



Lutheran
Services
in America™

CEO SUMMIT

Building a Future Ready Board

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Today's Objectives

1. Hear 'lessons learned' from your colleagues about how to foster future-proof boards (*Panel Discussion*)
2. Learn how leading organizations build future-ready boards (*Keynote*)
3. Share ideas for helping your boards prepare for the future (*Table Discussions and Full Group Conversation*)

“Boards must rethink the way they govern to successfully lead their organizations through transformative times. Transformation requires frequent self-reflection and concerted action.”

—AHA Center for Healthcare Governance,
*Governance Practices in an Era of Health Care
Transformation*

6 Keys to Building Future-Ready Boards

- 1. Role Clarity**
- 2. Robust On-boarding & Education**
- 3. Appropriate Strategy Involvement**
- 4. Right People**
- 5. Continuous Improvement**
- 6. Healthy Meetings & Culture**

Role Clarity: **Understanding the Fiduciary Duty of Oversight**

**The Board of Directors' Basic
Duty of Oversight**

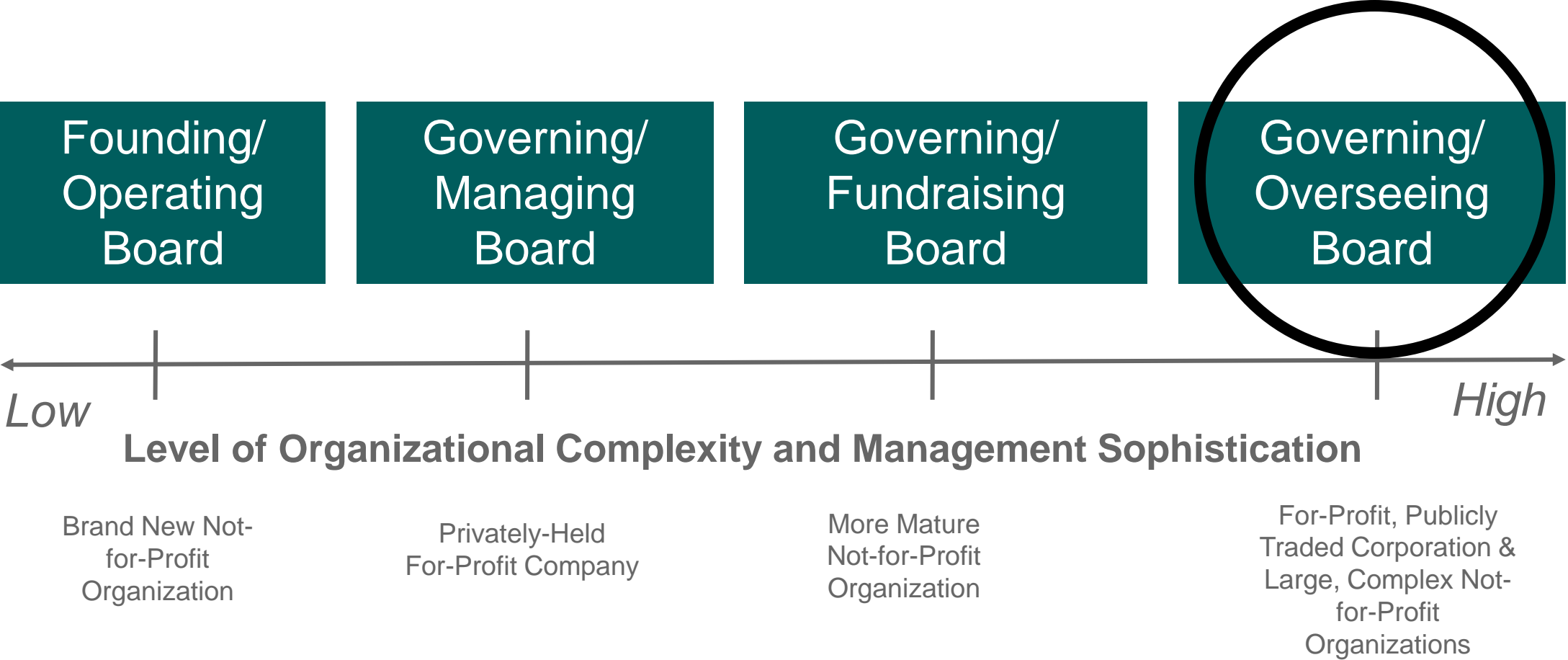


	For Profit Company	Government Agency	Public Charity or Social Welfare Agency <u>501(c)3</u>	Professional Society <u>501(c)6</u>
OWED TO:	Shareholders	The Public	The Public Trust	The Membership
ENFORCED BY:	Shareholders' Election Process	Public's Election Process	State Attorney General & The Charitable Beneficiaries	Membership Election Process

Role Clarity: “Corporate Governance” is Different

Governance: “The act or process of overseeing the control or direction of something.”

