The Shared Governance Imperative

by Pam Knecht

Just as the health industry continues to shift care delivery from a volume- to a value-based model, so too must the health care board evolve beyond its traditional fiduciary and core governance responsibilities to encompass a more strategic and global view. The success of this evolving model depends on shared governance—a stronger alignment and engagement among the board, physician leadership and management.

Health system leaders and their boards must determine how to best move from fragmented to coordinated care, going beyond treating individual patients to providing care for patient populations, and shifting from payer-driven managed care to provider-driven accountable care. In other words, they must chart a course for becoming clinically and fiscally accountable for the entire continuum of care that their patient population may need.

None of these new goals replaces the board's fundamental responsibilities, however, which include: ensuring competent management, as well as clinical quality, service and safety; advocating for those served and the organization; perpetuating effective governance; protecting the financial health of the organization; and setting strategic direction—all of which must tie back to the hospital's core mission, which the board is further charged with developing, overseeing and maintaining.

In addition to understanding and carrying out their basic oversight duties, boards need to maintain clarity around the distinction between their roles and those of the C-suite. While it is the responsibility of governance to set organizational goals, make major policy and strategy decisions and oversee their implementation, management's job is to deliver results by implementing those policies and strategies, as well as managing operations and reporting on performance.

Nevertheless, a fundamental shift is occurring within that dynamic. As part of the board's "new" work, trustees, management and physicians must collaborate more closely to discover and solve the most important issues facing the organization, while still maintaining the governance/management distinction. This is the essence of shared governance, particularly in the environment of fundamental change now facing health care organizations.

Creating New Relationship Definitions

As a foundation for this new model, the board must ensure that physicians are adequately prepared for participating in shared governance at the board level and for other organizational leadership roles (e.g., educating physicians about the difference between management and governance). In addition, the CEO and board (including the physician board members) must envision and define their desired relationship. This process could evolve as follows:

- The board and CEO agree on a governance "philosophy," or the desired interaction between the board and the CEO.
- They reach agreement on the board's overall roles and responsibilities and then create an "authority matrix."
- Agreements are recorded in formal board policies and procedures.
- The board and the CEO jointly develop written job descriptions for themselves and communicate regularly about mutual expectations and how they are being fulfilled.
- The board continues to evaluate the CEO's performance at least annually and sets goals for the CEO's and the organization's performance.
- The board requires a written succession plan for the CEO and his/her direct reports.
- The board continues to hold the CEO accountable for performance.

These elements suggest an evolving model of the board providing leadership, *along with* management and physicians. Within this model, there are three modes of governance—fiduciary, strategic and generative—each with its own distinctive traits.

The fiduciary governance mode comprises the traditional trustee roles of maintaining stewardship of the organization's tangible assets and faithfulness to the organization's mission, as well as performance accountability and compliance with relevant laws and regulations. The board's role in this context might be seen as one of policing, or making good faith efforts to ensure the organization does not engage in wrongdoing. The strategic governance mode moves past policing to planning, in which the board helps set the organization's course and priorities and deploys resources accordingly, working in strategic partnership with management. Finally, the evolving generative governance mode involves envisioning, becoming a source of broader thought leadership for the organization. In this mode, the board discerns and frames problems and works to make sense of them, in effect helping to determine what questions the organization should ask of itself to prepare for the future.

Although the board's strategic mode may still seem fairly traditional, trustees must now have a significantly more thorough understanding of the current situation, proposed organizational strategies and the potential impact of those plans on performance in key areas, such as finance and quality. The board's first task in this more prominent role should be to undertake an assessment of the political, economic, social and technological challenges and opportunities within the current health care landscape. The assessment should result in

continued on page 6

continued from page 5

leadership declaring its "point of view" regarding what the external environment will (and will not) look like (e.g., will all hospitals have risk-based contracts). The board should also have candid discussions about stakeholder perceptions, patient satisfaction and its financial and quality performance. Physicians and community board members can often provide valuable insight into such areas as current market share, potential competitors and increased payer (e.g., employer) demands.

At the end of the strategic process, the board, physician leaders and senior management should agree on the unique, critical strategic issues facing their organization over the next three to five years. Strategic (versus operational) concerns can be defined as those that require significant resources and a longer-term decision-making timframe, and that have a wide-ranging impact on key stakeholders and/or the organization's viability. Current examples of strategic issues might include participating in insurance exchanges, matching financial performance with Medicare reimbursement levels and overseeing physician-led care redesign, among others.

Practicing Strategic and Generative Governance

- ***Set clear principles and expectations.*** This should include an agreement that the board, physician leaders and management will act as partners and engage in out-of-the-box, generative thinking in their interactions.
- ***Calendar rigorously.*** Ensure that there is a strategic/generative topic for each board meeting as part of the annual board meeting schedule.
- ***Develop carefully crafted agendas and targeted materials.*** Insist on governance-level preparation materials and create "framing questions" for each agenda topic.
- ***Dedicate discussion time.*** Each time the board meets (e.g., monthly meetings, education sessions and annual retreats), a significant amount of time should be devoted to discussion rather than presentation.
- ***Align board and committee composition.*** Envision, design and structure complementary competencies, skills and perspectives.
- ***Prioritize continuous education.*** Provide complete initial orientation and active mentoring, as well as establishing annual board and committee education plans.
- ***Ensure prepared board leadership.*** These activities ensure the perpetuity of the strategic and generative shared governance model through: developing board leaders and thinking through succession planning; creating clear leadership position descriptions, including competencies and qualifications; identifying, developing, nominating and selecting organizational leaders; providing individualized leader orientation, education and evaluation.
- ***Conduct consistent board evaluation and goal-setting.*** This should be done at each meeting as well as annually, at both the board and committee levels.

The Next Wave: Generative Governance

Boards cannot attain the next evolutionary level of generative governance without first understanding and implementing enhanced strategic governance. The board and the organization's executive and physician leaders should work together to define the future state and determine what priority actions will allow them to attain that desired state. From these conversations, the board can move to a more generative governance mode by asking such global questions as, "What problems are we solving?" In other words, the board, managers and physician leaders should transition from asking a question such as, "How do we increase our focus on patient care?" to discussing, "What is our core purpose (e.g., patient care or population health)?" This takes governance from a performance mindset to a more expansive one, envisioning its place in the future of health care.

Once understood, strategic and generative governance go hand in hand, and can be pursued concurrently. The board might proceed as outlined in the box to the left.

The ultimate aim of the shared governance model is to create a culture of engagement in which trustees, physician leaders and the C-suite trust and challenge one another, engaging directly on the big-picture issues that matter most to the organization's current and future success. To create that trust and meet the challenge, board members must commit themselves to a full understanding of the ongoing, accelerating changes occurring in the health care industry. Like health care itself, governance must be a nimble, adaptable, living organism, aligning its purpose with its organization's role in the rapidly evolving health care landscape.

Pam Knecht is the president and CEO of ACCORD LIMITED, a Chicago-based governance and strategic planning consulting firm. She can be reached at *pknecht@accordlimited.com*.

Editor's Note: AHA's Great Boards would like to welcome Pam Knecht as a regular contributor to the Great Boards newsletter.