." (BoardSource, 2005).[9]

[9] See: https://www.boardsource.org/eweb

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What are the three most important board actions to accomplish Transformational Governance?

As you surface the concept of **Transformational Governance** within your board and executive team, consider these three key initiatives:

Initiative 1: **Governance Innovation Design Studio** Ask for, and then do an all day, deep dive into a comprehensive analysis of the transformative trends changing the landscape from health care to health gain or population health. Ask probing questions about how the transformation to primary care, population health, customized medicine, and new bundled payments will significantly reform the organizations, relationships, and systems you govern, as well as the structures, processes, and players you use in your many governance activities.

Initiative 2: Streamline Board Structures & Processes New ways to govern are more likely found and nurtured when your leadership engages diverse stakeholders to help answer the questions: why are we doing our work this way and how can we do it better? Adopt a culture of enhanced transparency and inclusiveness in how you conduct your board work, while still protecting sensitive personal and strategic moves for the vitality of the organization's mission.

Initiative 3: Invest in Balanced Scorecards Group decision-making can be more effective and efficient when there is group clarity on a handful of measurable targets that drive the board's work. Common pillars or targets for performance are often defined within these areas: impact on population's health; gains in market share; availability of cash for organizational vitality; measures of clinical quality outcomes and user satisfaction; and overall market reputation among regional employers and purchasers of health services.

How ready is your board to launch or accelerate its journey into Transformational Governance?

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