afhto association of family health teams of ontario

Governance Fundamentals

Foreword

How to use these materials

AFHTO's *Fundamentals of Governance* materials are intended to provide the boards of Family Health Teams and Nurse Practitioner-Led Clinics with essential, basic information that will help them to become high performing boards and organizations. The material can be used in several ways:

- As an introduction to governance for new board members
- As a refresher for all board members
- As a training tool for board development and ongoing education
- As a guide to assess whether your board is using leading governance practice and where there are opportunities for improvement.

The material is organized as follows:

a. Introduction to the Fundamentals of Governance
b. Governance Framework
c. The Governance Toolkit (addressing 6 dimensions of governance)
    - Setting Direction
    - Board Structures and Processes
    - Executive Leadership
    - Resources
    - Quality and Safety
    - Stakeholder Relations
d. Board Culture – Building a Climate of Trust and Respect
e. Adding Value: An Introduction to Generative Governance
f. Tools
g. Resources and References

Hyperlinks in the text will take you to relevant sample tools, suggested references and related information. The Tools provided are sample tools only. You are free to use them; however, you may need to tailor them to reflect the specific circumstances of your organization. Where tools have been provided by other organizations, you are asked to retain the footnotes that reference them. You may already be using a tool, or you may know of a better tool, and if so, this may be a good opportunity to let AFHTO know so that future updates to this document can reflect the breadth and depth of knowledge and experience that exists in FHTs and NPLCs across the province.

This document was commissioned by AFHTO for use by Family Health Teams and Nurse Practitioner-Led Clinics. It was developed by governance experts and advisors at The

Osborne Group, and was overseen by AFHTO's Governance and Leadership Advisory Committee. Governance practice is always changing and improving. The information in this document reflects current leading practice. **Please note that the information contained in this document is not intended to represent legal advice to your FHT/NPLC.**

Efforts to improve board governance will have a positive impact on your FHT/NPLC's performance and on the quality and safety of the care provided to your patients. Congratulations on choosing to become a high performing board.

Hyperlinks in the table below will guide you to material that addresses specific governance practices assessed under the Ministry of Health and Long - Term Care's Accountability Reform requirements for expanded budget flexibility.

Strategic Planning:

	Links
FHT has a current strategic plan with clear goals, objectives and monitoring?	Strategic Planning
Latest progress report has been reviewed by the Board?	How to use the Strategic Plan
FHT has established linkages with other community partners and/or organizations	Engagement

Board Self-Evaluation:

A third of the Board members has experience serving on boards (or has received training)?	Competency Matrix
FHT has a current document outlining the Board members' roles	Board Roles Governance Manual
FHT has a current recruitment strategy document	Recruitment
FHT has a Board performance self-evaluation tool	Board Evaluation

Board Fiduciary Functions:

FHT has a current document outlining the Executive Director's job description	ED job description example
FHT has an Executive Director's performance evaluation tool/process	ED Performance Evaluation
FHT has a current Performance Measures document monitored by the Board on an on-going basis	Balanced Scorecard
FHT has a current Financial Policies document that outlines the process for budget approval and on-going monitoring	Financial Management
FHT has a current Quality Improvement Plan	Quality Improvement
FHT has a current Risk Management plan	Enterprise Risk Management
FHT has policies that reflect a systematic approach to Board performance monitoring, including method and frequency	Board Evaluation

Governance Policies:

FHT has a current Board Policy manual	Governance Manual
FHT has a signed agreement of Board members acknowledging the Conflict of Interest and Code of Conduct Policies	Conflict of Interest Example Code of Conduct Example

Organizational Maturity and Track Record:

FHT has documented staff recruitment and retention	Human Resources

AFHTO's Governance and Leadership Advisory Committee, 2013-2014

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Richard Christie, Executive Director, Kingston Family Health Team
Anna Gibson-Olajos, Executive Director, Powassan and Area Family Health Team
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Dr. Joseph Lee, Chair, Centre for Family Medicine Family Health Team
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1 Introduction to Fundamentals of Governance

1.1 Introduction

Family Health Teams (FHTs) and Nurse Practitioner-Led Clinics (NPLCs) are models of primary health care delivery based on the use of inter-professional, collaborative teams of health care professionals. FHTs and NPLCs are relatively new models of care in Ontario, having been established beginning in 2007. They are provincially or federally incorporated bodies, with legal obligations and responsibilities that are largely new to primary health care in Ontario. As corporations, FHTs and NPLCs are required to have Boards of Directors that are accountable for the organization's mandate and performance. AFHTO's *Governance Fundamentals* program is designed to help FHT and NPLC boards understand their role, responsibilities, and the critical importance of governance to the success of the organization.

1.2 Board Legal Structures

A FHT/NPLC is required by the Ministry of Health and Long-Term Care to be a registered non-profit corporation with a board of directors. At this time, most FHTs and NPLCs are registered under Ontario's *Corporations Act (1990)* pending new provincial legislation not yet in force called the *Not-For-Profit Corporations Act (2010).* FHTs and NPLCs will be required to review their bylaws and make an application for continuance when this new legislation becomes applicable. If your organization is incorporated under federal legislation, you will need to pay attention to the Canada Not-for-profit Corporations Act, also recently updated. There are a few instances where a FHT/NPLC is sponsored by another organization that is incorporated (e.g. a hospital or Victorian Order of Nurses). In these cases, the FHT/NPLC is not itself incorporated.

In addition to being registered as a not-for-profit corporation, a FHT/NPLC may also choose to apply for charitable status under the federal *Income Tax Act (1985)*.

There is variability among these primary care organizations in the type of board structure employed, with three distinct configurations:

1. Provider-based board
2. Community-based board
3. Mixed community/provider-based

Your organization's board structure is delineated in your bylaws.

In this section you will find information on:

- Not-for-profit corporations
- Registered charities
- Types of board structures

1.2.1 What is a not-for-profit corporation?

A not-for-profit corporation is an organization where the corporation is a legal entity separate from its directors and members. A not-for-profit corporation may earn excess revenue but must use these earnings to further the work of the corporation (rather than distributing the profit among owners or shareholders as in a for-profit corporation). FHTs/NPLCs are required to return surplus Ministry funding to the Ministry of Health and Long-Term Care unless given express permission to retain it.

Not-for-profit corporations are fairly straight-forward to set up. To be able to issue tax-deductible receipts to donors, they must apply for and be granted charitable status by Canada Revenue Agency.

1.2.2 What is a registered charity?

Charities are not-for-profit corporations that are registered under the *Income Tax Act (1985)* and regulated by the Canada Revenue Agency (CRA). One of the benefits of becoming registered as a charity is that your organization can issue receipts to donors for income tax purposes. CRA grants charitable status to those organizations that meet requirements under the *Income Tax Act* and whose objects, activities and purposes are accepted as being "charitable". Before applying for charitable status, it is advisable to consult with CRA to confirm your organization's eligibility. Obtaining registered charitable status can be costly in terms of time and additional filing requirements. The process generally takes at least six months and can take longer.

Acquiring charitable status obligates the organization to file additional annual financial reports with CRA and to permit the organization's filings to be public. There are reporting and fund utilization constraints that need to be carefully considered by a board prior to deciding to proceed with an application for charitable status. However, charitable status does allow the organization to raise funds and provide tax receipts to support its activities. For example, a FHT that is planning to fundraise to support a capital expansion of its premises would benefit from being able to issue donation receipts for donations of money.

1.2.3 Types of board structures

As mentioned above, there are three types of board structures: provider-based, community-based and mixed. A FHT may have any one of these types of board structures whereas a NPLC must have a mixed board structure.

1.2.3.1 Provider-based boards

A provider-based organization as defined by the Ministry of Health and Long-Term Care, has a board of directors that is drawn from a profession governed by the *Regulated Health Professions* Act. Physicians are affiliated with the FHT through an association agreement with their Family Health Organization (FHO), Family Health Network (FHN), or Rural and Northern Physician Group (RNPG). The board usually comprises physicians who are members of the affiliated physician group(s), or, if specified in the bylaw, physicians from outside these affiliated physician group(s). The corporate bylaw will provide details around eligibility for both membership and directors. The majority of FHTs are governed by provider-based boards.

1.2.3.2 Community-based boards

A community-based FHT as defined by the Ministry of Health and Long-Term Care includes local community representation. FHT physicians in a community-based FHT may be salaried employees or they may be in an affiliated physician group, and may not be members of the board.

1.2.3.3 Mixed community/provider-based boards

A mix of community and provider-based representatives may govern a FHT/NPLC. In the case of NPLCs, the Nurse Practitioners Association of Ontario recommends that more than half of the board members be nurse practitioners.

Case Study

Essex County NPLC – A Unique Mixed Governance Model

Background

The Essex County Nurse Practitioner-Led Clinic became operational in 2011, serving a wide range of patients in the southwest of the province. A year later an outreach office opened in

Windsor. The clinic has 4 Nurse Practitioners, as well as nurses, social worker, dietitian, health promoter, executive director and administrative staff.

Catherine Schooley is a nurse practitioner and Chair of the Board. Pauline Gemmell is the Clinic's Executive Director.

A unique mixed-governance model

The NPLC has a board of seven (7) members:

- Board Chair
- 3 nurse practitioners
- 3 community members (a lawyer, an accountant, a member of the general public)

At the time of incorporation, the founding directors (who are nurse practitioners) decided that the potential for conflict of interest, should they sit on the board, was high, and they elected to step back. They became staff of the Clinic, and the NPLC looked to other nurse practitioners in the area to serve as board directors.

The advantage? A board that has top-notch clinical knowledge provided by nurse practitioner colleagues, without the conflict of interest issues that arise from having board members who also provide service to the FHT. The community members bring skills and expertise in areas such as finance and law. Overall, the NPLC has achieved a balanced board that includes clinical knowledge and operations/management expertise.

Reaching out to the community

The Essex County NPLC has also reached out to its stakeholders and the community. It is a member of the local Business Improvement Association, which has helped the community to understand what the NPLC offers, and has helped the NPLC to become better known. As it begins a board recruitment exercise in the near future, these connections in the community may assist in identifying potential new board members.

Learnings from the Essex County NPLC Governance Journey

- Hire your executive director very carefully; this is the most important position you have.
- The executive director/board chair relationship is very important. It's not just personality, it's having a good and produtive working relationship.
- There needs to be trust between the executive director and the board
- Good legal support is necessary to help deal with all of the legislative requirements related to managing a Nurse Practitioner-Led Clinic. Our lawyer, for example, helped us to carefully consider the potential conflict of interest issues in our governance model, and ultimately, we selected a model that is proving to be very successful.

1.2.3.4 Is one of these models better?

The principles of good governance apply to all three of the above models. The information and tips in this toolkit will help you to ensure that regardless of the model you are working in, your board can be productive and effective. However, there are some unique characteristics and challenges related to each of the models that you will need to address if you are to become a high performing board.

1.2.3.5 Common characteristics of all models

In all 3 of the models, board members have an obligation to act in the best interest of the corporation.

In all 3 models, the board may choose to assemble a Community Advisory Committee to provide information and advice.

It is important to understand the relationship between the physician group (FHO/FHN/RNPG) and the Family Health Team. It is a complex, mutually beneficial relationship that to be effective, requires collaboration, cooperation and sometimes negotiation. The relationship may put physicians in a conflict of interest position from time to time, which by law must be acknowledged and managed (see Conflict of Interest, Section on *Board Structures and Processes*). Some of the key elements of this relationship include the following:

- The FHT's members and directors are the individual physicians, acting as individuals. While they may come from the FHO/FHN/RNPG, they do not represent those bodies for the purposes of governing the FHT and in board decisions must act in the best interests of the FHT or recuse themselves.
- The physician association agrees to provide medical services to the FHT, usually by an agreement between the association and the FHT.
- All members of a physician association that has a Family Health Team funding agreement with the Ministry are subject to the terms and conditions of the FHT agreement.
- The physician association does not "own" the FHT. Certainly it is essential to have a physician group associated with the FHT; however, the FHT exists as a separate legal entity.

