Bold Governance

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Much has been written in the past decade about the importance of healthcare boards governing by policy and/or moving through the stages of fiduciary, strategic, and generative governance as dictated by the board's sophistication and the organization's needs. These frameworks have helped steer boards toward actionable goals, such as updating board policies and committee charters, reviewing the corporate bylaws, and refreshing the strategic plan—all of which are proven good governance practices. Only a few boards, however, have successfully gone beyond "good governance" to become top-tier boards that practice *bold* governance.

If health system and hospital boards cannot demonstrate the strength, courage, and ingenuity to survive the current and forecasted economy, they are at risk of their organization closing. They must govern effectively to compete in an increasingly demanding market. According to research conducted by Kaufman Hall, one in five hospitals are at risk of closing—and this is only in California.[1] As we look across the nation, the U.S. News & World Report predicted earlier this year that over 600 hospitals in rural areas—nearly 30 percent of all rural hospitals in the country—are in danger of shutting down.[2]

When a hospital is in critical condition, the responsibility ultimately lies with the board to guide and help save it. Now is the perfect time for boards to rise to the occasion and respond to the demand through bold governance.

Bold governance can be defined as a board's courage to act in the organization and stakeholders' best interest without hesitation to make hard choices. Courageous boards engage in the deepest level of self-critique, regularly assessing their performance and reflecting on whether they have the right competencies in the room to represent their communities. They respectfully challenge the status quo and operating assumptions and take meaningful action toward cultural change.

We offer the following framework to help define the core elements of bold governance:

1. **Beta testing:** Great boards do not hesitate to take healthy risks. They champion change by trusting management to implement it as they see fit, even if it means piloting the new idea with a department, service line, care site, or system hospital. These boards encourage innovation and reward leadership teams who take the initiative to make positive change.

2. **Stress testing:** Successful boards are unafraid to put every option on the table and examine their assumptions around the current and potential future states. They explore possible alternatives, especially the ones that feel taboo or unpopular. By stress-testing the current state, they will either affirm that they are on the right path or identify areas that require course corrections in their strategy, board structure, leadership, or culture to withstand turbulence.

3. **Concept testing:** High-performing boards engage in routine deep-dive discussions about what their competitors are doing and how the healthcare industry is rapidly changing due to technological advancement, big data, corporate acquisitions, etc. In collaboration with the senior management team, these boards spend significant time discussing macro-level factors and implications for their strategic plan. Options are carefully weighed, including the opportunity cost of *not* taking any action.

Practical Examples of Bold Governance in Action

Below are concrete examples of how hospital and health system boards can begin to govern boldly, starting with the next board meeting.

Keep noses in and fingers out:
- Decide what sources the board and management will use to curate relevant and trending topics influencing the industry and the communities served. Expect board members to stay informed through these sources in between board meetings.
- Agree on the metrics the board and committees will use to oversee the implementation of strategic priorities and monitor progress, ensuring a shared understanding of what success looks like.
- Review, update, or create a board discussion calendar paced 12–24 months out. Each board meeting should have strategic, meaningful topics throughout the annual calendar.
- Trust management to do their job and leave operations and running the organization to them.

Make no assumptions:
- Identify areas of status quo or complacency to challenge. Questions to ask may include: Why do we have

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Key Board Takeaways

Boards must…
- Ensure every director can articulate the organization's mission, vision, and values.
- Stay out of operations by building trust and confidence with the management team.
- Agree on the metrics to track success.
- Ensure the committee structure supports and does not hinder/burden the management team.

Organizations must…
- Be agile and able to adjust quickly to barriers and roadblocks.
- Ensure a clear strategic roadmap is in place that everyone can follow.
- Be clear about "what is celebrated and what will not be tolerated."
- Reward innovation.

Leadership must…
- Develop and maintain a strong, honest, and respectful relationship with the board.
- Manage change effectively and efficiently.
- Communicate constantly.

Directors must…
- Take it upon themselves to keep up with industry trends.
- Be ambassadors of the board when outside the boardroom.
- Be prepared for all meetings and come with a curious and open mindset.

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1 Kaufman Hall, "Hospital Services at Risk Throughout California," April 2023.
2 Dennis Thompson, "Hundreds of Hospitals Could Close Across Rural America," HealthDay, January 16, 2023.

these committees? Do they meaningfully support the board's work or inadvertently create more work for us and management? Why are we structured this way? Are we incentivizing the wrong behaviors?

- Clarify key terms before engaging in deep-dive conversations. Get on the same page regarding any assumptions behind the definition of different words. For example, "strategic planning" may mean different things to different people, groups, and organizations.
- Encourage management, committees, and board leaders to ask themselves, "Why are we doing it this way? How might we work smarter, not harder?" Do not assume the way things have always been done is the only way.

Practice awareness:
- Create a board culture of psychological safety, respect, and openness. Encourage dissent and honest feedback.
- Establish an environment of learning and growth within the board using regular assessment, development, and education tools.
- Ask for feedback from management (consider including them as raters on the annual board assessment).
- Identify any past missteps or previously missed opportunities, ensuring policies are in place to prevent repeating the same mistakes. If a policy is missing, define the timeline and owner for creating it.

Elevating your board from "good to great" requires courage. Not all boards can do it. However, boards can take steps toward bold governance by clarifying their role as a board, challenging the status quo and assumptions, and adopting a growth mindset. Boards that are forward-thinking, courageous, and nimble, will be the ones that remain standing when the dust settles.