“*Corporate Governance* describes the processes, structures, and mechanisms that influence the control and direction of corporations.” (Wikipedia)



Role Clarity: **Respecting the Board-Management Distinction**

Board

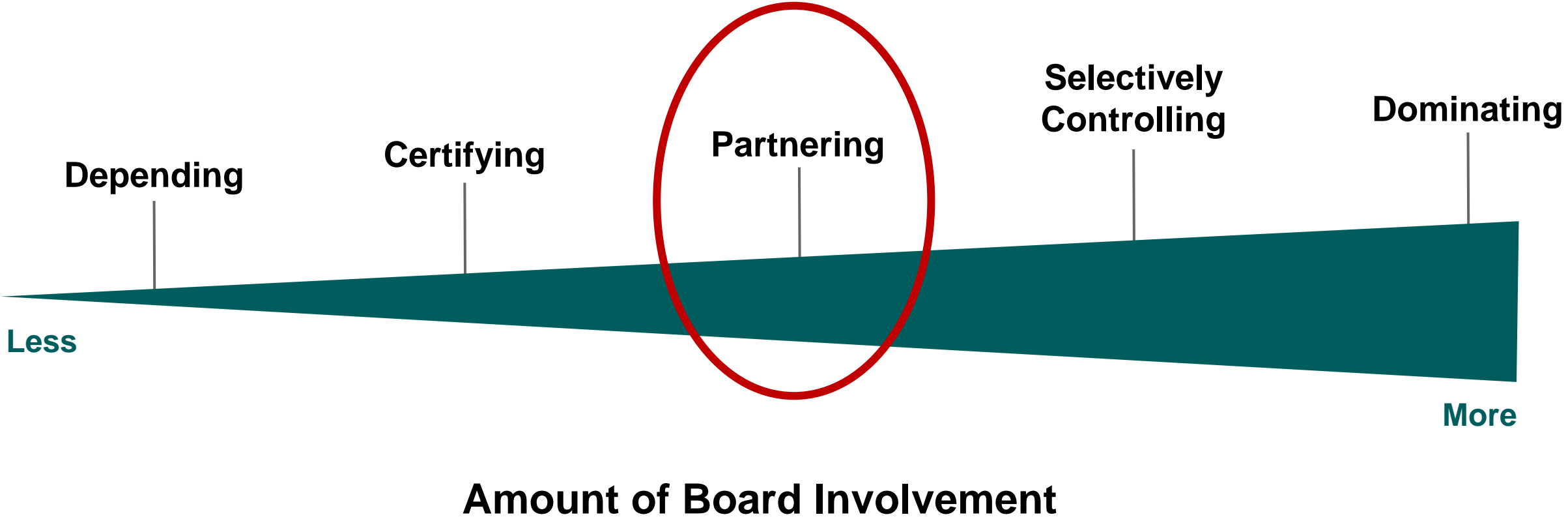
Exercises accountability by setting goals, making major policy and strategy decisions, and overseeing implementation

Management

Delivers results by implementing policy and strategy as set forth by the governing body, managing operations, and reporting on performance



Role Clarity: **Discuss Desired Board & Management Roles**



Modified from David Nadler, "Building Better Boards," Harvard Business Review

Role Clarity: Board's Core Responsibilities & Duties



○ = Core Governance Responsibilities

□ = Fiduciary Duties

** Include Oversight of Audit, Legal, Regulatory Compliance, and Risk

Role Clarity: **Types of Governance**

TYPE I: **Fiduciary**

- Stewardship of tangible assets
- Faithful to mission, accountable for performance, and compliant with relevant laws and regulations
- Asks, “What’s wrong?”



**Governance
as
Leadership**

TYPE II: **Strategic**

- Strategic partnership with management
- Set the organization’s priorities and course, and deploy resources accordingly
- Asks, “What’s the plan?”

TYPE III: **Generative**

- Source of leadership for the organization
- Discern / frame problems and engage in sense-making
 - Governing for the horizon
- Asks, “What’s the question?”