1.2.3.6 Common characteristics of provider-led boards:

- Physicians retain decision-making power
- Are most familiar with the nature of the organization as a provider of primary health care
- Do not have "outsiders" to deal with on issues related to primary care
- Have an inherent conflict of interest as members of a FHN, FHO or RNPG who provide services to the FHT
- May lack diversity of opinion and knowledge of FHT operations (human resources, finance, risk, etc.) and the richness of board discussion that diversity can bring
- May lack connections with community agencies and providers

1.2.3.7 Common characteristics of community boards:

- Often have a community advisory committee to enhance the knowledge and understanding of community need
- May lack broad understanding of primary care and sector trends
- May lack robust connections with acute care and tertiary care providers
- Typically have members with a wide range of skills and experience

1.2.3.8 Common characteristics of mixed boards:

- Have a combination of community members and physicians or nurse practitioners
- Have both clinical knowledge as well as expertise in areas related to board function (e.g., finance, IT)
- Physicians (in FHTs) and nurse practitioners (in NPLCs) usually hold the majority of board positions
- To reduce the potential for conflict of interest, all or most of the nurse practitioners on NPLC boards may be from outside of the organization

As you learn more about becoming a high performing board, you will be able to assess your board structure and processes, and make the changes necessary to improve effectiveness. If a change in FHT board structure is deemed advantageous, this can be accomplished by amending the Bylaw. Prior to doing so, it is advisable to notify the Ministry. Changes to the Bylaw must also be filed with the Ministry of Consumer Affairs.

Resources and references

Making Provider Boards Work- video interview with Dr. Joseph Lee

Family Health Teams, Guide to Governance and Accountability, Ministry of Health and Long-Term Care, 2010

Questions to consider

Has your board ever discussed changing its governance structure? What were the pros and cons and what decision did you make?

1.3 What is governance and why is it important?

This section will address

- What is governance?
- Why is governance important?
- What is "good governance"?

1.3.1 What is governance?

There are many formal definitions of governance. In broad terms, governance refers to the structures, responsibilities and processes that guide an organization's decision-making and performance. It refers to who is in charge of what; how decisions are made; how authority is exercised; and how decision-makers are held accountable.

For the *Fundamentals of Governance* program, we are using the following definition of governance:

> **Governance deals with the <u>leadership</u>, <u>stewardship</u> and <u>oversight</u> of an organization. It concerns itself with the direction of an organization's activities and includes policy making, structure, decision-making processes and accountability mechanisms as well as operating values, behaviours, traditions and other elements of organization culture. (Nininger, 2010)**

This definition is important as it makes the distinction between What Gets Done (direction, decision making, etc.) and How It Gets Done (behaviours, values etc.). Most books on governance only discuss the first aspect. Experienced directors know the critical importance of a board that is a robust social system consisting of trust, challenge, transparency and candour.

There are many books, associations, courses, resources and training dedicated to the study and execution of governance. There are models and frameworks of governance. What is clear from the literature and experience is that governing an organization well takes skill, knowledge, and practice. It does not happen by chance, or without a lot of attention and work. It is important for boards and their directors to understand the fundamental tenets of governance, and to build the knowledge and capacity to govern effectively.

1.3.2 Modes of governance

To fulfill the obligations for leadership, stewardship and oversight, boards may want to consider the following three modes of governance – fiduciary, strategic and generative. Each of these modes serves a distinct purpose and when taken together, coalesce in a high performing board.

1.3.2.1 Fiduciary mode

- The principal purpose of this mode is stewardship; the principal role is oversight
- The board executes its fiduciary duties of ensuring that the organization meets its financial and legal obligations; monitors organizational performance; provides stewardship of the organization's assets
- This is a critical role in which the board monitors performance on key indicators such as finance, service volume and quality and clinical targets and works with management to achieve excellent performance

1.3.2.2 Strategic mode

- The principal purpose of this mode is to ensure the organization develops an effective strategy that will ensure the organization thrives
- Board looks beyond the immediate and assumes a more forward-looking focus
- The board's focus is on creating the strategic plan, ensuring that there are sufficient resources and leadership to execute the plan, monitoring of performance against the strategic plan, and making changes if and as required
- Board consistently considers the strategies needed to achieve the organization's vision, mission and goals

1.3.2.3 Generative mode

- The principal purpose of this mode is to enable the board to understand why the organization is performing at current levels and the options and new thinking that might enhance performance
- In generative governance the board "thinks outside the box", and becomes a catalyst for innovation, change and improvement
- The board needs to create the space to do this (e.g. board retreats, agenda design)
- This mode permits boards to consider higher-order issues, to be innovative and creative (see Adding Value: Introduction to Generative Governance)
- The board engages with management in this mode; there is a fusion of thinking and working together to create new and different possibilities.

Some boards fulfill their basic obligations by functioning only in the fiduciary mode. High performing boards strive to achieve the skills and knowledge to function in all three modes and to choose the appropriate mode for different decisions. It is important to note that a board never gives up its fiduciary role; it will always be responsible for basic oversight, leadership and stewardship functions. It must always be confident that the organization is meeting its legal obligations and its commitments to funders and partners.

Governance typically evolves over time with the maturation and level of development of an organization and of its board. The governance needs of a new entity, for example, may not be the same as the governance needs of a mature organization, or an organization facing significant change. A new organization may require its board to focus on developing policy, creating a culture, and attending to basic fiduciary functions. A more mature organization, having made it through the start-up phase, may require its board to focus more on making strategic decisions for the future. As a board becomes more comfortable operating in a strategic mode, it will often work on increasing its capacity to function in the generative mode, being more innovative, and/or on building social and reputational capital that will contribute to success.

1.3.3 Why is governance important?

Governance plays a key role in organizational success. Good governance, combined with strong management and a committed staff team can:

- Be a positive force for change and innovation
- Provide leadership (within the organization and outside)

- Build social capital
- Ensure the organization achieves its goals and purpose and uses its resources wisely and effectively.

A poorly governed organization will rarely achieve success in meeting its performance goals. A high performing board will provide the leadership, stewardship and oversight that will guide and enable organizational success.

Lack of attention to governance can have serious consequences. Both the private sector and the not-for-profit sector provide numerous examples of this - witness Enron, WorldCom, ornge, eHealth Ontario, Niagara Health System. In all of these examples, investigative reports and criminal investigations following an organizational crisis found the boards to be performing poorly, failing to exercise some of the most fundamental of their roles.

So what are some of the ways in which boards fall short?

- Failure to effectively monitor the performance of the Executive Director
- Failure to ask the right questions (e.g. about organizational performance, about quality and safety, about staff satisfaction, about patient complaints)
- Failure to provide adequate oversight
- Failure to maintain and strengthen community and stakeholder relations
- Not understanding the roles and responsibilities of the board and of management
- Failure to provide the leadership that a board must provide for the organization (i.e. depending on the executive director to provide the necessary leadership)
- Failure of the board to hold itself accountable for the performance of the organization.

Failure of the board to monitor compliance with legal and legislative obligations can have serious consequences for both the organization and its directors.

- Violation of Occupational Health and Safety legislation can result in a maximum penalty of $500,000
- First offence under the Employment Standards Act can result in a $100,000 fine; repeat convictions up to $500,000
- Accessibility for Ontarians with Disabilities legislation (AODA) provides for fines of up to $50,000/day until the contravention is fixed

Your board should always carry adequate insurance, including Directors and Officers' Liability insurance to protect its directors. However, it is important to understand that **directors' liability insurance may not cover directors in cases where due diligence cannot be demonstrated.** The role of a board member and a board is a serious commitment requiring time, knowledge, and vigilance.

1.3.4 What is "good governance"?

Good governance provides an organization with direction and leadership (often through example), develops policy, monitors organizational performance and ensures overall accountability. The board should not be involved in day-to-day- operations. The board's role is to oversee and monitor the work of the executive director in operating the organization.

It is important to master the basics first – the governance fundamentals – which will provide a board with a solid base on which to further build its skills and knowledge. Good governance can be the difference between a solid organization that meets basic standards of performance and a highly effective, highly successful organization that is a leader in its sector.

There are a host of factors that make the difference between an adequate board that meets its fiduciary duties, and a board that provides exciting and dynamic leadership. Many of these factors are related to the ability of the board to work with senior management to build an exceptional organizational culture that values such traits as transparency, trust and partnership. Organizational culture is established at the top; the board has an integral role in establishing and nurturing the kind of culture that produces high quality performance in an environment of partnership and collaboration.

Questions to consider

1. Where along the governance continuum do you think your board falls? What has to happen to move your board to the next level of performance?

2 Governance Framework and Toolkit

The board is responsible for providing leadership, oversight and stewardship of the FHT/NPLC in a number of key areas. The following Governance Toolkit sections outline the board's duties and responsibilities in 6 dimensions of a governance framework that also includes board and organizational culture (addressed in Board Culture), a critical element that wraps around every aspect of governance.

The six dimensions of the governance framework include:

- Setting Direction
- Board Structure and Processes
- Executive Leadership
- Resources
- Quality and Safety
- Stakeholder Relations

3 Setting Direction

3.1 Strategic Planning

Strategic planning is a process of assessment, analysis and planning for the future of the organization. It is a responsibility of the board of directors, usually mandated by the Bylaw.

This section will address:

- What is strategic planning and why do we do it?
- How do we do it?
- How do we use our strategic plan?
- How often should we do strategic planning?
- What is the difference between a strategic plan and an operating plan?

3.1.1 What is strategic planning and why do we do it?

Strategic planning is a process, led by the board, to:

- Establish priorities for the organization for the future
- Make informed choices on what the organization will do and will not do

- Create a plan around which all board members and staff coalesce
- Establish a plan that guides the allocation of resources (financial and human)

A strategic plan helps to keep the organization focused on clear goals and objectives. It ensures that the organization's priorities are aligned, as appropriate, with the interests of other providers, funders and stakeholders. And a strategic plan provides clarity to staff and stakeholders about what is most important to the organization.

A good strategic plan will guide the organization's decision-making (e.g. What programs should we provide? How should resources be allocated?). FHT/NPLC decisions can (and should) be measured against the basic question, "Does this align with our strategic plan and does it contribute to the achievement of our strategic priorities?"

3.1.2 How do we do strategic planning?

It is important that the board commit to undertaking a meaningful strategic planning process. While it is possible for the board and the organization to undertake the process on their own, most organizations find it helpful to use an independent, external party to lead the process. This ensures objectivity, and can facilitate discussions that may include differing perspectives.

Strategic planning is the responsibility of the board and it is essential that the board be fully engaged in the process. It is usually done in partnership with the executive director and the senior staff team. It is helpful at the outset to establish a process that defines how strategic planning will be undertaken, the roles of the board and staff, and how they will work together. For example, is there a Strategic Planning Committee? Do the board and staff meet together or separately to undertake their assessments and to make recommendations on strategic priorities? How is all of the input gathered and analyzed? Will the planning process include any external stakeholders or community partners?

There are many ways to do strategic planning. It can be done in a series of meetings (board meetings or special meetings; board retreat). It can be a small, tight process or a large public process. It can include surveys, consultations, focus groups, and brainstorming sessions.

