



## Boldness in Governance

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**At first blush, the idea of “bold governance” would seem like an oxymoron given the current healthcare environment.** But the term is actually a perfect descriptor of what is needed today to navigate the numerous challenges facing healthcare organizations.

The word “boldness” can conjure up a variety of meanings. Of course, we all think of people that we would describe as having too much or too little boldness. Most people would equate boldness with willingness to take risk, often irresponsibly. But boldness can also mean that an individual or organization is acting innovatively, being a visionary, or it can infer that one acts with confidence or courage and not brazenness, as some would expect. So, in this case, boldness does not mean one is careless but rather it describes an organization facing its issues and moving with strong convictions and intentional action. Therefore, “bold governance” is the perfect descriptor of what is needed in healthcare today.

It should not be surprising to anyone that given the scale of unprecedented changes over the last several years, starting with a worldwide pandemic, resulting workforce shortages, the intense financial impacts of these rising costs for staffing and inflation, revenue pressures, and investment losses, that the role of governance could significantly change. While the majority of principles that mark good governance still remain, it is reasonable to expect that the present environment will alter certain routine governance practices.

Governance traditionally has been focused on strategic issues rather than day-to-day operations. But bolder governance requires a break from the status quo in terms of the governance model and its past thinking. With the need that some may have for deeper insight into the day-to-day operations, it also requires discussions about the governance and leadership team needed today and for the future. With this change in board oversight, one would expect changes to the management and board dynamics.

Given the need and desire to change the board’s role, this article highlights several key questions that boards and management teams should focus on together.

**Is our purpose clear to all?** Bold governance requires that boards are in lockstep with the values and purpose of the organization. In addition to the basics of good governance (e.g., oversight, policymaking), today's challenges would suggest boards undertake a renewed focus on clarity of purpose, strategic direction, and the requisite clarity of leadership skills required. Boldness in governance requires clear, agreed-upon priorities. It requires boards to step back and think critically, challenging past assumptions and beliefs, looking fresh at potential options, and most importantly, taking action. Early in my career, I was asked to fill an interim role in a hospital that had just lost their CEO and CFO, was losing a significant amount of money, had no cash, and was in arrears to most of their vendors. My first board meeting had one agenda item: "Priorities to Survive and Strategies Necessary for Our Future." Our purpose was clear and agreed upon by all.

## ■ "Freedom lies in being bold."—Robert Frost

**Are we self-aware?** Bold governance is about making decisions impacting the future and to do this right it is critical to have a deeper understanding of the organization's strengths and weaknesses. A popular strategic planning exercise called scenario planning can help boards understand how various future scenarios can positively or adversely affect their organizations. In David Renz's article on "Reframing Governance" he described the board's role changing in times of crisis from risk management to risk leadership. Risk leadership requires clarity about what is critical to do and what needs to end. The piece that gets hard is to identify what strategies must survive to successfully position an organization for the future. A friend of mine ran a large building materials company that was hit hard in an economic downturn. Focusing intensely on cutting operational costs, she commented that her mistake was that she had cut so much that when things began to recover, they had no strategic initiatives to help them thrive. While we all understand the need to cut costs, bold governance also requires a critical look at what strategies need to continue.

**Are we communicating appropriately?** We live in a society with numerous venues for chatter, opinions, and voices to critique boards and management teams. While some can be paralyzed by these voices and wish to ignore them, the need to understand that chatter and strategically respond is more critical than ever. Given the anchor role that many of our hospitals and health systems play in our communities, the public

attention we receive is expected. Also, many hospitals and health systems are getting an increasing amount of unflattering media attention these days. It's critical to focus on your communication strategy. Considering the public's increasing lack of trust in healthcare, the lobbying against hospitals by some, and the concerns over cutbacks, layoffs, and credit downgrades, an effective plan to communicate with all stakeholders is required.

### → Key Board Takeaways

- Ensure that there is clarity around the organization's purpose, the strategic direction, and the leadership skills needed to accomplish set goals. With this foundation set, the board can take a bolder approach to governance—challenging the status quo and taking a fresh look at board priorities and the organization's path forward.
- Know the organization's strengths and weaknesses. This will allow the board to engage in effective scenario planning exercises and to identify what strategies must survive to successfully position the organization for the future.
- Have a well-thought-out strategy in place to ensure leadership is effectively communicating with all stakeholders.
- Consider how heightened board engagement has impacted the board/management dynamic at your organization. Would it be beneficial to revisit the role and authority of the board versus management, communication expectations, and levels of responsibility related to agreed-upon goals?

**Is there a need for heightened board engagement?** Given the lasting impact of COVID, workforce shortages, inflation, revenue pressures, and subsequent financial and operational challenges, changes in the information needs of boards should be expected. It should have been anticipated that boards will require a heightened level of engagement not only in their traditional responsibilities but also increased interest in management's actions. Although care should be exercised on how far involvement in management's work goes to make sure the line between management and governance is respected. As discussed more below, the board and management should have a thoughtful discussion about what is appropriate. For example, a board concerned about finances may ask for some increased information and metrics to

fulfill its fiduciary duties, but agreement should be reached as to the extent of the info requested and the duration of how long it will be provided. Also, an interesting outcome of our new “virtual” world is that it is easier and acceptable to use these platforms to engage and allows boards to think about recruiting new board members with necessary skill sets outside their traditional service area.

**How does increased engagement impact the board/management dynamic?** With the tremendous changes and pressures over the last three years, both management and the board should be aware of the impact that increased engagement can have on the traditional board and management dynamic. It is not surprising that when an organization finds itself in a crisis, the line between board and management responsibilities can begin to blur. Facing challenges that few have experienced in their lifetime requires honest discussion about roles, the capabilities of the board and management, and the need to clarify lines of authority in decision making, specific information needs, communication expectations, agreed-upon goals, and short- and long-term metrics.

Robert Frost was quoted saying “Freedom lies in being bold.” And today, bold governance offers boards the opportunity to clarify the hospital or health system’s critical organizational and strategic priorities, to dive deeper into selected operational areas, to consider alternatives previously not considered, and to thoughtfully think about the board and management needs for today and the future.

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