—Chait, Ryan, and Taylor, *Governance as Leadership*, 2006

On-boarding & Education: **Orient New Members Quickly & Well**

1. Orientation session(s)
2. Introduction to key individuals
3. Tour of facilities
4. Mentoring program
5. Robust board portal

On-boarding & Education: **Provide Continuing Board Education**

Sample Board Education Calendar

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Board		A		D		E	F		G		I	
Finance	B		J		D		A		I		F	
Gov. and Nom.			J			E		J		H		
Community Benefit		C		B		C		J		E		A
Quality	D	I	C	B	D		A	J	H	F	E	
Strategic Planning	E,A			K,B			C,F			I,H		
Retreat/ Education Sessions	B,J*		K*	A,B,E,F, H, K				C*		C,D,G,I, J		
Annual Board Orientation	B, C, D,E,H, K											

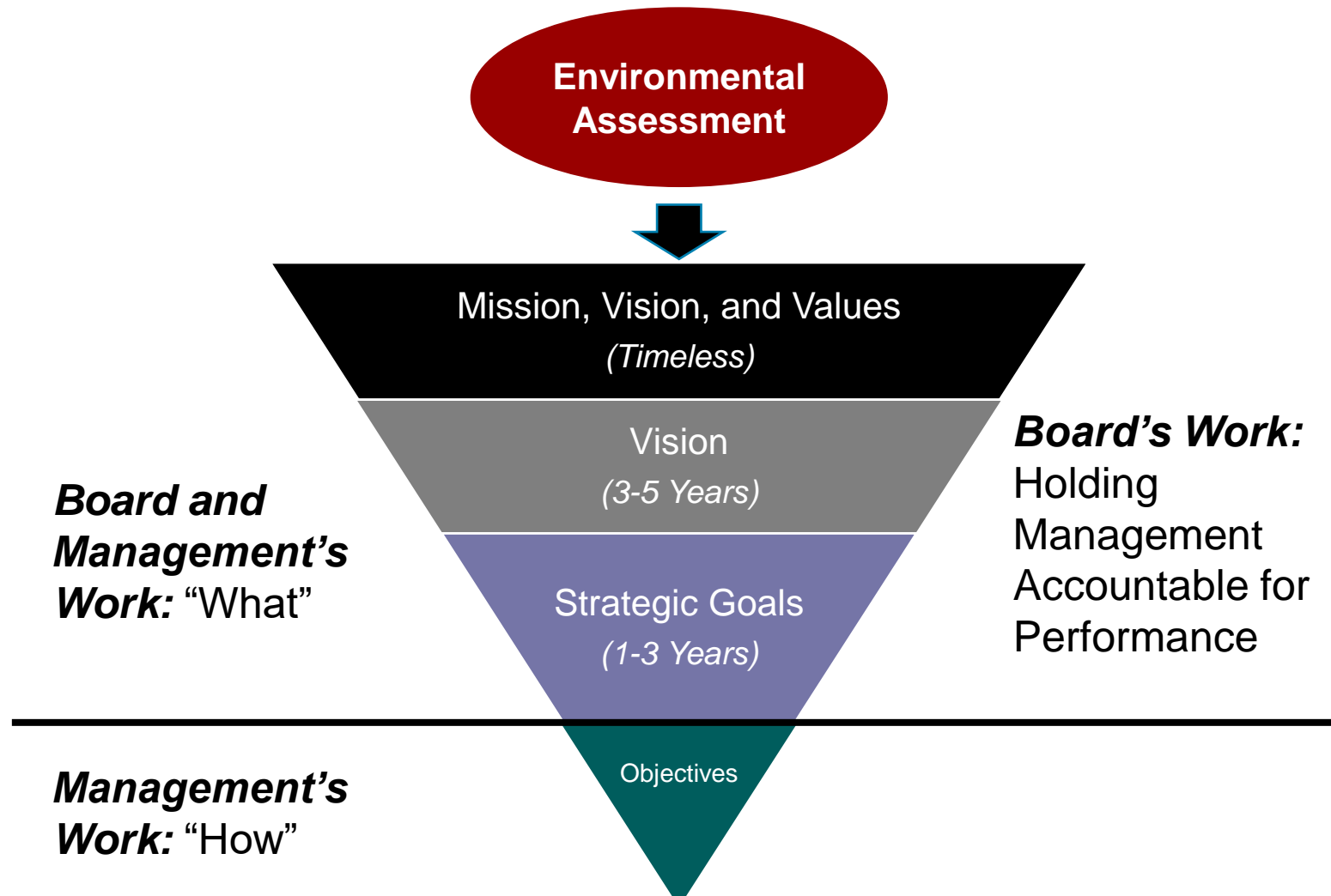
Educational Topics by Meeting
(Letters Correspond to Topic List on Previous Slides)