Strategic planning processes typically involve the following stages:

- Develop and/or review of the Vision, Mission and Values statements

    - The vision statement is a comment about the desired future state. It is a long-term focus that should inspire a compelling view of the future. Does the vision statement reflect what the board sees as a future state?
    - The mission statement reflects the purpose of the organization. What is it intended to do?
    - Values represent the moral underpinnings or principles on which the organization is based (e.g. integrity, collaboration, partnership)
- An environmental scan
    - What is the political, social, financial landscape and how might these factors impact the organization in future?
    - What are the needs of your target population?
    - What are the priorities of funding bodies, partners and stakeholders that should inform the plan (e.g. the Ministry of Health and Long-Term Care, the LHIN, community providers and agencies)
    - What are the emerging trends and practices in the sector and how might they impact the organization in future? (e.g. shift to more patient-centred care models, the involvement of the LHINs in FHT/NPLC capital planning)
- An assessment of Strengths, Weaknesses, Opportunities and Threats/Challenges (often called a SWOT analysis)
    - What does the FHT/NPLC do well?
    - What does it not do as well? What opportunities are there for improvement?
    - What opportunities does the current environment present? (Note: these are usually external in nature)
    - What threats or challenges are posed by the environment?
- Gap Analysis and Development of Strategic Priorities
    - Based on knowledge of the environment, and the strengths, weaknesses, opportunities and challenges, where are the gaps?
    - What are the emerging priorities for action? Do these align with the vision, mission and values of the organization?

There are many approaches to and templates for strategic planning. In some cases the board assigns responsibility to the executive director and senior management team to assemble a plan for board approval. In other cases, the board becomes more involved in leading the initiative. Some approaches to strategic planning involve consultation with staff at all levels of the organization and with external stakeholders; other approaches rely on the knowledge of fewer participants.

An approach that works well for small FHTs/NPLCs is for the board and management to work together to create the strategic plan. The board is involved in helping create (or update) the vision, mission and values and the strategic priorities. An environmental scan might include input from staff and the community. And management develops the operational objectives and budget to achieve the strategic priorities, presenting the full plan to the board for approval.

Regardless of the approach taken, the board must be confident that it has an accurate view of the organization and the environment in which it operates from which to base decisions on future direction.

3.1.3 How do we use our strategic plan?

The strategic plan should be viewed as a living document that guides the actions of the board and management. To be effective, the plan must be easily accessible (for example, summarized for easy reference, posted on your Web site or intranet, written in clear language). It can and should be used to measure the organization's progress toward its priorities. The board should receive regular updates from the executive director and monitor progress toward the achievement of strategic priorities.

3.1.4 How often should we do strategic planning?

Planning is a process of looking forward. A typical planning horizon for organizations is 3 years, particularly if they feel that the environment or circumstances are changing rapidly or are likely to change.

It is good practice for the board to do a high level review of the strategic plan annually to confirm that the strategic priorities are still the priorities, and to consider whether changes within or outside of the organization may necessitate a change in plans. These reviews need not be extensive or lengthy unless issues emerge that call for a more thorough review. The strategic plan must remain relevant to the board and the organization, or it becomes a meaningless document that will not provide the kind of guidance it is intended to provide.

3.1.5 What is the difference between a strategic plan and an operating plan?

A strategic plan is often described as the view from 30,000 feet; an operational plan is the detailed view from ground level. The operational plan takes over where your strategic plan leaves off.

Strategic Plan		Operational Plan
Strategic Priorities	→	*Key Strategies*
Key Strategies	→	*Action Plan*

The priorities identified in a strategic plan should be broken down to an operational level. The operational plan should address the "how" you are going to achieve your strategic priorities. The operational plan is an annual plan, tied to your strategic plan, but with the addition of detail such as:

- Activities
- Specific goals and targets
- Timelines
- Responsibility
- Resource requirements
- Success indicators and measures

Progress toward achieving the goals and targets identified in an operational plan is often monitored using regular reports to the board in a format that allows the board to know whether the activities are ahead of or behind targets, the amount of any variance, and the reasons for variance. The board may ask its executive director to complete a "balanced scorecard" on key indicators.

This operational plan is often the basis for the required annual ministry submission that describes the programs, measures, staffing allocation and budget.

Tools

[Sample Balanced Scorecard]

Resources and references

For an in-depth look at the evolution of health care balanced scorecards and how to develop one see **The Balanced Scorecard as a Management Tool for Assessing and Monitoring Strategy Implementation in Health Care Organizations**

Questions to consider

1. Has your FHT/NPLC reviewed/updated its original strategic plan? If so, what level of staff and stakeholder engagement did you undertake? How did the process inform your understanding of your FHT/NPLC? What did you learn? What changes did you make?

4 Board Structure and Processes

4.1 Bylaw

4.1.1 What is a Bylaw?

A Bylaw represents the rules of a corporation, established by the board of directors during the process of starting a corporation. The Bylaw covers such topics as:

- Defining the membership of the corporation
- Defining the membership of the board
- Process for selecting and removing board members
- Defining the role of the board
- Defining the obligations of individual directors
- Corporate officers and their duties
- Location of the head office of the corporation
- Requirements for the Annual General Meeting of the corporation
- Rules for appointment of an auditor
- Other business and process requirements

The Bylaw defines the legal obligations of the corporation, and outlines how business is done.

4.1.2 Can the Bylaw be changed?

Yes, there will be provisions in your existing Bylaw that will spell out how you go about making changes. Typically this involves presenting and voting on proposed changes at a meeting of the corporation's members (either an Annual General Meeting or a Special General Meeting). Bylaw changes, once approved by your members, must also be filed with the Ministry of Consumer Services.

4.1.3 Why you may want to change your Bylaw

A Bylaw change would be required if you wanted to, for example,

- Change the composition of your board (e.g. move from one model of governance to another)
- Change the definition of membership (e.g. expand membership to include additional parties)
- Change the size of your board (e.g. become a larger board)
- Change voting procedures (e.g. allow or disallow the board chair to vote or break a tie vote)

4.1.4 What else you need to know and changes in the legislation that will affect you

Your corporate bylaw is an important legal guide for your organization. It instructs your board on important issues such as roles, responsibilities, fiduciary duties and on the process of governing your FHT/NPLC. It is important for all board members to be familiar with the Bylaw.

The Province of Ontario, under which FHTs and NPLCs are incorporated, has made changes to legislation that will require your organization, once the legislation has been proclaimed, to review its Bylaw, revise if necessary to be compliant with new provisions, and to file for a continuance of status under the new legislation. Your organization will have three (3) years to become compliant with the new legislation, and will require legal advice to do this. AFHTO and the Ministry of Health and Long-Term Care will inform FHTs and NPLCs when they need to prepare for these changes.

Questions to consider

Are all of your Board members familiar with the provisions of your Bylaw?

Are your current practices and policies consistent with the provisions of your Bylaw? (e.g., the voting rights of your Board Chair, number of board meetings required per year, proper documentation of board meetings and annual meetings)

4.2 Membership in the Corporation

In this section you will find information on:

- What is a corporate member
- The role of the corporate member
- The difference between a corporate member and a board member
- Voting privileges

4.2.1 What/who is a corporate member of our FHT/NPLC?

Members of a FHT/NPLC are those individuals who meet the requirements and obligations of membership as defined by your bylaw. They are roughly comparable to shareholders in a for-profit corporation, with the most significant distinction being that they do not "own" the corporation; however, they have an important role to play with respect to board accountability.

In a physician-led FHT, the corporation's members are typically the members of the physician association (e.g. Family Health Organization).

A mixed governance model has a mix of community and provider members. In addition to members of the physician association members may include individuals from the community and/or from organizations such as the hospital, university, agency or municipality.

In a community governance model, members of the corporation are community members with specific interest in the organization's mission, and skills and/or expertise relevant to the organization.

The FHT/NPLC needs to maintain a list of corporate members so that proper notification may be given to the membership with respect to annual general meetings or special meetings of the corporation.

4.2.2 What is the role of a corporate member?

The responsibilities of the members of your FHT/NPLC are defined in the legislation under which the organization is incorporated, are delineated in the Bylaw and also may be set out in policy. Generally these responsibilities include:

- Receiving the financial statements
- Appointing the auditor
- Electing the members of the board
- Attending the annual general meeting

In carrying out their responsibilities, corporate members play an important role in holding the board members accountable for the performance of the organization.

4.2.3 What is the difference between a member of the corporation and a board member?

It can be helpful to think of the board members (directors) as a sub-set of the corporation's membership. In some organizations, particularly those that are smaller, the members and directors may be the same; however, it is important to understand that while they may be the same individuals, they will have a role to play as a board member and a different role to play as a member of the corporation.

As a member of the corporation, at the annual general meeting, corporate members elect board members to represent them.

4.2.4 Do all members of the corporation have a vote?

Not necessarily. Your bylaw may define different classes of membership, some of which may not be entitled to vote at your annual meetings.

The new *Ontario Not-for-Profit Corporations Act* (NPCA), which has been passed but not yet proclaimed, will establish new rules for defining categories of membership and voting rights. As part of a review of your Bylaw in ensuring that you meet the obligations under the new *Act*, your lawyer will advise you whether your membership classes and voting rights will need to be revised. Note this act follows the federal government's new Not-for-Profit Corporations Act, which went into effect in 2013 and may govern your organization, if it is federally incorporated.

Resources and references

[See Canada Not-for-Profit Corporations Act and membership]

Questions to consider

1. Is the distinction between board members and members of the corporation clear in your organization? Are the roles of each well understood?

2. There may be occasions when decisions of the FHT board impact the physicians individually or the FHO collectively (your members) and those individuals may want input into FHT board decisions. How have you handled these experiences?

4.3 Annual General Meeting

The Annual General Meeting (AGM) is a meeting of all of the members of the corporation for the primary purpose of:

- Receiving the annual financial statements
- Appointing the auditor
- Electing the members of the board
- Approving amendments and additions to bylaws

The annual meeting is an important opportunity for corporate members to hold board members accountable for the performance of the organization (see Section on Corporate Members). The annual meeting may be held for the corporate membership only. Or it can be another form of outreach to your community stakeholders (see Section on Stakeholder Engagement). Consider using your AGM as a community event and include a keynote speaker of interest to the community. This will raise the profile of your FHT/NPLC, increase your connection with stakeholders and provide an opportunity for feedback on your performance.

This section will address the basic elements of an annual general meeting to meet the organization's legal obligations. The corporate Bylaw will also provide guidance with respect to the specific requirements and purpose of the Annual General Meeting.

4.3.1 When is the annual meeting held?

By law, the annual meeting must be held within 6 months of the corporation's year-end. For FHTs and NPLCs with a March 31 year-end, the annual meeting must be held no later than September 30.

4.3.2 Is the annual meeting different than a board meeting?

Many of the same governance principles and obligations apply to annual meetings as to board meetings (e.g. the need to avoid conflict of interest, the need to keep minutes and records). However, there are several important distinctions between a regular board meeting and an annual meeting (even if the meetings comprise the same individuals as is the case when all of the corporation's members are also its directors).

- The annual meeting has distinct obligations that are outlined in the organization's Bylaw (e.g. approving audited financial statements, appointing the auditor).
- Voting processes may be different, and will be outlined in the Bylaw. For example, on some matters, a vote may require a 2/3 majority to pass.

4.3.3 The AGM agenda

It is important to maintain good written records of the annual meeting and to ensure that all of the required approvals and actions are taken. While not essential, some boards prepare a detailed script to ensure that all of the required business actions and decisions are taken at the annual meeting.

A typical agenda for an annual general meeting follows:

- Approval of agenda
- Approval of minutes of previous AGM
- Approval of board actions
- Reports of the chair and executive director
- Report of the treasurer
- Approval of audited financial statements
- Appointment of the auditor for the subsequent year
- Election of directors

- Other business
- Adjournment

As with all board meetings, but of particular importance at the AGM, all approvals and decisions should be duly recorded, including the full resolution and a record of who made the motion and who seconded it.

