Disruptive Governance—A Path to Becoming an Exceptional Board

Health care governance has entered a new era of heightened accountability, scrutiny and reform. This era imposes significant new burdens and challenges on boards and has raised the bar on what is required and expected of them. As a result, many boards are shifting their focus away from strategic leadership toward becoming compliant custodians.

At the same time, however, health care boards are being bombarded with strategic and leadership challenges. A board that focuses primarily on compliance and avoiding potential liability or embarrassment risks abrogating its responsibility for strategic leadership. Effective boards realize they must strike a balance between compliance (doing things right) and strategic leadership (doing the right things). Further, they recognize that while governance structure and boards' functions can be legislated, regulated or mandated, truly effective or exceptional board performance cannot. Exceptional governance must come from within each board.

Effective boards realize that the quality of governance that was sufficient to get their organizations where they are today will be insufficient to get them where they need to be tomorrow. To meet this challenge, boards and their CEOs must be willing to implement new strategies and approaches to create a new model of truly exceptional governance. Such a model transcends mere compliance and successful performance of basic governance functions and enables boards to become true leaders—contributors to the creation of a meaningful and sustainable future for their organizations.

A NEW MODEL FOR BOARDS

TRULY EXCEPTIONAL boards transcend basic competence and legal and regulatory compliance. They practice "disruptive governance"—implementing innovations and practices that change the culture and behavior of the board and the organization and create a collective body of knowledge and a new set of habits. As the name implies, disruptive governance is the antithesis of "status quo" governance, which strives to maintain long-standing board and organizational operations simply because "that is the way we have always done things."

Instead, disruptive governance embraces governance practices that force trustees out of their comfort zones and releases the untapped energy, creativity and passion that most boards never experience. This in turn allows boards to push their organizations outside of their comfort zones, and to lead them in exciting new directions.

By practicing disruptive governance, boards challenge themselves to stretch continuously toward exceptional performance and dramatically increase the probability that they will add real value to their organizations. Disruptive governance requires boards to first take control of how they spend their time, and to then propel themselves into new levels of crucial governance conversations, practices and culture that actively engage and elevate the board to more meaningful decision-making, more robust planning and more effective strategic leadership. Disruptive governance helps boards to both create more successful organizations and to lead them more effectively.

Disruptive governance can be divided into two broad practices: creating more time for innovative and exceptional governance work; and using the "found" time to change existing practices, structures and culture to promote more critical governance thinking, creating new shared mental models of governing and innovation. Following are some of the basic concepts and approaches that will allow boards to understand and practice disruptive governance.

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BECAUSE BOARDS only exist when they are meeting, the single most precious commodity a board possesses is its time together. Ineffective boards squander their time, effective boards control their time, but exceptional boards magnify and leverage their time, freeing more of it, to govern more effectively by applying disruptive governance practices.

Boards that disrupt the governance status quo spend more meeting time talking about what they think will happen and what they want to have happen than what has already happened. As a general rule, dysfunctional boards spend a majority of their time talking about the past; effective boards split their time equally discussing the past and the future; and exceptional boards—those that practice disruptive governance—spend a majority of their time talking about the future.

Boards that practice disruptive governance use more of their meeting time talking with each other as opposed to listening passively to reports, plodding through over-structured agendas and approving recommendations of little importance. They use their discussions to share uncertainty, frame the future, build consensus, and synthesize new approaches and develop new paradigms. The sidebar, "Tips for Controlling the Board's Time," gives board members further advice on how their boards can control their own time constructively.

Questions for Discussion
1. In general, what percentage of your board meetings is spent talking about what has already happened and what percentage is spent discussing what the board thinks will happen or what it wants to happen?
2. Is this allocation of board time based upon explicit goals that the board has discussed and approved? If not, why not?

Tips for Controlling the Board's Time

1. Establish targets for using board meeting time. For example, a board might develop a goal to spend 70 percent of its meeting time talking about the future, and no more than 30 percent monitoring or analyzing the past.

2. Be willing to confront uncomfortable events or situations. Ideally, the board should discuss these types of situations before they actually happen and proactively develop approaches to deal with them. Such events could be: planned and unplanned CEO turnover, board leadership and membership turnover, and sudden changes in financial performance.

Disruptive governance practices that boards can use to address these events include implementing: a CEO succession plan that is reviewed annually by the full board; an explicit board leadership development and succession process as well as an integrated board composition process, including member recruitment, selection, orientation, continuing education, performance evaluation and reappointment; and financial and business contingency plans that outline what steps will be taken should certain events occur, such as: the departure of a key physician or group; a change in a service line from a financial winner to a loser; or failure to meet established financial, quality or market targets.

