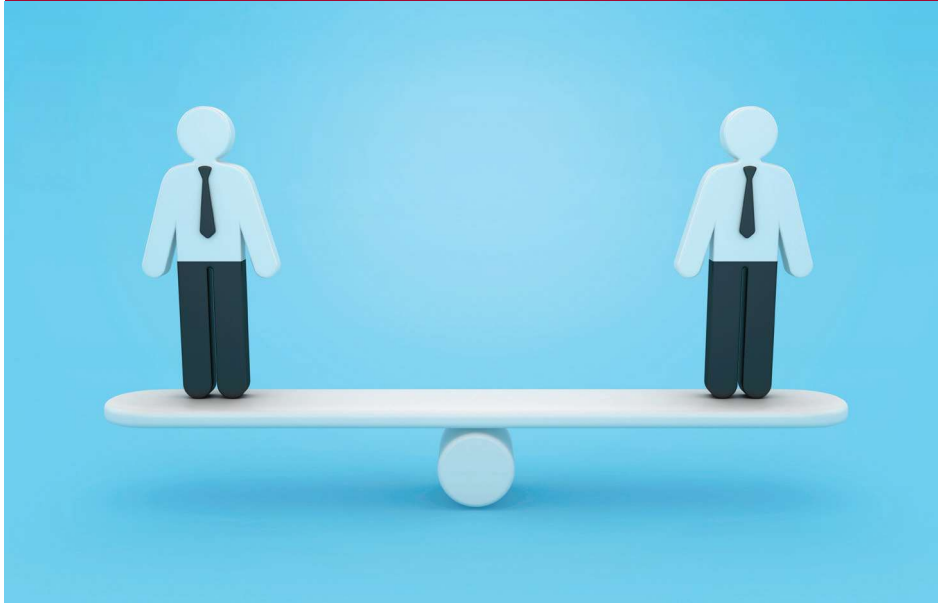


Trustee Insights

BOARD ROLES, RESPONSIBILITIES AND STEWARDSHIP



Governance and Management: How to Strike the Right Balance

How trustees and executives can build a stronger partnership by staying true to their distinct roles.

BY KARA WITALIS

One of the most crucial relationships in any organization is also one of the hardest to get right: the relationship between governance and management. Executives may say, “Our board gets too involved in operations.” Trustees may say, “Management doesn’t give us enough opportunity to provide strategic perspective.” Both concerns point to the same underlying issue — that boards and executives need to understand where

governance ends and management begins. Governance defines the organization’s “why” and “what.” Management determines “how.” When that distinction becomes blurred, boards can lose valuable time discussing operational details instead of focusing on mission, strategy, community health and organizational oversight.

At least conceptually, most people agree the board should govern and management should manage. The board upholds the mission, sets the vision and strategic direction, establishes policies, oversees performance and holds the CEO accountable. Management translates strategy into action, runs the day-to-day operations and

delivers results.

This is simple enough in theory. In practice, however, maintaining the right balance between the board and management is much harder.

Why the Balance Shifts

Circumstances influence the balance. A new CEO, a major construction project, financial challenges, physician conflict, a sentinel event or other serious issue can draw the board closer to management. The instinct to lean in is understandable. The challenge is knowing when to lean in and when to step back.

Behavior also influences the balance. Trustees are experienced leaders who care deeply about the organization. They want to contribute, and years of executive experience often pull them toward operational problem solving. Board conversations can also drift when trustees begin focusing on the details of strategic decisions, when those questions are best addressed by management.

Finally, trustees govern at the level of information they receive. When board materials focus primarily on operational detail, board conversations can easily become operational. Governance-level information leads to governance-level discussions. When management provides operational-level information, trustees naturally engage with it. They ask questions about the details, management

provides additional context and before long the conversation has shifted from governance into management. Instead of focusing on the organization's "why" and "what," the board is increasingly drawn into discussions about "how" the work should be done.

What's at Stake?

When governance spends too much time focused on management, the board can lose sight of the mission, community, long-term strategy and organizational oversight. Put simply, when the board is immersed in the weeds, it is no longer focused on the horizon.

The opposite can also be true. Boards that remain too distant may miss emerging risks, fail to challenge important assumptions or overlook opportunities to improve quality, strengthen community health and advance strategy. Effective governance is not about being hands-off or hands-on. It is about staying focused on the organization's priorities, asking the right questions, exercising thoughtful oversight and allowing management the flexibility to determine how best to execute. When the balance shifts too far toward board involvement in operations, management may become more hesitant to act. Accountability becomes less clear, decisions take longer and both the board and management become frustrated.

These changes don't happen overnight. It develops gradually, meeting by meeting, as well-intentioned trustees and executives respond to one another's behavior and the balance shifts.

Better Questions Lead to Better Governance

Thomas J. Watson, founder of IBM, famously said, "The ability to ask the right questions is more than half the battle of finding the answer." The board's job isn't to solve management's problems. Better questions lead to better decisions.