You should consult the Bylaw during meeting preparation to determine any legal requirements that need to be adhered to, such as advance notice of the meeting, need for public notice, who needs to be notified (if specified), the need for audited financial statements, the quorum, provisions for any advance nominations (e.g. those assigned by the FHO or drawn from the community), and procedure to propose an amendment to the Bylaw.

If the meetings are public, the reports become more important and there is usually an opportunity provided for the public to ask questions. This means board members, especially the chair, as well as the executive director, need to be prepared to answer difficult questions, potentially with the press in attendance.

It is common for the newly elected board to hold its first meeting immediately following the annual meeting. At this meeting the priority is to appoint/elect the board's officers for the year so that the business of the board can proceed without delay. It is also possible to have three meetings in succession, with the first meeting being the last meeting of the outgoing board to approve the audited financial statements, the second meeting being the AGM where the audited financial statements are accepted and the new board elected, and the third meeting being the inaugural meeting of the new board.

Resources and references

Grassroots Governance: Governance and the Non-Profit Sector. Certified General Accountants of Ontario, 2008. Offers good information on effective Annual General Meetings

4.4 Roles and Responsibilities of the Board

Governance involves the leadership, stewardship and oversight of an organization. It is important for the board to clearly understand its role and its responsibilities in executing these functions, to understand its role in relationship to staff roles, and to cultivate a trusting, respectful and collaborative relationship with its executive director and staff.

This section will address:

What is the role of the Board?
What is the role of the Executive Director?
What is the role of the Medical Director/Lead Physician?
What is the role of the Medical Consultant in a NPLC?

4.4.1 What is the role of the board?

The board has both general and specific responsibilities. The general responsibilities while perhaps less tangible, are no less important than the specific responsibilities that are usually outlined in the corporate Bylaw. These general responsibilities relate to the board's role in providing leadership, demonstrating integrity, creating a safe, welcoming and positive organizational culture, and guiding the organization with wisdom, skill and vision.

The board's specific responsibilities may be articulated in the corporate Bylaw and include such responsibilities as the following:

Overall Direction and Strategy

- Establish and monitor overall direction of the FHT/NPLC
- Develop strategic plan and assess progress toward strategic priorities
- Approve the annual operating plan and monitor progress toward annual goals and objectives

Human Resources

- Hire the Executive Director and monitor and evaluate the performance of the Executive Director

- Delegate responsibility for day-to-day operations to the Executive Director and require accountability to the Board
- Establish a process for appointment of the Lead Physician/Medical Director; approve compensation; establish goals and objectives and a mechanism for reporting and evaluation
- Develop a succession plan for senior staff leadership
- Ensure organization is appropriately staffed with the right number and type of staff and clinicians to carry out its mission

Risk Management, Quality and Safety

- Approve and monitor a risk management framework
- Develop (with the Executive Director) an annual Quality Improvement Plan and regularly monitor quality and patient safety indicators

Financial and Legal

- Approve and monitor the annual budget; review and approve the financial statements on a regular basis
- Approval all investment policies and decisions
- Meet annually with the auditors and report (annually) on financial statements to the members
- Establish a process to monitor and ensure compliance of the organization with all legal and regulatory obligations
- Ensure the remittance to government of all consumption taxes and payroll deductions.
- Approve expenditures of the corporation for amounts in excess of $x

Governance

- Establish policies to provide a framework for effective governance and management of the corporation
- Maintain records and minutes of board meetings and board decisions
- Develop and monitor a board work plan (separate from the organization’s strategic plan)
- Develop a succession plan for board directors

Note that some of these responsibilities may be delegated by the board to senior management (e.g. hiring, employing and paying salaries); however, it is the board’s responsibility to ensure that this is done effectively.

4.4.2 What is the role of the Executive Director?

The executive director is responsible for the day-to-day management of the organization. This position also has an important role to play in supporting the board.

Depending on the stage of development of an organization, its governance style may change; during the start-up phase the board may be more hands-on, and more involved in day-to-day operations. However as the organization matures, the board should reduce its involvement in operations and assume more of a leadership and oversight function, leaving day-to-day operations to the executive director. This is often challenging for boards, as it requires relinquishing some power and authority to the executive director; to do this successfully requires trust, communication and an effective working and reporting relationship.

The often-used analogy to distinguish the roles of executive director and board is a boating analogy:

The board's role is to steer and guide the boat; management and staff's role is to row.

While this is simplistic and may not recognize some of the "grey" areas that require close collaboration between the board and staff, this is an easy question for boards to ask as a test of whether they are getting too involved in day-to-day issues.

Another useful expression is "nose in, fingers out", which represents the importance of observing and, sometimes, probing, but less actively doing, or executing, the work.

4.4.3 What is the role of the Medical Lead/Lead Physician?

FHTs and NPLCs typically have a lead clinical position with responsibility for overseeing the development and quality of clinical programs. Many of the FHT Bylaws reference this role and provide a set of responsibilities.

These responsibilities may include the following:

- Advise the board on the quality and safety of care and service provided to patients of the corporation
- Participate in the development and monitoring of the organization's Quality Improvement Plan

- Participate in the organization's strategic planning and development of the vision, mission and objectives
- Participate in planning of medical human resource needs in accordance with the strategic plan and agreement with the Ministry
- Participate in the organization's allocation of clinical resources in accordance with the strategic plan and agreement with the Ministry
- Oversee the day to day clinical activity of the FHT; provide advice, consultation to and oversight of interdisciplinary health professionals as required
- Ensure appropriate clinical policies and procedures are in place
- Oversee the development and monitoring of clinical goals and objectives
- Contribute, as required, to the hiring of clinical staff

There are several important things to note about the lead clinical position:

- In many FHTs this position reports directly to the board and is required to provide the board with regular updates on program and clinical indicators
- Ideally, the chair of the board should not be the Lead Physician as lines of accountability can become blurred
- In order to ensure absolute clarity in accountability and reporting, some FHTs have determined that the Lead Physician should not be on the board as the Lead Physician reports directly to the board. (This is somewhat akin to the executive director not being a member of the board.)

4.4.4 What is the role of the Medical Consultant in an NPLC?

The position of Medical Consultant in an NPLC is a different position and role from that of the Medical Lead in a Family Health Team. In NPLCs this position receives a small stipend for the provision of clinical consulting to the NPs, which is a practice requirement for all NPs in the province. The Medical Consultant in an NPLC does not report to the board, and is generally not involved in matters relating to policy or program development.

An NPLC may also have a Clinical Lead role that reports directly to the board, and whose role more closely resembles the role of Medical Lead in a Family Health Team. Sometimes the roles of an Administrative Lead or executive director are combined with the Clinical Lead role (i.e. a clinician is also the executive director). To be effective, this role requires a highly skilled individual who has both clinical background and management expertise, including a strong team orientation.

Tools

Job description, Executive Director
Job description, Board member
Job description, Lead Physician/Medical Director (FHT)

Resources and references

Developing Job Descriptions for Board Members of Nonprofit Organizations This workbook from The Muttart Foundation is a guide to help board members develop job descriptions that reflect the responsibilities of serving on a non profit board.

Questions to consider

1. Think back to your last board meeting. How would you classify the discussions that took place and the decisions that were made? As a board were you steering the boat or were you rowing? If you could go back, would you handle the meeting any differently?

4.5 Board Composition and Recruitment

The board of directors is responsible for the oversight of a wide range of areas of organizational performance - from finance to quality and safety, from human resources to public engagement. To do this job well, the board requires knowledge and experience across a broad range of organizational functions. Leading governance practice supports selection of board members whose combined skills provide the board with the ability to offer leadership and oversight in all functional areas – a "skills-based" board. Leading governance practice does not support the inclusion of staff members on the board of directors as this creates risk for conflict of interest.

Provider-led boards are often challenged to have the full range of organizational skills, simply because providers may lack knowledge of all of the functional areas required to provide effective oversight. It is important for members of all boards to participate in opportunities for learning and development. There are also a number of strategies that all boards can use to ensure that they have the requisite skills and experience at the board table.

This section will address:

- The range of skills a board needs
- Development and use of a competency matrix
- Recruiting board members

4.5.1 What skills and traits does an effective board need?

First and foremost, a board needs its directors to be fully committed to the organizational vision, mission and values statements, and to the collaborative model of care. A board that is not passionate about its raison d'être and its goals will lack the will to pursue organizational excellence and may, in fact, put roadblocks in place.

In addition to commitment, the board must have the required knowledge and skills to enable it to provide strong leadership and oversight. Requirements may change from year to year and will reflect the specific circumstances of the organization (e.g. stage of development, rural/urban nature of the organization, size, expansion requirements).

Some of the skills and knowledge that FHTs and NPLCs might require include:

- Clinical programs and services
- Quality improvement and quality indicators, ideally with an understanding of the supporting information systems
- Finance
- Risk management
- Human resources
- Governance and accountability
- Government relations
- Public relations and communication
- Change management
- Performance measurement
- Facilities and capital project management
- Knowledge of the community

Remember that a board is a single entity made up of various parts – its members. As a result, not all board members need to be experts at everything. The strength of a board is in having a diversity of skills and perspectives from which to draw. However, effective board members will all reflect character traits that contribute to the building of a collaborative model of care: team player, strategic thinker, positive attitude, and enthusiastic nature.

4.5.2 Developing a competency matrix

The principles of board recruitment are no different than those for staff recruitment. Board recruitment should be a thoughtful, deliberate exercise designed to assess skills, expertise, knowledge and fit. A good practice is for the board to first develop a "competency matrix" that outlines the knowledge and expertise required of its members.

The board should begin by discussing the knowledge and skills it needs to perform its role well. The Board may prioritize skills based on typical organizational functional areas (e.g., finance, human resources, communications); alternatively, it may consider the organization's strategic plan or strategic priorities and what skills are necessary to address those (e.g., clinical programs, quality improvement). If there are unique circumstances facing the organization, these might influence the knowledge and skills needed at the board table (e.g. a capital project, a crisis in management). Prioritizing the board's needs and identifying the character and personality traits that board members require will produce a competency matrix. Once the matrix is developed, the board can use the matrix to assess current gaps in the organization's needs and priorities to help inform the selection of new board members who can help the board to address those gaps. A competency matrix can also help to identify what kinds of training and development would most benefit current board members.

Provider-led boards have less flexibility in the recruitment of board members since the Bylaw usually requires that at least the majority, if not the total board, comprises physicians. In this circumstance, while a competency matrix may not be helpful as a board member recruitment tool, the exercise can help to identify the skills and knowledge gaps that the board needs to acquire in other ways. For example, consideration might be given to inviting community members to join board committees, or using special advisors to support the board. At the same time, don't forget that physician board members often have other interests that may allow them to have developed some of the skills your board may be looking for. If you have a large physician population from which to draw board members, you may want to do an inventory of their skills.

Tools

[Sample board competency matrix](#)

Resources and references

OHA Governance - The Case for Change

Case Study

Exploring the Mixed Governance Model

Background

The North Perth Family Health Team is governed by a board of 9 directors: 3 physicians from the 9-member FHN, a representative of the hospital, a representative of the CCAC, a representative from the Municipal Government and 3 community members. Located in the town of Listowel, the FHT has a staff of 14 IHSPs and strong relationships in the community.