- | | | | |
|----------------------|-------------------------|-----------------------------|--|
| A – Health Reform | D – Quality Oversight | G – Advocacy | J – Advanced Governance |
| B – Fiduciary Duties | E – Strategic Direction | H – Institutional Integrity | K – Leadership and Board Participation |
| C – Mission Matters | F – Physician Alignment | I – Information Technology | |

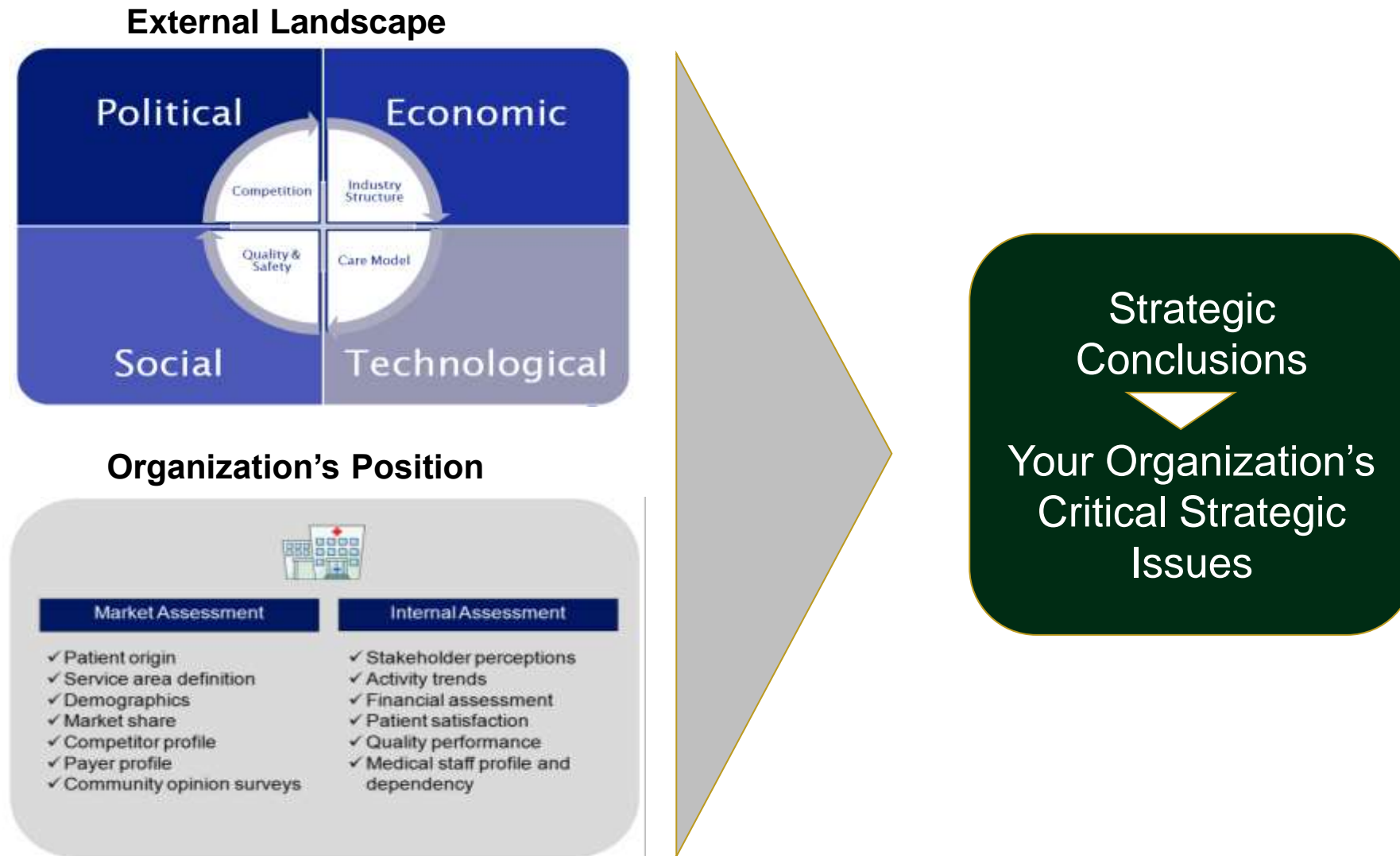
On-boarding & Education: **Annual Board Topics Calendar**