Topic	Sample board-level discussion questions
Mission	How are we fulfilling our mission? What does our community need? What is our vision for the future? What are the big areas that we need to focus on to achieve our vision for the future? How will this add value?
Quality and Patient Safety	Is quality improving? How do we know? What risks should we be paying attention to? Are we creating a culture of safety?
Strategic and Financial Performance	Does this investment advance our mission and meet our goals? What assumptions are we making? What might we be overlooking? Can we afford it? Are we investing in the right priorities? What risks must we mitigate? What's new in healthcare? Are we being bold enough?
Community Health	Are we addressing our community's greatest health needs? How do we know? What will our community need in five, 10 or 20 years?
Board Performance and Governance	How is our board culture? Have we evolved ourselves to meet the realities of today and the future? Does our board reflect our community? How healthy are our board succession plans? Are we governing effectively? Are we spending our time on the right issues? Are we asking the right questions?
CEO Performance and Accountability	What expectations and goals have we established for the CEO? Is the CEO achieving the goals we established? Does the CEO have the support and accountability needed to succeed? Are we enabling the CEO to effectively do her/his job? Do we have a healthy relationship with the CEO?
Workforce and Culture	Do we have the workforce and culture needed to achieve our mission? What trends should concern us?
Technology and AI	Does this initiative support our strategic priorities? What opportunities and risks require board oversight? Are the right safeguards in place? How will we monitor the efficacy and humanity of AI or other innovations?

Governance Is a Shared Responsibility

The strongest organizations recognize that governance and management are partners with a shared commitment to the organization's success. Each brings a different perspective and serves a different role.

The relationship works best when it is grounded in mutual trust and respect. Trustees trust management to operate within the parameters established by the board. Management trusts trustees to provide thoughtful oversight without directing day-to-day operations. Both remain accountable for fulfilling their respective responsibilities.

High-performing boards understand that governance is about setting direction, creating the conditions for management to make good decisions and holding management accountable for the results. One of the primary ways boards fulfill this responsibility is by establishing policies that define the boundaries within which management operates. Well-designed policies provide enough direction to protect the organization's mission, values and risk tolerance while leaving management the flexibility to exercise professional judgment. For example, a board may adopt a physician compensation policy that establishes parameters, such as compensation generally not exceeding the 75th percentile for comparable organizations within a defined market. Compensation outside those parameters would be brought to the board for review and approval. Likewise, a capital

expenditure policy might establish strategic criteria and spending thresholds that allow management to approve routine capital investments while requiring board approval for larger or more strategic projects.

This approach gives management the flexibility to make decisions while allowing the board to focus on governance. It creates clarity, supports timely decision-making and allows the board to oversee results rather than direct operations.

Strong executives understand that creating the context for the board to govern well is an important part of management's role. Consider the board packet. Too often it contains pages of operational reports, departmental updates and lengthy presentations describing everything management has worked on over the past month. Rather than asking trustees to sift through pages of operational detail, create effective board materials that summarize the key messages, explain why they matter to the organization, identify the strategic implications or risks and present the governance question requiring board discussion. Such materials help management frame the discussion at the appropriate governance level. The board chair, in partnership with the CEO, helps ensure the conversation stays there by guiding discussions back to the strategic decisions needed.

Drafting effective board agendas is equally important. When meetings are organized around the organization's most important strategic questions and governance responsibilities, trustees are far

more likely to spend their time governing rather than reviewing reports or debating operational details.

Small Changes That Make a Big Difference

Organizations that consistently strike the right balance tend to have a few practices in common. Even small changes can make a big difference.

- **Educate** board members and management on their distinct roles. Some organizations go further by developing a governance-management responsibility matrix that clearly defines decision rights and accountabilities.
- **Stay true to the governance principle** that the board's direct accountability relationship is with the CEO.
- **Hold one another accountable** for staying in the appropriate role. When a discussion begins to drift into management, feel comfortable saying, "This conversation is drifting too far into management. Let's get back to the big picture, the community impact or the long-term direction."
- **Establish board policies** that define the boundaries, authority and parameters within which management operates. Think of policies as the ways, not the means.
- **Build a strong working relationship** between the board chair and the CEO through regular communication.
- **Ensure board committees are doing governance work**, not management work. The

topics may be the same — such as quality, community, strategy, finance, compliance, board effectiveness and CEO performance — but the board focuses on direction, policies and oversight while management is responsible for execution.

- **Design agendas** that focus on the organization's most important strategic issues and create time for discussion, not just reports. Quality, patient safety, community health and emerging risks and opportunities, including AI, should receive regular board attention.
- **Keep board packets concise, focused and written at a governance level.** Include the key governance questions

management wants the board to discuss. Simply ending a presentation with, "Any questions?" rarely leads to the thoughtful discussion the board was assembled to provide.

- **Use board-level dashboards** that monitor strategic performance rather than report every operational measure. Many high-performing organizations oversee financial performance with only 10 to 20 meaningful metrics.

There is no perfect formula for striking the right balance between governance and management. Circumstances will influence when boards lean in and when they step back. What should remain constant, however, is the board's

commitment to governing and management's responsibility for execution. The board must remain focused on the organization's "why" and "what," while management is empowered and accountable for determining "how" to achieve them. When each fulfills its distinct role and works together in partnership, the organization is better positioned to advance its mission, strengthen community health, and serve patients today and into the future.

Kara Witalis, MHA, (kara@witalisllc.com) is governance advisor at Witalis, LLC.

Please note that the views of authors do not always reflect the views of the AHA.