Arriving at a mixed-governance model

The decision to select a mixed-governance model was made early, with a view to developing a Family Health Team that would be well connected with all of the community. Dr. Rob Annis is the past Lead Physician and past Chair of the Board of the FHT and is a strong proponent of the mixed governance model. He readily admits that some physicians feared losing their autonomy in an organization led by a board with non-clinical members, but adds that this concern has long since disappeared. It helps that the goals of the FHT are the same as the goals of the physician group. And it is also true that the physicians have and will likely always have a strong voice at the table; the board would not pursue a direction that the physicians were opposed to. Ultimately, the mixed-governance model was felt to be the best model to serve the interests of the community, its health care providers, and the physicians.

The Advantages

According to Dr. Annis, the mixed model has proven to have several advantages.
It has given the physicians more of a voice at the municipal level and at the hospital. It has proven to be an effective way of increasing knowledge, sharing information and identifying health care priorities among partners and stakeholders. It has reduced the pressure on physicians to be experts at everything, from administration to capital planning, and has

allowed them to focus on practicing medicine. Having community input to Board discussions has been very positive; it has allowed the physicians to view primary health care through a broader lens – and to focus efforts on issues that are important to patients, families and the community.

Similar conflict of interest issues can arise in a mixed governance FHT as in a provider-led FHT. However, managing conflict of interest in the mixed governance model may be somewhat less difficult than in a provider-led board, since a mixed-governance board is more diverse and the conflict is not as likely to affect the majority of board members. On a number of occasions, the physician board members in North Perth have had to remove themselves from the board discussion for reasons of conflict. However, there was still a good portion of the board left that was not in conflict.

The same governance principles related to conflict of interest in provider-led boards will be relevant to mixed-governance boards (and to community-based boards). For example, if any of the physicians own the building that the FHT occupies or plans to renovate, there is conflict of interest; FHO physicians who sit on the board may encounter situations that put their FHO interests in conflict with FHT interests. Mixed-governance and community governed FHTs may help to ensure that the FHT's interests are paramount in board decisions; however, the model itself will not remove potential conflict of interest.

Advice to Boards considering a transition in governance model

- There is nothing to be fearful of. Talk to or visit mixed-governance boards. Ask about the value that community members add to the FHT; have a conversation about whether mixed governance boards reduce or usurp physician responsibility and autonomy
- Start by adding a Community Advisory Committee to your board, or add community members to your committees to get community perspective and expertise
- Use a patient advisory committee, or apply the Experience-based Co-Design protocol to your programs and services to gain the perspective of patients and families

(To see the interview with Dr. Annis, click here.)

4.5.3 Recruiting board members

The board chair can play a key role in recruiting for community and mixed-governance boards. A direct approach from the board chair may be the personal touch required to interest potential board members in becoming involved. Advertising in the local paper is another way to inform people that the organization is recruiting board members. It is very important that the board have a process for interviewing potential candidates to help ensure “fit” for both parties, and makes it a practice to check references of potential board members. Suitability for the position should also be judged against position requirements (see Role of the Board) and against the competency matrix of functional and character competencies. It is also critical that potential board members understand the role and expectations so that they are clear about the commitment they are making. Be sure to outline the length of the term, the meetings and time commitment, and expectations for participation.

Some provider-led boards have a pool of members from which to draw board directors (e.g. FHTs with large or multiple FHOs, networks of FHTS). Others, however, are constrained by size or by Bylaw (where members = directors), and do not have the option of selecting directors. How does a board assemble the skills and expertise it needs in these instances?

- One strategy is the use of external resources on committees or in an advisory role to enhance the skills and knowledge at the board table (see Board Committees)
- Board members can be encouraged and supported to acquire governance knowledge through training, reading, and mentorship
- A system of board-to-board sharing of experience can be valuable in learning how other boards operate, what governance practices are successful in other FHTs/NPLCs, and in enhancing the knowledge and skills of directors. This sharing can be done face-to-face in semi-annual or annual meetings, for example. (An added benefit of this approach is the potential for boards to identify and assess strategic opportunities to collaborate on shared initiatives, organizational and/or clinical)

Questions to consider

1. Are all of the members of your board fully committed to the FHT/NPLC model? If not, what sorts of issues and challenges does that present? As a Board Chair, how would you deal with a board member who is not 100% committed to the FHT/NPLC?

2. Has your board ever reached out to another FHT/NPLC board to share experience? Has this been a valuable exercise? If you have not, is this something that could be helpful to your board?

4.6 Conflict of Interest

Directors must at all times ensure that they are acting in the best interest of the corporation. Board members are in conflict when their actions could result in a direct or indirect benefit to them personally or to anyone with whom they have a close personal or professional relationship. Conflict of interest can happen without anyone being at fault. However, it is very important that conflict of interest is disclosed and managed effectively so that private and personal interests do not affect public trust and duty.

This section will provide information on the following:

- What board members need to understand about conflict of interest
- What the implications are of being in conflict of interest
- How can boards manage conflict of interest constructively

4.6.1 What do boards need to understand about conflict of interest?

It is common for board members to occasionally find themselves in a position of conflict. This does not mean that board members must resign; it simply means that conflict must be declared and handled in a manner that protects the integrity of both the board member and the corporation.

Conflicts of interest are not wrong in and of themselves and can happen without anyone being at fault. However, it is vital that they are disclosed and managed effectively so that public officials perform their duties in a fair and unbiased way.

Boards should have a clear conflict of interest policy, with procedures to guide the handling of situations where one or more board members may find themselves in conflict.

Board members are considered to be in conflict when they, or members of their family, or business/professional partners, stand to gain or personally benefit, financially or otherwise, from their position on the board.

A conflict of interest may be "real", "potential" or "perceived". The same duty to disclose the conflict and to abide by the corporation's conflict of interest policy applies.

Conflict of interest can extend beyond financial interests. For example, if a board member of one organization is a staff or board member at another organization with competing or similar interests, there may be conflict in making decisions or in acquiring proprietary knowledge. These types of conflict are as real as financial conflict.

Conflict of interest can be challenging to manage, especially in provider-led FHTs or NPLCs where the interests of the clinicians are closely tied to but not necessarily the same as those of the organization. The reality is that provider-led boards have an inherent, significant conflict of interest that must be acknowledged and managed. The physician members of mixed-governance boards may also face conflict of interest and if the physicians hold the majority of board seats, this conflict will be similar in significance to the provider-led board.

4.6.2 What are the implications of being in conflict of interest?

The *Corporations Act* (Ontario) and the Canada Not-for-Profit Corporations Act both require disclosure by any board member who finds him/herself in a position of conflict, and prohibits that director from voting on any contract or proposed contract with which there is a real or perceived conflict.

Your corporate Bylaw typically references the need for board members to declare conflict of interest as required by legislation.

The Board's policy (and procedures) should provide guidance around the process for identifying and declaring conflict, voting restrictions, recording declared conflict, etc. The chair can provide an opportunity at the beginning of every board meeting for directors to identify conflict of interest related to any of the agenda items. Declared conflicts should be recorded in the meeting minutes. The chair should ensure board members understand that declaring a conflict of interest does not harm their profile as a director, but can actually enhance it, as it is a sign of good governance.

Board members who find themselves in conflict are prohibited by law from voting on the issue in question, and may be prohibited from participating in the board discussion relating to that issue. Depending on the nature of the issue, they may be required to leave the room for the discussion and vote.

4.6.3 How do we handle conflict of interest?

There is an inherent conflict in provider-led and mixed-governance boards, where clinicians who are providing service to the corporation are also board members who are making decisions that may impact either their service or the corporation. While a declaration of conflict may be warranted for some discussions, removing those directors from voting may result in lack of a quorum.

One way to reduce conflict of interest is to change the governance model from provider-led to mixed governance or community governance. Other strategies to assist boards in managing conflict of interest include:

- Ask for a declaration of conflict of interest at the beginning of every board meeting and/or have the chair review the agenda to highlight items that are particularly at risk for conflict (Note that conflict may affect any member of the board; it is not restricted to physician members)
- Carefully consider recommendations of independent, external board or committee members, should you have them
- Ensure that board decisions are measured against their alignment with the corporation’s vision, mission, values and strategic directions
- Remind directors that when they serve as board members, their duty to act in the best interest of the corporation must take precedence over personal or professional roles and obligations
- Ensure that board members who are in conflict are recused from discussions and voting on the relevant issue
- Ensure that directors respect the board’s code of conduct in all business proceedings
- Ask board members to sign a conflict of interest statement at the beginning of each year

Tools

Sample conflict of interest policy

Resources and references

Ontario's Not-for-Profit Corporations Act - see 41 regarding Declaring Conflict of Interest

Canada Not-for-Profit Act **http://canlii.ca/en/ca/laws/stat/sc-2009-c-23/latest/sc-2009-c-23.html** (see section 141)

Questions to consider

1. Have conflict of interest issues impacted the performance of your FHT/NPLC? If so, how?
2. What strategies has your board employed to deal with conflict of interest issues?

4.7 Board Orientation

Each year your board may need to bring on new board members. Providing a comprehensive orientation is an important component to ensuring successful participation of these new recruits.

In this section you will find information about:

- Why orientation of new board members is important
- What new board members need to know about your organization
- What new board members need to know about the board

4.7.1 Why board orientation is important

A thorough board orientation is key to helping new board members become full contributing members of the board. Orientation gives new board members valuable information about the organization, the board's roles and responsibilities, and the board's processes for how work is carried out. Orientation begins to build a working relationship among board members and helps new board members begin to feel integrated into the work of the board. You may want to assign responsibility for board orientation to one board member (perhaps the chair of the governance committee) and possibly appoint another board member to act as a mentor who can answer any questions that may arise and help acquaint new board members with the organization.

4.7.2 What new board members need to know about your organization

It is important for new board members to gain a comprehensive understanding of your organization. Key information that should be provided includes:

- purpose of the organization and its vision, mission and values
- services provided and communities served
- some key points about the organization's history
- the organization's stage of development (start-up, growth, established)
- strategic directions as well as short- and long-term goals
- organizational structure and key staff positions
- funding and accountabilities
- current issues
- key stakeholders
- board's current year work priorities and plan
- schedule of upcoming meetings and Annual General Meeting
- contact information for senior staff
- promotional material and website information

4.7.3 What new board members need to know about the board

New directors also need information about the board - its structure, processes, and expectations of board members. Information that should be provided includes:

- the board's mandate and areas of responsibility
- board structure – officers, committees
- terms of office and committee membership
- director position descriptions
- board annual work plan
- board protocols relating to motions, voting, agenda, telephone participation
- board policies including code of conduct, confidentiality, conflict of interest, delegation of authority, etc.
- minutes from recent board meetings
- list of board members and contact information
- schedule of upcoming meetings and Annual General Meeting

Be sure to set out the board's expectations regarding attendance, availability for participation on committees, and board members' role in external stakeholder and media relations.

Include the board's Governance Manual as part of your orientation package, as much of the required information will be found in that manual (see Assembling a Governance Manual). Remember that many documents in the manual need to be kept current.

Keep in mind that board orientation is a process that takes place over time and includes active interaction with others, review of written material, and learning through involvement about organizational culture, issues and priorities. There is too much information to be provided, discussed and understood at just one board meeting. Orientation can be a combination of one-to-one sessions with a mentor, group sessions with other board members and the executive director, and self-directed reading.

4.8 Board Policies and Governance Manual

In this section you will find information about:

- The importance of having board policies
- What board policies should include
- Assembling a governance manual

4.8.1 Why board policies are important

A set of governance policies will guide the board in conducting its business and undertaking its responsibilities. Board governance policies are distinct from organizational policies and procedures, which are related to operations and, following approval by the Board, are generally the purview of management.

Board policies may include and should be consistent with provisions of the corporate Bylaw. They may be more detailed than the Bylaw provisions to facilitate decision-making and board process, and will clearly articulate how the Board functions.

4.8.2 What board policies should include

Board policies address such issues as nominations to the Board, board roles and responsibilities, board committees, conflict of interest, confidentiality, board evaluation process, etc.

