

KEY FINDINGS - BOARD CULTURE

This Health Law News article is Part VI in a series discussing the new governance study, "Governance in Large Nonprofit Health Systems: Current Profile and Emerging Patterns." The full Report is available [here](#). [Part I - Executive Summary](#) was published in Hall Render's Health Law News on August 8, 2012, [Part II - Public and Private Scrutiny of Hospital and Health System Governance](#) was published on August 28, 2012, [Part III - Benchmarks of Effective Governance](#) was published on September 4, 2012, [Part IV - Key Findings - Board Structure and Composition](#) was published on September 11, 2012, and [Part V - Key Findings - Board Processes](#) was published on September 18, 2012. The remaining articles in this series will cover some of the exceptional governance features of the participating health systems and the key recommendations of the Report.

In Hall Render's September 4 Health Law News article, Rex Killian, President of Killian & Associates ("K&A") and Of Counsel to Hall Render, explained how the benchmarks of effective governance were organized around three key measures of board performance: board structure (Part IV article), board processes (Part V article) and board culture. In this Part VI, we will discuss some of the key findings on the benchmarks related to board culture, which refers to a pattern of beliefs, traditions and practices that prevail when the board performs its duties.

Two benchmarks and seven indicators were selected to evidence a healthy board culture. Board members and CEOs were asked to express their views concerning the extent to which their boards demonstrated the following seven characteristics:

- Deep commitment to the system's mission
- Well-organized board meetings that focus principally on strategic deliberations, rather than receiving information
- Tracking systems' performance (clinical and financial) and taking action when performance doesn't meet targets
- Encouraging robust engagement and respectful disagreement at board meetings
- Atmosphere of mutual trust among board members
- Holding board members to high standards of behavior and performance
- Strong focus on honoring Conflict of Interest and Confidentiality policies

Among the fourteen boards in the study, there was substantial agreement that they demonstrate (a) a deep commitment to the organization's mission (thirteen boards) and (b) there is a strong focus on honoring the Conflict of Interest and Confidentiality policies (twelve boards). In addition, ten boards believed that their systems tracked clinical and financial performance and took action when performance did not meet established targets. Only eight boards believed that there was an atmosphere of mutual trust. As a more troublesome finding, only three boards felt that they held board members to high standards of performance and behavior, and only two boards thought that their board meetings were well organized and focused principally on strategic deliberations, rather than receiving information.

In K&A's experience, the benchmarks of effective governance are all interrelated. A board can have the best structure and board composition and have excellent board processes, but if it has a poor board culture, the board will likely be very ineffective. Given the truism that "culture eats strategy for lunch," how does a board create a culture that is needed for an effective and efficient board? Once you have the right board composition (individuals with the right mix of competencies and skill sets to do the work of the board) and the right processes (clear understanding of board's and board members' roles and responsibilities and a meeting format that facilitates a substantial block of time for strategic deliberations), the board needs a good culture that is evidenced by the characteristics stated above.

Techniques used to improve a board's culture can include:

- Transparency - communicate, communicate, communicate – board members need to be kept informed of significant hospital or health

system activities

- No surprises - as an example, significant projects requiring board approval should be thoroughly vetted before submitting to the board and should, if time permits, be presented for discussion at a board meeting without requiring board approval at that same meeting
- Mutual trust - board retreats and social gatherings can help build trust and respect among board members
- Robust engagement - should be encouraged and promoted by the board chair and CEO
- Decision-making - boards only have authority to act when they act as a whole so it is important to make sure that decisions are made by the board in session and not in the hallway
- Commitment to mission, vision and values - board orientation and ongoing board education and development help to ensure a deep understanding of, and commitment to, the mission of the organization
- High standards of behavior and performance - an effective board member evaluation conducted at the time of reappointment can assess a board member's behavior and performance and the board chair can take corrective action if appropriate
- Strong board leadership - board chair and CEO set the tone for the culture of the board and that starts with an excellent relationship between the chair and CEO and support for the role of governance

As is true in any good relationship, a board needs to constantly work on ways to improve its culture. It is vital to the effectiveness of the board.

If you have questions regarding the study, please contact:

- Rex Killian, K&A, at 314-504-2213 or rkillian@killianadvisory.com;
- Lawrence Prybil, PhD, LFACHE, Professor and Associate Dean of Public Health, University of Kentucky, at 859-218-2239 or Lpr224@uky.edu;
- Jeffrey Carmichael, Hall Render, at 317-977-1443 or jcarmichael@hallrender.com; or
- Your regular Hall Render attorney.