

Committees: The Key to Generative Governance

by Pamela R. Knecht

High-performing boards across the country have made great strides in enhancing their effectiveness and efficiency. As a result, many boards have instituted the governance improvements listed in the box below:

Governance Effectiveness Enhancements

- Clarified their governing role vis-à-vis management's role;
- Streamlined their corporate, legal and governance structures (as applicable);
- Ensured their board size and culture lead to healthy group dynamics;
- Changed their composition to ensure sufficient competencies, perspectives and diversity;
- Assured sufficient independence on the board and on key committees;
- Developed policies and procedures to assure strong management of conflicts of interest;
- Adopted board member and leader development and succession plans;
- Instituted rigorous orientation and continuing education programs;
- Established regular self-assessment and goal-setting processes;
- Created robust governance documents that are easily accessible on a board portal.

In other words, these boards have completed Governance 101. And they are generally performing their fiduciary role well. However, some boards believe they can add even greater value by engaging with management on substantive and strategic issues that could make a real difference in the organization's ability to achieve its mission and vision.

Foundational Committee Practices

In the author's experience, the "secret sauce" for boards providing real value to their organizations is their wise use of board committees.

This is often what takes boards to the Governance 201 level. Certain foundational committee-related structures and practices need to be in place to move to this level, such as:

- Committee structures are consistent with governance responsibilities, not management responsibilities (e.g., not using a board Marketing Committee);
- Each committee has a charter that clearly defines its authority, responsibilities, composition, leadership, etc. (see the [Committee Charters section](#) on the Great Boards website for a sample charter);
- Committee members, in total, have all the competencies and perspectives needed to fulfill their responsibilities (e.g., having a Certified Public Accountant on the Audit Committee);
- Non-board members serve as voting members of committees to add specific expertise and serve as a pool for potential board members (e.g., public health professional on a Community Benefit Committee);
- Committees are right-sized (e.g., 5-7 members) to ensure all participate fully and have sufficient expertise;
- Committees are all chaired by a board member to ensure sufficient connection to the board and its work/priorities;
- Committee chairs have been well-trained/coached in how to set agendas for and facilitate effective meetings;
- Committees conduct annual self-assessments and develop action plans for addressing identified issues.
- Committees shoulder the more detailed review of issues related to their areas of responsibility, thoroughly vetting information, asking questions of management and making recommendations, as needed, for full board approval.

Committees that follow all of these practices, however, may still think that their work is not sufficiently helpful to the board and organization. And, their members may feel their work is either ignored by or rubber-stamped by the full board.

Generative Committees and Boards Add Value

The real key to governance effectiveness is to ensure that committees help their boards perform in all three governance modes—Fiduciary, Strategic, and Generative—as described by Chait, Ryan, and Taylor in *Governance as Leadership*.

The above practices will most likely result in committees fulfilling their fiduciary roles (e.g., Compliance Committee ensuring oversight of legal and regulatory issues). Most committees also will provide helpful information to their boards for the strategic planning process (e.g., Finance Committee providing perspectives on financial trend data and management’s projections for the future).

However, the best committees help their boards work in the generative mode (i.e., Governance 301). They are not just asking “What corrections or improvements do we need to make?” (fiduciary mode) or “What is the plan?” (strategic mode). These committees are partnering with their board and management to bring meaning to their combined work. They ask, “What is the question we need to be asking or the problem we need to be solving?” (generative mode).

The strongest committees are themselves working in a generative mode and teeing up generative questions for the full board. For instance, the Audit and Compliance Committee could ask not just “Did we get a clean audit?” but “What can we learn from the audit?” The Strategic Planning Committee can ask, “How do we maintain market share?” and “Are we in the right markets?” Each of these generative questions should improve the board’s ability to function in the highest-value mode.

Generative Meeting Characteristic

Meetings are where all board work happens. Effective meetings (and retreats)

that allow for generative thinking have the following characteristics:

- The majority of time is spent in robust discussions, not listening to reports (e.g., a consent agenda allows board members to vote on multiple items at once);
- An annual calendar has been developed, identifying for each meeting:
 - Which 1-2 topics will receive a deep-dive discussion (e.g., community health needs);
 - Which 1-2 committees will engage the board in a robust discussion regarding items about which the committee needs advice or approval;
 - When generative topics will be discussed (e.g., quarterly at board meetings or semi-annually at board retreats or at specially called generative educational sessions);
- The topic of each discussion has been carefully selected based on the strategic plan and the board’s priorities;
- Meeting agendas include the expected time for each topic and what is being requested of the board (e.g., action, information, education, or discussion);
- The packet materials have properly prepared the board to address the selected topic at the right level and have been uploaded to the board portal at least one week prior to the meeting. The board expects all of its members to have read the materials;
- Verbal presentations of information in board packets do not occur;
- The board chair facilitates, encourages, and focuses discussion at the governance level, and drives for

closure/clarity of action (not using Roberts Rules).

Committees’ Key Role

Committees are responsible for appropriately teeing-up issues for the full board to address. Specific advanced practices include:

- Assign a separate senior level executive as the staff liaison to each committee (e.g., Chief Financial Officer is staff support to the Finance Committee);
- Ensure the committee chair meets with the staff liaison/executive to develop meeting agendas and materials at least two weeks before the meeting;
- Include in each committee charter the board’s expectations regarding reporting to and communication with the full board such as providing:
 - Written minutes from each committee meeting in sufficient time for them to be included in the board packet;
 - An updated dashboard of key metrics related to that committee’s work (e.g., status on readmission rates provided by the Quality Committee of a hospital board) with variances easily identified (e.g., graphical display of trends over time);
 - One-page, executive summary for the board packet of each topic the committee needs the full board to discuss. The summary should include:
 - What the committee is asking of the board (e.g., to provide input or approval);
 - The options the committee considered and rationale for its recommendation;
 - The risks, opportunities, and return on investment (if appropriate);

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- Tracking report to follow priority open items;
- “Framing Questions” to be inserted into the board agenda for each topic (whether fiduciary, strategic or generative) that the committee wants the board to discuss.

Asking Edgy Questions

Perhaps the most important role committees can play for boards that want to be more generative is to ask edgy questions—the kind that get the board thinking about the most tricky and potentially meaningful topics. Examples of edgy questions committees could ask are:

Mission/Community Benefit Committee

- Have we appropriately identified community needs and determined the best use of our resources in meeting those needs?
- Should we provide the full continuum of services, and if so, how?

Finance Committee

- Do we have the ability to afford our strategy?
- Are we really ready for new payment system and reimbursement models?

Quality Committee

- Do we need to be clinically and operationally integrated?
- Is our physician credentialing process disciplined, consistent and effective?

Executive and Physician Compensation Committee

- Is the compensation plan in full compliance and competitive?

Governance Committee

- Does our governance model support integrated and accountable care?

These are some of the tough questions boards and their committees should be asking to ensure they are adding value for their management and organizations. That is what those scrutinizing board performance really want from governance. And, it is often the tough questions that also generate the exciting discussions that cause board members to feel they are playing a meaningful role. Therefore, generative governance creates a win-win-win situation—individual board members are more engaged; the board as a whole is more apt to help management with the right issues; and the organization is more likely to achieve its mission and vision.

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