A typical policy includes the “what” and the “why”. An accompanying procedure, if required, addresses the “how”.

Policies should be reviewed by the board on a regular schedule, and updated as necessary. Policy statements should be dated, with revision dates noted.

4.8.3 Assembling a governance manual

A governance manual will usually contain all governance policies, as well as additional information important for Board members’ understanding of the organization and their role in governing the organization. The governance manual may also serve as the basis for a Board orientation manual.

The governance manual often includes:

- board role and responsibilities
- legal liability; proof of director insurance
- governance policies including code of conduct, confidentiality, conflict of interest, investments, etc.
- articles of incorporation / letters patent
- Bylaw
- list of board members and contact information
- the most recent strategic plan
- board's current year work priorities and plan
- organizational chart
- board and committee terms of reference
- director position description
- contact information for senior staff

Tools
Sample board director job description

4.9 Board Committees

This section will address the following elements of board committee structure and process:

- Purpose
- Typical board committees
- Committee membership
- Terms of reference
- Evaluation
- Ad hoc committees or task forces

4.9.1 The Purpose of Board Committees

The role of board committees is to provide advice, information and guidance to the board as a whole to better inform decision-making. Committees spread the board's work more evenly across all board members and by including board members with expertise specific to the committee's work help accomplish the work of the Board effectively and efficiently. Board committees are a good training ground and leadership experience for new and/or inexperienced board members and provide meaningful engagement of board members.

Board committees generally have a one-year mandate. Committees are struck and members appointed by the Board Chair following the Annual General Meeting (AGM), and remain in place until the following AGM.

4.9.2 Typical Board Committees

Your bylaw may address the details of your committee structure and process. The bylaw may be quite general and simply authorize the board to create committees from time to time to help do its work. Or the bylaw may specify the board committees that must be in place. The Ministry of Health and Long-Term Care can also direct the creation of a board committee to fulfill a particular obligation (e.g. Quality Committee).

If the bylaw permits flexibility in the board committee structure, the board may wish to start small and build the committee structure over time as the board gains experience. Starting with the critical responsibility for financial oversight, the board may chose to begin by establishing a Finance and Audit Committee and having the other responsibilities managed by the board as a whole. The Finance and Audit Committee mandate might then grow over time to include responsibility for human resources, information systems, and capital planning at which time the committee could be renamed the Resources Committee.

There is no single committee structure that will work for all. When deciding what is the "right" structure for your board, consider how much time your board members have to devote to both board and committee meetings. Many FHT/NPLC boards are small so it makes sense to strike few committees and make more decisions as a committee of the whole. It is important that board committees have a meaningful role to play in meeting the needs of the organization and that committee members are meaningfully engaged and not over committed.

If your bylaw dictates a committee structure that the board does not feel is workable, the bylaw may need to be amended (see Bylaw).

Some common board committees include:

- Executive Committee* (generally only for a large FHT/NPLC)
- Finance and audit
- Nominating and governance
- Quality and Safety Committee
- Resources
- Risk management
- Community Advisory Committee
- Patient and Family Advisory Committee (Council)

*The primary intent of an executive committee is to act on behalf of the board between meetings. The executive committee cannot make decisions that bind the board; consequently, all executive committee decisions must be ratified by the full board at the next board meeting. The creation of an executive committee should be treated with caution. This committee can be a helpful way to deal with urgent issues quickly. On the other hand, this committee can also marginalize non-executive committee board members, creating a two-tier board.

Family Health Teams and NPLCs may also have a Community Advisory Committee or Patient and Family Advisory Committee (Council). The purpose of these groups is to provide a link between the community and the FHT/NPLC to provide the organization with a patient/family perspective on issues such as quality, access, and community priorities.

The FHT/NPLC Bylaw may provide specific mention of a Community Advisory Committee. As with most other committees, they are not mandatory under the Bylaw; however, they represent a useful and valuable option for developing good stakeholder relations and for securing good business intelligence from the community. Typically the board will create this committee and assign one or two board members to sit on it. Community members may be appointed by the board, or there may be a call for members who are then screened by the board for suitability, experience and expertise. As its name suggests, its role is advisory to the board.

4.9.3 Committee Membership

The Chair of the Board may appoint the Committee Chairs.

Committees usually comprise several board members with the board chair an ex officio member of every committee. The term ‘ex officio’ means ‘by virtue of office or position’.

Ex officio members, therefore, are members who hold a position that permits them to be part of the board or committee automatically. Unless constrained by the Bylaw, ex officio members have the same privileges as other members (e.g. right to vote, debate and make motions). The executive director may be an ex officio member of all committees, a staff support to some or all committees, or he/she may not be involved at all. Commonly, executive directors refrain from voting when participating on board committees.

Committee membership may also include representation from outside of the organization. This can be an excellent way to bring required expertise and knowledge to the organization in such areas as human resources, finance, public relations, and governance. Physician-led FHTs, in particular, can benefit from this strategy to complement the knowledge and experience of board members. External committee members can also help board members to be more aware of situations in which they risk being in conflict. If you choose to invite community representatives to your committees, it is important to remember that committee members who are not elected members of the board, do not have the right to vote on decisions. It is also important to select individuals who understand not only their subject matter, but the vision and mandate of the organization, and the context in which it operates. An orientation will help ensure that their expertise and knowledge contributes good value to your organization.

Board committees are also an excellent way to involve physicians who are not on the board in the governance of the organization. Members of the FHO, for example, can join board committees without being a member of the board. This provides a good opportunity for governance and leadership training, board succession planning, and for general engagement of non-board members in the work of the FHT/NPLC.

4.9.4 Terms of Reference

All board committees should have well-defined Terms of Reference that includes:

- Membership
- Roles and responsibilities
- Timeline
- Commitment to evaluation

Roles and responsibilities should be consistent with the board’s role (i.e. board committees should generally not be engaged in management functions).

4.9.5 Committee Evaluation

As with Board evaluation (see Board Evaluation), it is good practice to do an annual, objective appraisal of how your Board Committees have performed throughout the year.

4.9.6 Ad Hoc Committees or Task Forces

In addition to committees of the board, the board chair may from time to time strike ad hoc committees or task forces to undertake specific, time-limited responsibilities. These committees should use the same approach as board committees, in the use of Terms of Reference, timelines and membership.

4.9.7 A Note about Management Committees

Management committees are different than board committees. As the term implies, they are more concerned with day-to-day management and operational issues than with governance (oversight, leadership, and stewardship - the board's responsibilities). The membership on management committees typically consists of staff; however, a board member or a representative of the physician group (FHN, FHO, RNPG, etc.) may be invited to the committee depending on the nature of the work.

Management committees do not report to the board; they report to the executive director (or his/her designate). Nor do they require any mention in the bylaw – their formation, management and disbandment is a management prerogative. Depending on the subject matter, the executive director may elect to report to the board on the progress and recommendations arising from management committees.

Some common management committees might be Program Committee, Senior Leadership Team (often called a "Management Committee", Operations, Budget Planning.

Tools

Sample Finance and Audit Committee Terms of Reference

Sample Nominating/Governance Committee Terms of Reference

Sample Quality Assurance Committee Terms of Reference

Sample Human Resources Committee Terms of Reference

Questions to consider

1. If your Board is a provider-led Board, have you considered adding external expertise through Committee appointments? What have been the discussions at your Board and what was the outcome?

2. What have been the challenges of working with a Board Committee structure? How might these challenges be resolved to improve the effectiveness of your committees and board?

4.10 Effective Board Meetings

A high performing board will have productive, energizing board meetings. This doesn't happen by chance; effective board meetings are planned and conducted to produce illuminating discussion, frank conversation and even debate, and quality decisions.

Board meetings usually take place monthly, at a set time and date to ensure that all members have adequate notice and can arrange their schedules accordingly (e.g. the 3rd Wednesday of the month from 4:30 – 6:30pm). Once the FHT/NPLC is operating smoothly, depending on the number of items to be discussed and the urgency of subjects the board may feel comfortable altering its schedule - for example, moving to quarterly meetings, or not meeting over the summer months.

This section will offer tips and suggestions for conducting effective board meetings including:

- Planning the meeting agenda
- Using an annual board calendar
- Meeting preparation
- Effective chairing
- Minutes and records
- Board transparency
- Use of *in camera* sessions

4.10.1 Planning the meeting agenda

The task of preparing the meeting agenda is best shared by the chair of the board and the executive director. This ensures that all issues of interest or concern to the board are included on the agenda.

The agenda should include expected times beside each item, and responsibility for reporting or leading the discussion. It may also be helpful to indicate what is expected as an outcome of each discussion – is it being presented for information only or for decision.

Board meetings should be planned and chaired effectively, to respect people's time. The agenda and all background materials should be circulated in advance, providing board members with sufficient time to prepare. Meeting rules and protocols should be established and followed – e.g. Robert's Rules of Order, a common understanding of consensus decision-making, the appropriate way to introduce items to a meeting agenda.

A typical board agenda will include such items as

- Approval of the agenda
- Declaration of conflict of interest
- Approval of previous meeting minutes
- Business arising from previous minutes
- Committee reports and updates
- Key issues and priorities
- Date of next meeting and adjournment

Board members, having had an opportunity to review the background materials and agenda, should be asked to declare any <u>real or perceived</u> conflict of interest. Any conflicts declared should be recorded, and any board members who have declared conflict should follow the organization's policy and procedure for participating in the conversation and for voting.

The ordering of agenda items should be deliberate. It is common for boards to spend a great deal of time on routine matters, and to run out of time for debate and discussion of pressing issues, because they are placed near the end of the agenda. There are a number of strategies to address this, including the use of 'consent agendas' (bundling for approval routine or non-contentious items such as the minutes and certain reports with questions asked prior to the meeting), or the placement of important new business ahead of routine committee reports on the agenda. The Board chair needs to manage the agenda to ensure that critical issues are addressed and that when discussion exceeds the allotted time there is a strategy for ensuring that time is used effectively, perhaps by delaying non-priority items to a later meeting.

4.10.2 Using an annual board calendar

There is usually not enough time in a board meeting to address every issue in depth. Some boards have established an annual board calendar, which schedules key board discussions and decisions in advance, and according to when they are likely to be required to meet legislative or reporting deadlines. A calendar may accommodate, for example, quarterly financial review, annual board and committee evaluation, executive director performance review, quarterly review of quality indicators, annual approval of budget submission and Quality Improvement Plan (see Board Calendar). It may be necessary to schedule additional meetings of the board to address particularly pressing, complex and/or important issues.

4.10.3 Meeting preparation

The agenda and background materials should be circulated in advance of the meeting to allow all board members to come to the meeting prepared for discussion and decisions. There should be an expectation of all board members (reflected in the job description) that they come to meetings well prepared.

Keep board meeting packages relevant to the discussion and be judicious in selecting what material that comes to the board so that neither board nor staff are overwhelmed by information and preparation.

4.10.4 Effective chairing

Chairing an effective board meeting requires skill and preparation. The role of the board chair is to move through all of the agenda items in a timely fashion, making sure that there is productive discussion, all viewpoints are heard, and that required decisions are made.

The board chair generally oversees discussions and debate, but does not actively participate. Your Bylaw will indicate whether the board chair can vote on issues, votes only to break a tie, or votes twice (once as a board member and once if there is a tie after the first vote).

The role of the board chair is important in setting the tone of board meetings.

4.10.5 Minutes and records

There must be a record of board meetings, termed the "minutes", including who was present, what was discussed, and what decisions were made. The board secretary, a board officer, is responsible for ensuring that board minutes are recorded; however, it is not uncommon for the executive director or other staff member to be appointed as a recording secretary to document the meeting.

