The Effective Board

Principles and Best Practices for Effective Governance

by Barry S. Bader

- **Governance principles provide an objective basis to establish a board's role, structure, composition and working processes.**
- **Nine sample principles provide a basis for your board to customize its principles.**
- **By implementing best practices associated with each principle, a board can improve its effectiveness.**

The trustees of one health system were divided over how to structure the board. Some favored proportional representation from its acute care, nursing home and elder services divisions; others wanted all at-large members with no interests to promote.

The CEO of another health system had restructured so facility executives were directly accountable to corporate management for finances and operations. He wanted local boards to focus on strategic direction and oversight of quality, but local boards continued monthly monitoring of finances as they'd always done. Some trustees wondered what their role was.

At a third health system, a new trustee was surprised to learn the organization had no strategic plan … at least not one that identified major initiatives and set measurable performance goals, the kind he'd developed as a successful corporate executive.

So he interviewed the vice president for planning, drafted a strategic plan and brought it to the planning committee … to the CEO's surprise. The CEO was upset the new trustee was meddling in management.

These situations share a common cause: unclear expectations of the board's role.

Developing Governance Principles

No team can operate at optimal effectiveness unless each member knows his or her job and all members share common expectations of how they should work together. To build shared expectations, boards can discuss and adopt a written set of governance principles that define the roles, structures, composition and processes that enable the board to add value to the organization through its work.

A governance principle is a statement of a desired governance attribute or behavior that guides board work and decisions. Governance principles can help a board resolve differences and improve performance.

Governance principles aren't one size fits all. Individual boards will benefit by developing their principles through a participative process that is enlightening and unifying. The principles also provide a basis for a board to agree on practices that apply the principles to the board's roles, structure, composition and work.

Nine Sample Principles

As a starting point for discussion, here are nine governance principles that are associated with effective board performance. Each principle is followed by illustrative practices.

1. Accountability. The board understands its accountability to see that the organization acts in the best interests of the "stakeholders" who it serves such as patients and the community. Board members bring perspectives and knowledge from outside endeavors but they don't "represent" single constituencies. The board acts with diligence & objectivity on behalf of the stakeholders as a whole.

Sample Best Practices
- Written governance principles
- Periodic discussion of primary stakeholders and their needs

2. Responsibility. To govern (and not manage, which is the CEO's job), the board focuses its work on six major responsibilities:
- Define the ends, policies and goals of the organizations, beginning with the mission, vision, values and strategic plan
- Make and support decisions that advance the ends
- Select the CEO, establish goals & expectations for the CEO and organization, evaluate his or her performance and establish appropriate compensation
- Monitor organizational performance and exercise accountability for results, especially in the areas of mission effectiveness, financial

stewardship, strategic direction, quality of care and customer service

- Use influence with key internal and external constituencies to advance the mission and vision
- Take responsibility for the board's own effectiveness.

Sample Best Practices

- Written position descriptions for trustees, board chairperson and committee chairpersons
- Explicit process for CEO goal-setting, evaluation and compensation review

3. Exemplary Conduct.
Directors exhibit trust and respect toward colleagues and management, honor the confidentiality of sensitive information and scrupulously observe the conflict of interest policy.

Sample Best Practices

- Periodic board education and discussion of conflict of interest
- Confidentiality policy
- Code of conduct

4. Mission- and Vision-Driven.
Board composition, structure and work are designed to enhance the mission, vision, values and strategic direction of the organization.

Sample Best Practices

- Board and committee meeting agendas that focus on major initiatives in the strategic plan
- Measurable goals to track strategic plan implementation and organizational effectiveness

- Performance reports presented in dashboard format
- Meeting evaluation form to assess incorporation of mission and values

5. Streamlined.
The board's size and committee structure are as lean as possible to facilitate communication, participative discussion and efficient decision-making.

Sample Best Practices

- Straight-forward structure
- Optimal size (11-17) to balance diversity of competencies with the need for timely decision making
- Sunset provision for committees
- Committee charters, annual goals and work plans
- Task forces for short-term needs

6. Competency-Based Composition.
Board members are chosen to bring specific competencies and personal characteristics that will enhance the mission, vision and work of the board. Competencies are developed further through orientation and ongoing education.

Sample Best Practices

- Written board competencies
- All trustees participate in recruitment of prospective members
- Term limits promote connectedness with stakeholders, fresh thinking and objectivity
- Rotation of members on committees
- Members are evaluated and re-elected based on satisfactory performance
- Succession planning for board leaders

7. Education and Development.
Competencies are enhanced through education and ongoing board development.

Sample Best Practices

- New trustee orientation and mentoring
- Board manual, including written board policies
- Education at all meetings
- Participation in outside seminars
- Annual board retreat
- Board education budget

8. Value-Added Work.
The board focuses meetings and all work on activities that add value for the organization, with an emphasis on high-level, strategic matters and critical issues affecting the future of the organization.

Sample Best Practices

- Annual board goals and work plan
- Formal and open agenda planning process
- Consent agendas

9. Continuous Self-Renewal.
The board regularly evaluates its performance and uses the results to improve. The board also evaluates the performance of the board as a whole as well as the performance of the chairperson and individual trustees.

Sample Best Practices

- Regular self-evaluation
- Evaluations of chairperson and individual trustees
- Governance Committee