How Boards Change in an Age of Exponential Change

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Governance Support Forum
September 18, 2021

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How are boards like the Ship of Theseus?

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Change: a definition

A shift or transformation that causes the organization to behave in a different way and results in different outcomes.

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Today's Agenda

- Why boards need to change
- How boards need to change
- Strategies for change
- The role of the governance support staff

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Is your board able to "turn on a dime?"

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Changing demands require changes from boards

- One of the board's greatest strengths – stability – can also be a liability. Increasingly, boards need to be nimble and able to adapt.
- Many of the challenges boards currently face didn't even exist a few years ago, or have evolved dramatically since then
- In order for boards to most effectively govern their organizations, they need to look at bringing in new people, educating the board in new ways and on new topics, AND (not OR) adopting new practices

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Change may be needed in all these areas:

- Composition
- Structure
- Expectations of management
- Meeting content
- Areas of oversight

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Survey of board practices reveals areas for optimism and concern

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In which areas do boards most need to consider changing their structure or practices?

Board Composition

The average board of 13 people includes:

3.7 women

1.61 ethnic minorities

Truly diverse boards seek candidates who bring diversity in all areas:
- Demographics (Race, gender, age, etc.)
- Professional background
- Experiences
- Skills/strengths
- Personal characteristics
- Ways of thinking

Board/Committee Structure

- Committees are one of the most effective tools to improve the structure and function of the board…
- But if not structured or maintained well, they are likely to be a source of board inefficiency
- Many boards suffer from "committee creep"/"committee bloat"
- Nearly half of boards are not evaluating the performance of their committees or setting goals for their committees

"I know we didn't accomplish anything, but that's what meetings are for."

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Not a great board or committee, but possibly a great ad hoc task force:

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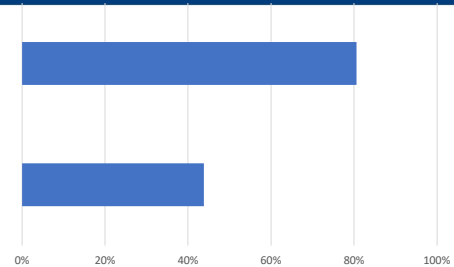
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Oversight of Succession Planning

80.6% of boards recognize that CEO/executive succession and search planning is a critical responsibility of the board

43.8% of boards maintain a written, current CEO and senior executive succession plan

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Address Social Determinants of Health

- Hospitals and health systems are increasingly taking a *less narrow* view of what it means to fulfill their missions.
- More than one third of boards do not have a plan to address social determinants of health

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Enterprise Risk Management

- The vast majority of boards have policies and committees dedicated to overseeing compliance-related risks. However, boards need to take the next steps by implementing policies and holding management accountable to oversee enterprise risk management.

ERM Policy → ERM Ownership → ERM Assessment → Review & Act

| Outline philosophy & procedure | CEO-driven Board Committee? | Corporate finance approach + Scenario envisioning | Guidance on decisions, initiatives, transactions, and exposures |

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What are some tried-and-true strategies to effect change?

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Strategies to make change manageable

- Visibility/Transparency
- Recognize the progress you've made
- Repeat what has worked (and double down on it)
- Incremental steps
- Automate change

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Visibility/Transparency

- Sometimes, simply seeing the facts presented clearly motivates people and groups to change.
- Data and anecdotes about other organizations can provide helpful benchmarks and comparisons.

BuzzFeed

25 "I Can't Unsee That" Tweets That Are Hilariously On Point

"Did you ever notice that..."

by Mike Spohr
BuzzFeed Staff

🔥 View 53 comments

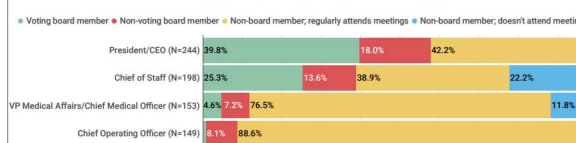1. Edvard Munch's The Scream looks like a dog with long ears:

Table 8. **Physicians on the Board 2019 vs. 2017**

On the medical staff but not employed by the organization		On the medical staff and employed by the organization (including CMO)		Not on the not employed hospital
2019	2017	2019	2017	2019
0.7	1.3	0.6	0.8	0.4
0	1	0	0	0

op Essential Competencies for New Board Members
(highest percentage in bold for each category)

	Overall	Health System	Independent	Subsidiary Fiduciary	Subsidiary Advisory
Finance/business acumen	64.3%	65.4%	65.1%	63.2%	42.9%
Strategic planning and visioning	62.7%	53.8%	68.7%	42.1%	42.9%
Quality and patient safety	43.0%	28.8%	48.2%	36.8%	42.9%

Exhibit 9. **Participation on the Board**
(Includes Only Organizations Where Specific Job Titles Apply)

● Voting board member ● Non-voting board member ● Non-board member; regularly attends meetings ● Non-board member; doesn't attend meetin

President/CEO (N=244) 39.8% | 18.0% | 42.2%
Chief of Staff (N=198) 25.3% | 13.6% | 38.9% | 22.2%
VP Medical Affairs/Chief Medical Officer (N=153) 4.6% 7.2% 76.5% | 11.8%
Chief Operating Officer (N=149) 8.1% 88.6%

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Recognize the progress you've already made

- View board evolution as a continuous journey that you have been on and will continue to be on
- What are "first two punches" on your card?

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Repeat and double down on what has worked

- Shift the focus from analyzing the problem to analyzing moments (no matter how insignificant) when you succeeded

"How can my organization be like *itself* at its best moments?"
– Dan Heath

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Take incremental steps

- An action that would seemingly only work when done concurrently with other actions might be surprisingly effective on its own
- The desire to avoid cognitive dissonance can drive many changes
- Apply the "5-minute clean up" trick to board processes

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Automate change

- Incorporate checkpoints, fail-safes, and rules into the board's workflow to make change more likely in the future.
- Let future decisions and changes be made for you

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Recommended Reading

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Concluding Thoughts

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"Even in matters of self-preservation … the counsels of prudence and restraint may become the prime agents of mortal danger … [how] the middle course adopted from desires for safety and a quiet life may be found to lead direct to the bull's-eye of disaster."

-Winston Churchill

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Questions?

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