3. Use consent agendas. These agendas call for the board to cast a single vote on a bundle of routine or required matters at the beginning of the meeting, freeing up significant meeting time for trustees to focus on strategic issues.

4. Practice "decision sequencing." This ensures that decisions are made only after adequate review and discussion of the necessary supporting information and after time for reflection. Decision sequencing requires that, except in emergencies, the board is never requested to make a decision at the same meeting in which the issue is first presented. For example, an issue should be presented and preliminary discussions should take place at one meeting; more information should be gathered, followed by a more detailed discussion at the next meeting; and the final discussion and the vote should occur at the third meeting. A core principle: No surprise requests from management, board committees, medical staff leaders, or other sources for board decisions. This helps a board avoid making rushed decisions that it does not truly understand or support, and in turn, helps minimize the tendency for boards to second guess those decisions, discussing the implications after they have been implemented—a common reason many boards spend so much of their time talking about the past.

5. View board meetings as an ongoing process, rather than as discrete events. Web-based information and communication among board members can be used between meetings to keep members fully informed, help them communicate with one another, refine their positions or develop new questions and concerns and make the next board meeting more robust and engaging.

6. Control board committees. Dysfunctional boards are controlled by their committees, while exceptional boards maintain control and focus over their committees by clarifying the work and prioritizing committee tasks and goals. Exceptional boards limit committee reports to issues that truly require board discussion and decisions, and move all other reports and recommendations to a consent agenda.

7. Don't duplicate reports. Establish and rigorously follow a policy that explicitly prohibits verbal reports at board meetings that duplicate written reports included in the board agenda materials.

8. Review the past efficiently. Monitor past performance without consuming a majority of the board's time by adopting the regular use of disruptive tools, such as dashboards, indicators and balanced scorecards. Only discuss those indicators that exceed established thresholds.

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Tips for Engaging in Disruptive Governance

1. Evaluate every board meeting. Discuss the aggregate results of each evaluation at the next board meeting and adjust meeting practices accordingly.

2. Practice "meta board discussions." In other words, discuss what your board is talking about and how it is behaving. It's especially important to discuss board performance issues when they occur. For example, if your board has a history of unanimous votes and is encouraging constructive dissent, after its first several split votes, discuss how board members feel about what just occurred; whether they are comfortable with it; what it means to them. This is one powerful strategy to change the culture of a board. Other situations that might call for such real-time processing include disagreement among board members, or after the board has regressed into old behaviors. Just as important, these meta discussions should occur immediately after the board manifests new and desired behaviors, such as addressing a difficult issue constructively, not confrontationally. Such discussions help a board create and control its culture, push itself to desired behaviors, and avoid backsliding into old, undesirable patterns.

3. At each board meeting, build in one "deep dive" discussion. That is, have a free-flowing conversation conducted primarily by board members to allow trustees to thoroughly cover an important topic.

4. Create and embrace a board culture of constructive challenge, respectful dissent, contrarian thinking and vigorous debate. Recognize that debate, creative tension, and even a "good fight" are acceptable and desirable aspects of effective governance.

5. To help accomplish No. 4, assign "counterpoint" speakers during board discussions. When the board is discussing an issue and appears to be approaching consensus, have several board members articulate the counter argument, i.e., why the motion should not pass. This practice inculcates a culture of respectful dissent and emphasizes the board's willingness to move away from a "go along, get along" culture to one of more active engagement and constructive challenge. It teaches the board to respect differing opinions and encourages a more open and flexible discussion and decision-making process.

6. Adjust board composition to reflect organizational priorities and strategy. For example, most boards have one or two financial experts on them. But in this time of great concern about quality and patient safety, how many boards have a quality expert? Add a bona fide expert in quality improvement to the board and develop quality literacy for all board members. Don't assume that all clinicians are experts in quality.

7. Ensure that quality targets focus on ideal performance. Targets should be expressed as either 0 percent or 100 percent compliance. By eliminating "denominators" in their quality indicators, boards can avoid falling into the trap of justifying or excusing poor quality, and focus on striving to achieve perfection (i.e., things that should always happen, and things that should never happen).

8. Audit governance policies and practices once every two years to assess overall efficiency and effectiveness of board performance and how to improve it. Compare board practices with written board polices and bylaws and identify inconsistencies and correct them.

9. Post board meeting attendance for all to review at each meeting.

10. Evaluate trustee performance a year before each member's term expires. Provide feedback at the same time so that any performance issues can be addressed in the year prior to reappointment. This approach may also signal to a board member that reappointment may not be likely and allows him or her to resign gracefully.