<i>1st Quarter</i>	<i>2nd Quarter</i>	<i>3rd Quarter</i>	<i>4th Quarter</i>
Fiduciary Approvals			
<ul style="list-style-type: none"> ▪ External Audit ▪ Board Evaluation & Goal-setting 	<ul style="list-style-type: none"> ▪ Investment Philosophy ▪ Quality / Service Goals 	<ul style="list-style-type: none"> ▪ Strategic Plan ▪ Board & Committee Appointments 	<ul style="list-style-type: none"> ▪ Annual Budget ▪ Capital Plan ▪ CEO Performance Evaluation & Goals
Strategic, Generative & Educational Topics			
<ul style="list-style-type: none"> ▪ Industry Trends 	<ul style="list-style-type: none"> ▪ Diversity, Equity & Inclusion ▪ Workforce Issues 	<ul style="list-style-type: none"> ▪ Strategic Partnerships 	<ul style="list-style-type: none"> ▪ Governance Best Practices
Agenda Items at Every Meeting			
<ul style="list-style-type: none"> ▪ CEO Hot Topic Update ▪ Consent Agenda ▪ Session (with CEO and without CEO) ▪ Deep Dive ▪ Strategic Dashboard Results 			

Strategy Involvement: **Board's Role in Strategic Planning**



Strategy Involvement: **Drawing Strategic Conclusions**



Strategy Involvement: **Discuss the Board's Expectations**

1. Be involved from the start?
2. Provide input on the process?
3. Hear and comment on the environmental assessment data?
4. Help identify critical strategic issues/questions?
5. Provide feedback on drafts of the updated Mission, Vision, Values, and Strategic Goals?
6. Approve the strategic plan

Strategy Involvement: **Use a Board Strategic Dashboard**

Strategic Goals									
Deliver Outstanding Client Experiences		Provide Excellent Quality Services		Strengthen a Highly Engaged Culture		Ensure Strong Operational & Financial Performance		Expand & Foster Community & Regional Partnerships	
Metric	Status	Metric	Status	Metric	Status	Metric	Status	Metric	Status
	Exceeds goal		Meets goal		Not acceptable		Exceeds goal		Meets goal
	Meets goal		Minimum acceptable		Meets goal		Not acceptable		Minimum acceptable
	Meets goal		Meets goal		Meets goal		Not acceptable		Minimum acceptable
	Not acceptable		Exceeds goal		Minimum acceptable		Meets goal		Exceeds goal
	Exceeds goal		Exceeds goal		Meets goal		Meets goal		Meets goal
	Meets goal		Meets goal		Minimum acceptable		Meets goal		Not acceptable

Performance Key:	
Exceeds goal	Exceeds goal
Meets goal	Meets goal
Minimum acceptable	Minimum acceptable
Not acceptable	Not acceptable

“Combination of knowledge, skills, personal characteristics, and individual and social behaviors needed to effectively perform a job”

—Competency-Based Governance: A Foundation for Board and Organizational Effectiveness, American Hospital Association’s Center for Healthcare Governance 2009