All board minutes must be retained for as long as the corporation is registered, plus an additional two years following dissolution.

4.10.6 Board transparency

In recent years there has been a move to increased transparency at the governance level of organizations. Open board meetings, posting of minutes on organization websites, and involvement of staff in presentations to the board, for example, can all contribute to a culture of transparency and openness. Sharing what goes on at board meetings can support the development of trust between board and staff, and provide clarity to the decision making process.

Open board meetings, where the public and press are permitted, should not mean the loss of decorum or process, nor should they result in the sharing of confidential or sensitive information. Tips for undertaking productive, open board meetings include:

- Ensuring that observers do not become involved in board discussions or debate (unless requested by the board chair or there is a planned question period)
- Ensuring that there is an official mechanism for staff input to relevant items on the board agenda
- Setting time aside on every board agenda for an *in camera* session

4.10.7 *In camera* sessions of the board

The term *in camera* means "in private" or "in chambers". There are a number of instances when boards may need to discuss certain matters without observers being present. Such matters might include sensitive human resource or financial issues, which, if public, would amount to a breach of confidentiality.

The use of *in camera* sessions should be reserved for confidential discussions only. Some boards find it useful to hold a brief *in camera session* at the end of each board meeting, without staff, to discuss the executive director's performance and how to better support him or her.

The regular board minutes should reflect the fact that the board moved into an *in camera* session, but the *in camera* minutes should be separate from the meeting minutes, held by the Board Secretary.

Your auditor may request meeting minutes, including those of *in camera* sessions, at year-end as part of the audit process.

Tools
Sample annual board calendar

4.11 Board Evaluation

Evaluating the board's effectiveness can be an important strategy to achieve a high performing board and organizational excellence. This section will address:

- The purpose of board evaluation
- How to undertake board evaluation
- What to evaluate
- What to do with the results of a board evaluation
- Evaluating regular board meetings

4.11.1 The purpose of board evaluation

There is good evidence that evaluating board performance is a useful strategy and tool to improve governance effectiveness. The process of evaluation and the performance measures used can identify challenges that boards may be facing in meeting their fiduciary obligations, and provide a roadmap to guide boards as they strive to achieve governance excellence. Evaluations can undercover some otherwise hidden dynamics that may be impacting performance, or identify them before they become an issue. They also demonstrate to staff and external stakeholders (e.g. the MOHLTC) the commitment of an organization to accountability beginning at the top.

Board evaluation can also be a training and education tool for directors to identify areas of weakness and to improve knowledge and understanding of governance.

Board evaluation really begins with a good director orientation process. New directors should receive a thorough orientation to the organization, and to their duties and obligations as board members (See Board Orientation). Evaluation then serves to measure performance against expectations and legal obligations.

The board chair has an important role to play in setting the tone for board evaluation, and establishing the evaluation as a learning and development tool.

4.11.2 How to undertake a board evaluation

Board evaluations should assess performance on a number of dimensions including board process, achievement of goals, and whether or not the board is meeting its fiduciary and strategic obligations.

There are a number of options for undertaking a board evaluation process. The evaluation can include the full board evaluation, committee evaluation, self-evaluation, and/or peer evaluation. Leading practice suggests that at a minimum the board should evaluate its own performance. Sometimes the board may engage an independent firm to conduct the evaluation for reasons of expertise and impartiality, but smaller organizations will often conduct them internally to reduce costs.

Board evaluations should take place annually. The steps in evaluation include:

- Developing or identifying an evaluation framework and tool that reflects the principles of good governance and the priorities of the FHT/NPLC. The tool might be a survey that individual board members complete. Or it could be face-to-face interviews between the board chair and individual directors with a series of questions
- Completion of the evaluation by Individual board members
- Tabulating and analyzing the results of the evaluation and preparing a report for discussion. This can be handled by the board chair, by an external party, or by a sub-committee of the board. Remember that directors need to feel secure that their observations will be held in confidence. Results should be reported in summary form and not attributed to any one director
- Developing strategies to improve performance and including this as part of the board's annual work plan

Once a board has achieved a level of comfort and proficiency with annual self-evaluations, it may consider alternatives to enhance the scope and value of the exercise. For example, in alternate years the board chair may personally interview all board members to explore individual performance, to discuss opportunities for individual director training and development, and to provide constructive input to improve director performance.

4.11.3 What to evaluate

Areas for assessment may include:

- Collective board performance (Fulfillment of strategic directions in a manner consistent with the mission, vision and values of the organization, effective oversight of executive director and organizational performance, effective oversight of financial conditions, etc.)
- Quantity and quality of external stakeholder relations
- Board structure, composition and processes (effective communication, appropriate and effective committees, respect for rules of order and process, decision-making processes)
- Board meeting effectiveness (adequate notice of meetings, agenda, background materials, quality of discussion and debate, record keeping)

A more experienced board may also undertake evaluation of individual director performance, or board and committee chair performance, though this is much less common. This can be in the form of a self-evaluation that is subsequently reviewed with the board chair, or a peer review. Individual director performance evaluation might include such items as preparation for meetings, attendance, participation in discussions, understanding of governance role, contribution of expertise, conduct, and adherence to board policies. As with the collective evaluation, an effective process will be a meaningful effort to support learning and continuous improvement.

4.11.4 What to do with the results of a board evaluation

Evaluation of board performance can contribute to continuous learning and continuous quality improvement. Using the results of the evaluation, the board may set goals to address shortcomings, establish stretch goals for governance effectiveness (see What is Governance and Why is it Important), or pursue individual or group training and development.

The board chair may use the results of the evaluation to establish a board education agenda and schedule for the year.

The results of the board evaluation may contribute to the development of the board work plan for the year, whereby governance weaknesses become opportunities for improvement.

Resources and references

Board evolution and the role of continuing education- interview with Dr. Joseph Lee

4.11.5 Evaluating board meetings

High performing boards often spend a few minutes at the end of every board meeting evaluating the process and outcomes of the meeting. This may be in the form of a brief discussion (around the table feedback, for example), or may be a short questionnaire that asks board members to assess such factors as:

- Whether there was adequate time to address items on the agenda
- Whether the agenda and background materials were circulated sufficiently in advance as to allow for good preparation
- Quality of the discussion and decisions
- Level and quality of participation from all members
- Quality of the chairing of the meeting

These short evaluations can help the executive director and board chair to plan effective meetings and to address issues that may be inhibiting board performance. One good practice for board members at the conclusion of the meeting is to discuss topics in two categories: "what went well" and "even better if …".

Tools

Sample board evaluation framework

Board Effectiveness Quick Check, **Governing for Results: A Director's Guide to Good Governance,** Mel D. Gill, 2005. This is a brief (15 questions) checklist, scored on a 5-point Likert scale to provide a basic assessment of how the board believes it is performing

Questions to consider

1. Has your board undertaken a board evaluation? If so, what were the results and what follow up action did you take? What were the key factors in undertaking a successful evaluation?

Case Study

Strengthening Governance

Background

The Markham Family Health Team began operation in 2007. It is a physician-led team, (19 physicians) with a board of 7 Directors (all physicians) and a staff of 50, working out of 3 locations. In 2011, the Board decided to take a step back, to analyze its progress and to assess its needs for the future. The Board retained outside expertise to undertake an organizational review, and based on the findings of this review, decided to make some changes in the way it operates.

Areas for Change

The FHT Board identified three priority areas for change:

- Accountability
- Transparency
- Communication

Accountability

The Board developed a set of governance policies and procedures that became the FHT's governance manual. It contains Board policies and procedures, roles and responsibilities, and terms of reference for Board committees. It provides a blueprint for how the Board operates.

Several key Board committees were established, with clear terms of reference and work plans. The Board invited volunteers from the community to join two of its committees, including the governance committee, to provide expertise and experience that the FHT Board members lacked. These members have provided the committees with a different lens through which to view the FHT's activities and have enhanced the ability of the committees to meet their objectives.

The Board also undertook a comprehensive Board self-evaluation that identified strengths and weaknesses with respect to Board performance that became goals and objectives for further work to improve the Board's function as well as the overall level of governance of the FHT.

Transparency

The Board made a decision to increase transparency at all levels of the organization. Board meetings became open meetings, (except for *in camera* portions), which staff are welcome to attend. Minutes of all Board meetings are posted where staff can easily access them.

Communication

The Board worked closely with the Executive Director to improve overall communication in the Family Health Team, specifically with respect to information sharing.

A bi-weekly newsletter was established that highlights FHT programs, physician and IHP matters of interest, and staff profiles. Everyone in the organization knows that they need to read this newsletter to be up to date on the FHT's current and planned activities.

"Grand Rounds" once a month, provide clinical program updates, presentations, EMR updates and all manner of FHT issues. The Rounds are well attended, and provide an opportunity for all staff to get together, to learn and to discuss issues of patient care and FHT performance. They are a team building strategy in addition to being an opportunity for discussion of clinical issues.

Success Factors

The Board and the FHO physicians spent a great deal of time meeting and discussing the merits of undertaking an organizational review, and then of implementation plans and strategies. There was consensus on the need and the potential value in taking time to consider how to improve FHT governance and FHT performance.

According to Dr. Allan Grill, incoming Lead Physician and Vice-Chair of the Board, the following factors were key in the Board's success:

- Demonstrate a culture of openness and a willingness to embrace change. This will take time and many discussions, but is worth pursuing.
- Acknowledge that you may need external help. The physicians acknowledged that while they are experts in medicine, they may not be experts at organizational design and performance.

How has this approach positioned the FHT for the future?
The FHT Board believes that strengthening governance will help to build the FHT's social capital, achieve positive change, and build strong relationships at all levels of the organization. By modeling strong leadership at the board level, and creating a culture of learning and development, every staff person will gain skills and the ability to provide leadership in their own realm –"situational leadership".

What's Next?
The Board has endorsed a comprehensive approach to performance evaluation. In the immediate future it will embark on a 360° performance review process for the Executive Director and for the Lead Physician. The Board is using an "appreciative inquiry" approach to performance management that allows everyone to learn how he or she can improve, while at the same time be accountable to the organization.

(Please click to see parts one and two of the interview with Dr. Grill.)

4.12 Board Work Plan

The Board should have its own work plan, consistent with but separate and distinct from the organization's strategic and operational plans. A board work plan is often a Bylaw requirement.

4.12.1 What a Board work plan should include

The work plan need not be a lengthy document. It should reflect what the board has decided are its priorities for the year. These priorities may be directly related to the organization's strategic priorities (e.g. quality improvement or stakeholder relations), or they may be more focused on such issues as improving governance effectiveness or overseeing the development of robust organizational performance metrics. The work plan provides the board with some specific issues and actions on which to focus attention. In addition to performing its mandated responsibilities, the board work plan allows the board to address areas of priority and/or concern that will help to ensure that the organization is achieving its potential.

A Board work plan should include

- Stated goal(s)
- Whether/how the goals align with the organization's strategic plan
- A set of activities to achieve the goal(s)
- Responsibility
- Timeline

4.12.2 Measuring Progress

An important indicator of board effectiveness is whether the board has made progress toward the goals in its work plan. Reviewing the work plan and assessing the board's progress at regular intervals (e.g., quarterly or semi-annually) will contribute information for the evaluation of overall board effectiveness (see Board Evaluation).