11. Develop a board composition profile and review and discuss it annually as a full board.

12. Participate in trustee "credentialing" to compare board performance with established standards and continue to raise the bar. Such credentialing could include mandatory and focused board education, participation in board retreats and other education and performance-improvement practices.

13. Prohibit board members from doing business with the hospital. Exceptional boards hold themselves to the highest ethical standards and avoid conflicts of interest and the appearance of impropriety by adopting a policy that precludes board members (except physicians and the CEO) from doing business with the organization or system.

14. Rotate trustees into different roles and leadership positions on the board, such as committee chairs or board officers. Exceptional boards do not "pigeonhole" their members into roles based on their expertise. Rather, they attempt to spread the expertise of one member to many members, even as they round out the individual trustee's governance skills by rotating him or her among different positions of committee membership and leadership.

15. Build comfort with change among board members. Vary meeting locations, times, seating arrangements, order of board agenda items, and board education formats, as examples.

16. Discuss the board-CEO relationship and how it could be improved. Do this at a time other than during the CEO's performance evaluation or compensation review or discussion.

17. Establish rules for constructive conflict; review and discuss conflicts after they occur.

18. Put an outsider on the board. Bring in a trustee who does not live or work in the community served by the hospital or system.

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3. Does your board control how it spends its time? How?

4. Do board members spend more of their time at meetings talking with each other or listening to reports? If so, why do they?

5. If you could change anything about your board meetings, what would it be? Why?

HARNESSING THE POWER OF EXCEPTIONAL GOVERNANCE

ONCE A BOARD HAS disrupted its old and constraining ways of spending its time, it must implement new practices to better use its "found" time. This is the opportunity for competent boards to advance to the level of exceptional governance.

Competent boards are responsible stewards of their organization's assets. They comply with the law and regulatory requirements; they discharge their traditional fiduciary duties responsibly; they oversee their organizations to ensure ethical and effective operations. These boards, however, often do not add significant value to their organizations and, in fact, typically serve as keepers of the status quo.

On the other hand, exceptional boards disrupt the status quo and their own and their organization's complacency. They add real value to the organization through routinely and actively engaging in crucial, challenging discussions, exercising independence in their oversight and decision-making, and practicing strategic leadership. Further, the members of these exceptional boards find that governance becomes more personally meaningful, more engaging and more exciting.

Disruptive governance drives boards to create more robust social systems—positive and productive dynamics among board members, between the board and

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the CEO, and between the board and medical staff leadership. These exceptional boards also have exceptional cultures—the way board members work together, their shared patterns of meaning—focused on performance and accountability.

In fact, as Jeffrey Sonnenfeld, associate dean for executive programs at the Yale School of Management, suggests, in the *Harvard Business Review* (September 2002), the board's social system is what truly distinguishes exemplary boards from those that are simply competent. He found that boards in successful and not-so-successful companies all adhered to commonly accepted principles of good governance, such as setting meeting attendance requirements, acquiring the types and level of expertise needed to govern well, and the independence of individual board members.

What separated exceptional boards from average ones was not so much the *what* of governance but, rather, the *how*. While traditional structural improvements, such as tinkering with board committee structure or board composition, can contribute to board effectiveness, they fall short of determining whether a board will do an outstanding job of governing. Great boards function as successful teams that continue to build on their capabilities and that focus on:

• Achieving the organization's mission
• Building trust and candor
• Fostering a culture of open and respectful dissent

• Avoiding rigid roles and behavior
• Requiring individual accountability
• Evaluating performance.

Exceptional boards actively assess how well their members work together. Board members challenge one another, raise and debate several points of view and alternative courses of action, gain information and knowledge about how the organization works and is viewed by stakeholders, and hold individuals and the full board accountable for performance. (See the sidebar on the previous page, "Tips for Engaging in Disruptive Governance.")

Questions for Discussion

1. How would you describe the culture of your board? For example, is it passive or active? Does it avoid debate and constructive tension or embrace it? Does it tolerate substandard performance of board members or hold them accountable?

2. Does your board add meaningful value to your organization? How?

3. Would you describe your hospital board as one that maintains the status quo or challenges it?

4. Has your board had any recent discussions concerning significant issues? If so, what were they? What discussions does your board still need to have?

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CONCLUSION Practicing disruptive governance gives boards the chance to become exceptional. Such boards are more thoughtful, engaged and intentional in their governance deliberations, behavior and actions. Exceptional boards have better relationships among their members, are better strategic partners with their CEOs and better leaders of their organizations. Exceptional boards make governance more rewarding for their members and more useful to their organizations.