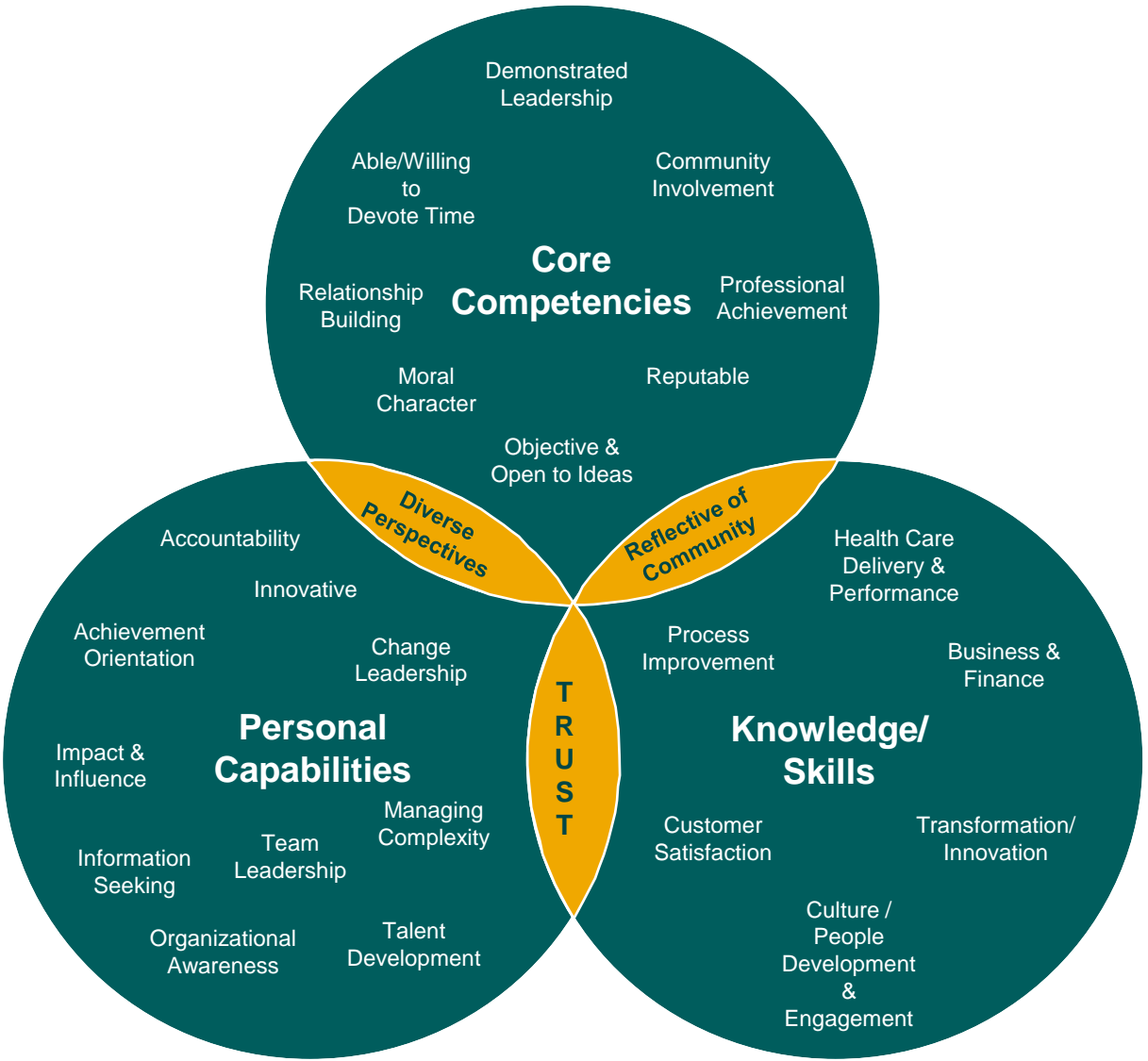
**** Not ‘Representational’ Governance**

Right People: **Member Selection Matrix**

Selection Criteria	Members and Possible Candidates						
	A. (name)	B. (name)	C. (name)	D. (name)	E. (name)	F. (name)	G. (name)
Individual Prerequisites							
1.	x						
2.	x						
3.	x						
Competencies & Perspectives (Needed in total)							
1.	x						
2.					x		
3.		x					

All board and committee members are “vetted” using this matrix

Right People: **Add Needed Board Competencies**



Source: American Hospital Association

Right People: **Increase Board Diversity & Perspectives**

“A demographically diverse board may help a company identify and respond to market shifts and changes in consumer expectations more effectively than a homogeneous board”.

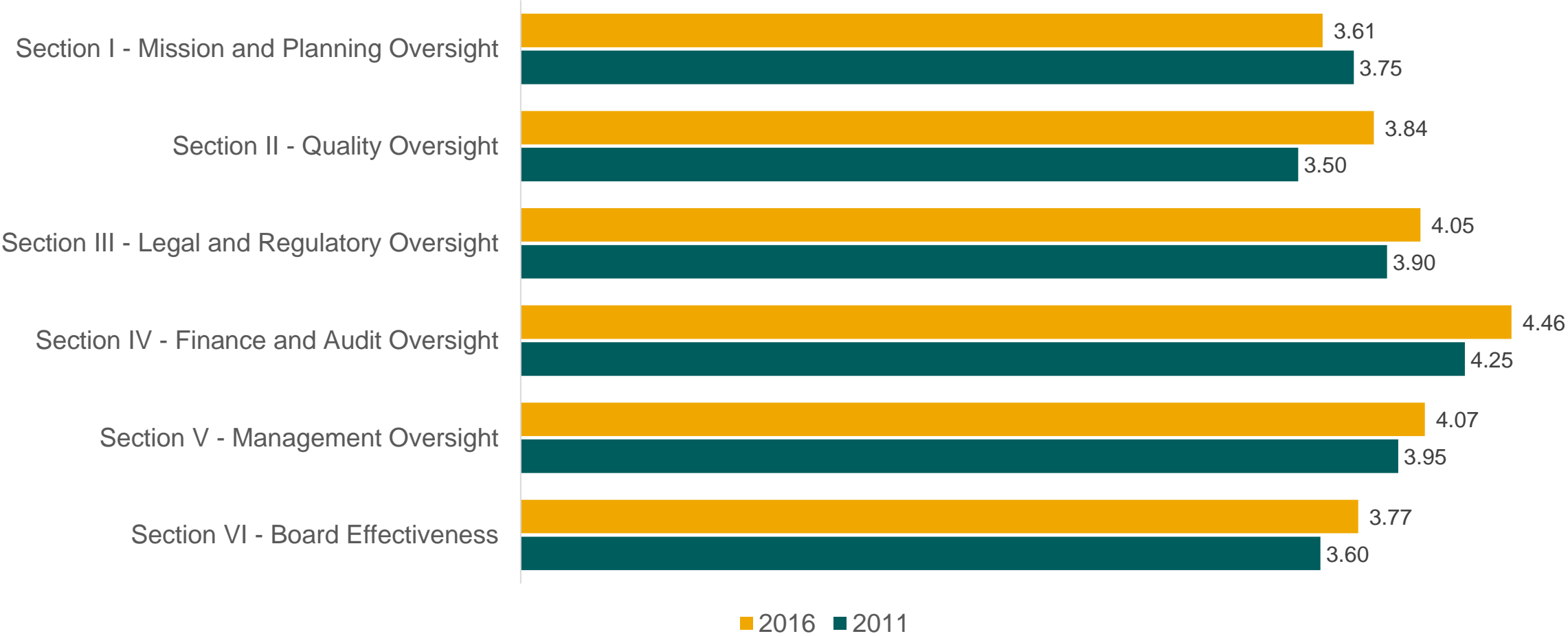
—Jared L. Landaw, “How Diverse is Your Board, Really?”, Harvard Business Review, June 11, 2020

Data Source	Number / Percent Female Board Members	Number / Percent Ethnic Minority Board Members
The Governance Institute (2021)	27%	14%
The Academy (2019)	27%	20%
S&P 500 (Spencer Stuart 2019)	26%	19%

Rigorous, competency-based recruitment, selection, and re-appointment of all board and committee members and leaders

Continuous Improvement: **Regular Board Self-Assessment**

Board Self-Assessment
Board Responsibility by Category Comparison 2016 to 2011



Continuous Improvement: **Aspects of Generative Governance**

Role Clarity*

- Understanding of fiduciary duties and board's core responsibilities
- Definitions of independence and conflict of interest
- Respect for governance-management distinction

Structure, Size, and Composition*

- Effective board size, composition, competencies, terms and term limits
- Effective committee structure, sizes, composition, competencies, terms and term limits
- Equity, diversity and inclusion

Practices, Policies and Documents*

- Meeting frequency and duration
- Meeting agendas, packets, minutes
- Governance processes (recruitment, orientation, education, goal-setting, evaluation, succession)

Board Culture*

- Strategic and generative discussions
- Healthy group dynamic
- Active board member engagement

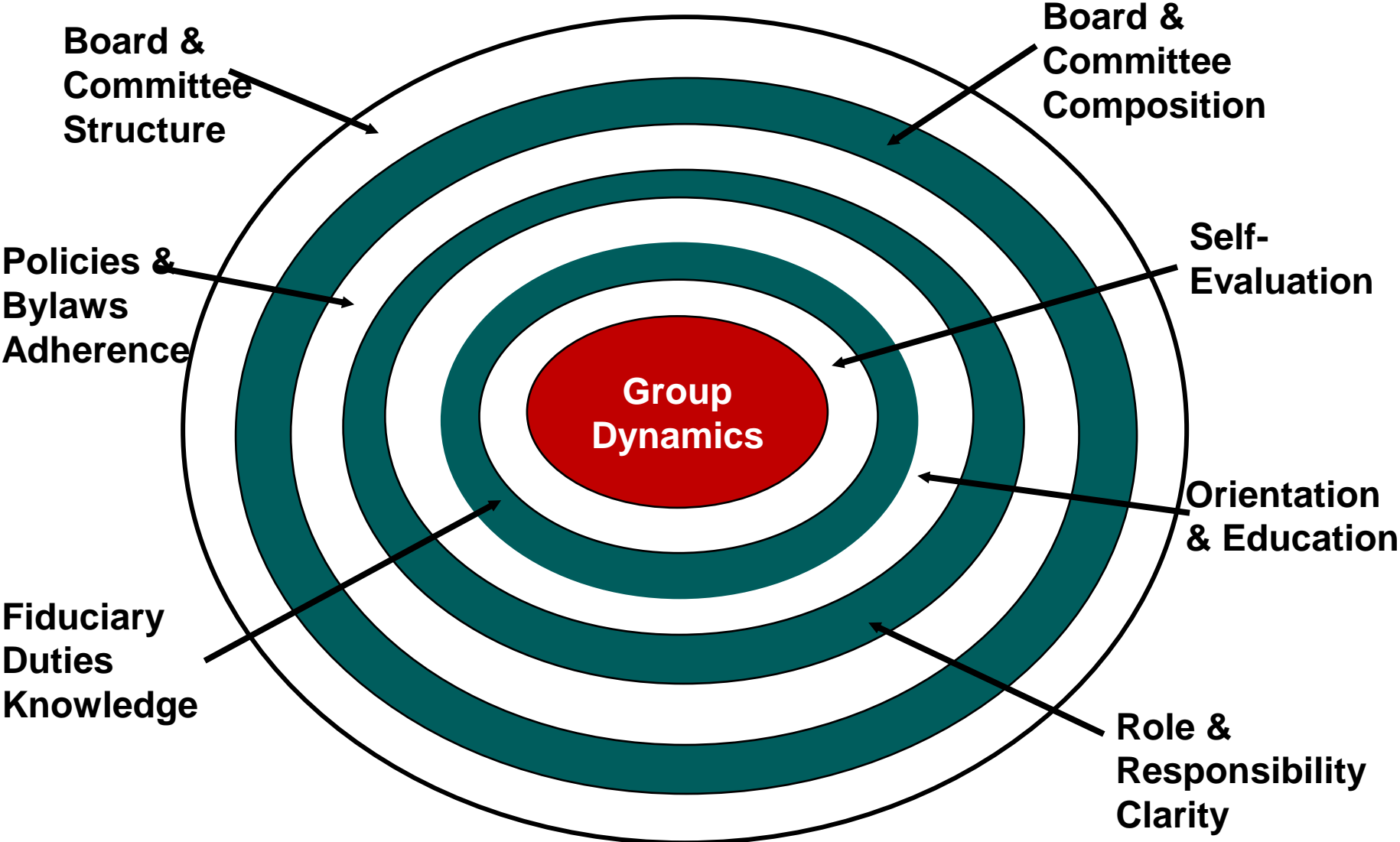
Others?

** Under each category, Diversity, Equity and Inclusion (DEI) practices and policies to be explored.*

Continuous Improvement: **Set & Monitor Board's Own Goals**

Sample Board Goals	Lead	Due Date	Status
1. Change board agenda and materials to ensure more strategic discussions	Board Chair & CEO	March 1	TBD
2. Develop a board / management expectations agreement	Board Chair & CEO	June 1	TBD
3. Develop comprehensive on-going education plan for the board	Board Chair & CEO	September 1	TBD

Continuous Improvement: **Healthy Board Culture “Onion”**



Healthy Meetings & Culture: **Tips for Great Meetings**

- **Insist on:**

- Annual board topics calendar
- Focused agendas with 3-4 key topics selected by Chair & CEO
- Governance-level materials with dashboards
- Consent agendas
- 75% of each meeting devoted to discussions
- Board retreats and educational sessions
- “Framing questions” for each key topic
 - *For Example:* What are the pros and cons of expanding our service area to include X and Y counties?

Healthy Meetings & Culture: **Efficient Information Flow**

Consent Agenda Items

(Items requiring Board approval but not anticipated to require Board discussion)



Executive Summary

(Summary of 'asks' of the Board)



Minutes & Dashboard

(Minutes from meeting and dashboards)



Formal Resolutions

(Major transactions such as significant financings)



Limit Verbal Presentations

(Only if there is an 'ask' of the Board)



**Board of
Directors**

“We’ll be fighting the wrong war if we simply tighten procedural rules for boards and ignore their more pressing need to be strong, high functioning work groups whose members trust and challenge one another and engage directly with senior managers on critical issues.”

*Jeffrey Sonnenfeld, “What Makes Great Boards Great,”
Harvard Business Review, September 2002*



Questions?

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Table Discussions

- Introduce yourselves to your tablemates.
- Choose a timekeeper, recorder and reporter.
- Take some time to individually jot down your thoughts about these questions:
 1. How can you best prepare your board to govern effectively for today *and* for the future?
 2. What should be the role of the board in setting strategy?
 3. What additional competencies, skills, perspectives, and diversity does your board need to provide effective oversight?
 4. What other governance practices would help ensure achievement of your mission and vision?
- Share your answers at your tables.
- Be prepared to report out your key ideas to the full group.



Thank You!

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