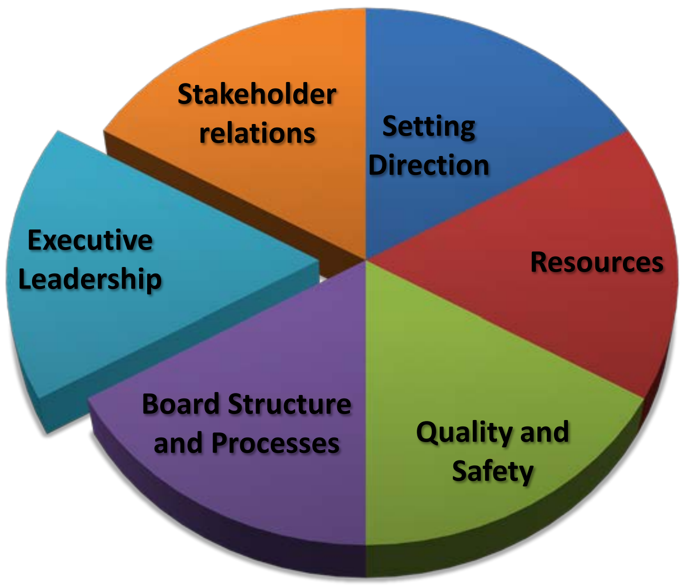
Tools

Sample Board work plan

Questions to consider

1. Does your Bylaw require the board to have its own work plan? If so, were you aware of this requirement and has your board developed a work plan? If your Bylaw does not require a separate board work plan, do you see any advantages (or disadvantages) to your board and organization of having one?

5 Executive Leadership



5.1 Executive Selection

The board is responsible for hiring the executive director who will oversee the day-to-day operations and implement the organization's mission and vision. In fact, this role is one of the most important responsibilities of a board. If done well, it can make the board's job much easier for the duration of the relationship. Conversely, if done poorly, it can be costly, in terms of time, money and good will.

In this section you will find information about:

- Planning your selection process
- Assessing your candidates
- Making the transition

5.1.1 Planning your selection process

5.1.1.1 Decide on a process:

The board needs to determine a process for hiring the executive director.

Establish a Board hiring committee. Including someone with human resource expertise (from outside the board if necessary) can be helpful to the committee. You may wish to engage a search firm to help you.

Decide on the scope of the committee's responsibility. Does the committee manage the selection process and make a recommendation to the board for a final decision? Or does the committee make the final decision on whom to hire? It is good practice to have the whole board involved in the final decision as this will help ensure that the prospective candidate has the full support of the board.

Decide how or if you wish staff to be involved in the selection process. Leading practice suggests that involvement of staff can be very beneficial in helping identify organizational priorities and selection of a candidate who "fits" well within the organization. If you decide to involve staff in the process, be clear about the staff role. Is staff *advising* the board, or is staff part of the *decision-making* process?

Determine a time frame and budget for the process.

Be sure that board members understand and support the work of the hiring committee and that the Board is clear about:

- The committee's mandate and scope of responsibility
- The budget
- The timetable

5.1.1.2 Review the organization's needs:

Review the skills and attributes you need in an executive director. Get input from board members and staff and assess your current and future organizational requirements. To help guide the board in knowing what attributes you need in an executive director, it may be helpful to look at:

- your vision and strategy
- staff needs
- program needs
- financial position and needs

This is also a good time to look at the salary and benefits package for the position. The Ministry provides salary ranges for the executive director role based on FHT/NPLC size and complexity, within which the board has flexibility. The board will need to assess the talent it will be able to recruit given the market conditions. Some boards have been able to recruit stronger candidates than they would otherwise, by tapping into funding streams available to their organization that are beyond the funds provided through their MOHLTC Funding Agreement. If the board is unsure of its compensation level for the executive director, it may be helpful to speak with other FHT/NPLC boards, or to ask AFHTO for general market information.

Revise the existing executive director job profile and job description if needed and be sure that the board agrees on the desired:

- competencies
- attributes
- level and type of experience

Tools

Sample executive director job description

5.1.1.3 *Identify candidates:*

There are several effective ways to identify potential candidates for your position. Here are a few suggestions:

- Identify and contact people within the local community who may be good prospects for the job
- Send a call out to other organizations asking them to post the position
- Advertise in the local newspaper and use on-line job boards (e.g. AFHTO)
- LinkedIn is an increasingly popular resource, where you can both advertise and search candidate profiles for a small fee
- Health administration associations and trade publications are often excellent resources (e.g. The Canadian College of Health Leaders, Longwoods, Canadian Society of Association Executives, Charity Village).
- Consider whether there are any internal candidates

Whatever method or combination of methods is used, be sure that your advertisement:

- Is clear
- Captures the personality of your organization
- Outlines the key job responsibilities, attributes, and qualifications required
- Gives a date for close of applications, along with what applicants should submit (e.g. cover letter, CV, coordinates and permission to contact three references)
- Includes an e-mail address and postal address for applications

Remember to remind any staff or committee member who is assisting with the process that applications should be kept in confidence. As well, do not assume that the obvious choice is the right choice – it is a good practice to advertise adequately in the appropriate resources and consider all applications for the position. You may uncover an excellent surprise candidate.

Resources and references

Charity Village is a Canadian source for non-profit job postings and more

Work in Non-Profits connects job seekers and employers

5.1.2 Assessing your candidates

5.1.2.1 Screen the applications:

Your hiring committee will need to screen all applications to see who meets the minimum requirements and determine whom to invite to an interview. It is a good practice to develop a "long list" of candidates from the applications and then screen them over the phone against your required competencies, attributes and qualifications. Watch for potential conflict of interest. Hiring a relative of a board member, though not illegal, may create conflict of interest issues that are difficult to manage (see Conflict of Interest). After the phone screening, develop a "short list" of up to five people to invite for interview. Try to resist the temptation to interview more than five people. If you have done a good job with pre-screening, five should be sufficient to yield a good result.

5.1.2.2 *Interview the short list:*

Develop interview questions and have them reviewed by someone with human resources knowledge to ensure that the questions are legally permissible. Be sure to allow time for the candidates to ask any questions they may have about the job.

Score your interview results against predetermined criteria to help establish your preferred candidate. Conduct a second round of interviews if necessary and consider using a different approach to the second interview. You may also elect to add to, or change, the panel for a second round. You might want to ask the candidates to present on a topic of interest to the committee and engage in discussion – this will help you learn a lot more about a candidate.

5.1.2.3 *Conduct reference checks:*

Be sure to check references on your preferred candidate(s). A good practice is for the committee to inform the candidates that everything on their résumé may be checked with referees, even those for which the candidate has not supplied a formal reference. Prepare questions in advance to pose to referees.

Tools
Sample reference check questions Sample reference check questions (2)

5.1.2.4 *Choose your candidate and make an offer:*

The committee now has information from screening, the interview process, and references to help inform the recommendation to the board. Remember – it will be important that the full board supports the chosen candidate.

In your letter of offer to the preferred candidate, be sure to identify the terms of employment including:

- Salary and benefits
- Vacation
- Probationary period
- Job responsibilities (consider attaching the job description)

5.1.3 Making the transition

To help ensure successful integration of your new executive director into your organization, the board should develop strategies for:

- Communicating the appointment to staff
- Informing key stakeholders including funders
- Orientation

5.2 Executive Director/Board Chair Relationship

The relationship between the executive director and the board chair is a critically important relationship to achieve the FHT/NPLC's potential. It sets the tone for board members and staff; together, the board chair and executive director provide leadership, motivate staff and board, and set a strong example for everyone in the organization.

In this section you will find information about:

- Achieving a productive working relationship
- What to do if there are difficulties in the relationship

5.2.1 How do we achieve a productive, constructive working relationship?

A constructive, working partnership is grounded in mutual trust and respect and shared objectives. A productive relationship does not require friendship; what is more important is an ability to work together for the good of the organization. A strong chair/executive director relationship is a strategic partnership that requires work and that must be managed.

The basis for a productive working relationship includes:

- Sharing the vision and agreeing on organizational goals and priorities
- Having a clear definition of and respect for each other's role
- Establishing expectations, obligations, working styles and accountabilities
- Avoiding territorial behaviour
- Creating the space for discussion and debate
- Maintaining a united front outside of the boardroom
- Acting with maturity and professionalism
- Acknowledging and addressing personal differences

This is an important relationship to consider when either hiring an executive director or selecting a board chair. This does not necessarily mean that hiring and appointments should be based on personality; however, the board should consider the ability of candidates to develop effective working relationships that will enhance the organization's effectiveness.

5.2.2 What happens when we run into problems?

If the relationship between your board chair and executive director is hampering the operations and progress of the FHT/NPCL, the board may consider assessing:

- whether roles are clear. While there may be grey areas, these should be discussed and roles and relationships clarified on an as-needed basis
- whether each party is respecting his/her role
- whether the board, board chair and executive director share a vision for the organization
- whether there is a current strategic plan and operational plan to guide the board and executive director's activities

A more subtle problem can occur when the board chair and executive director are too familiar, at the expense of the board chair's relationship with other members of the board. A chair must recall that his/her responsibility is to lead the board (Board Roles and Responsibilities).

In the case of conflict or an unproductive working relationship that can't be resolved, the board could consider asking a neutral third party to provide assistance (a neutral board member, a consultant).

Questions to consider

1. Is the relationship between your board chair and executive director providing strong leadership and motivation to your board members and staff? If not, how might you approach this to improve organizational dynamics and performance?

5.3 Executive Director Performance Evaluation

Evaluating the executive director's performance ensures that the board is well informed on executive director performance, leadership and management capabilities that impact the FHT/NPLC's success. As important, a performance evaluation offers an opportunity for the executive director and board to agree on performance goals for the upcoming year. The board has a fiduciary responsibility, often mandated by its Bylaw, to regularly evaluate the performance of the executive director. Leading practice suggests that this should normally be done on an annual basis.

When the executive director's performance is not measuring up to the board's expectations, termination may be an option that the board needs to consider. If the board decides that termination is necessary, it is important to consult a lawyer for advice on the best way to proceed.

In this section you will find information on:

- How to undertake a performance evaluation
- What is important to consider
- The risks of not doing a performance evaluation
- Termination of the executive director

5.3.1 How do we undertake a performance evaluation?

There are many types of performance evaluation, including

- Self-evaluation, followed by discussion between the executive director and board chair
- Numeric ratings against performance dimensions (e.g., from the job description or from established goals and objectives)
- Narrative descriptions against performance dimensions
- Multiple evaluations gathered from peers, subordinates, board members, and external partners (often called a "360" evaluation)

The board's role and process for undertaking an executive director performance review is typically as follows:

- Determine who will lead the process. If the board has a Human Resources Committee, it could be the Committee's responsibility. Alternatively, it could be an Ad hoc committee of the board, or the board chair.
- Establish a timeframe
- Select or develop an evaluation tool
- Conduct the evaluation
- Meet with the executive director to discuss (board chair or board sub-committee and executive director)
- Both parties sign a summary of the review upon completion and place the review in the executive director's personnel file

Performance evaluation should be an on-going process throughout the year. Leading practice suggests that the board chair, acting as the board's representative, should meet quarterly with the executive director to discuss performance and make any necessary changes to performance goals. The board chair should then inform the board of the outcome of the executive director's performance review and of his/her performance objectives for the coming year.

5.3.2 What is important?

- The review should include an evaluation of:
    - the executive director's performance against previously agreed upon objectives including what got done/did not get done, and how it was done
    - the executive director's overall performance in established performance dimensions
- The review should be honest and frank. Resist the temptation to avoid difficult discussions
- The review should be respectful and constructive
- The review should be confidential
- This is an opportunity to agree on performance goals and expectations for the upcoming year
- This is an opportunity to review and revise as appropriate:
    - compensation
    - job description
- This is an opportunity to agree on a training and development plan for the executive director for the up-coming year

5.3.3 What are the risks in not doing a performance evaluation?

- The board may not gain the information it needs about its executive director's performance that will allow it to monitor and oversee organizational success
- If employment of the executive director needs to be terminated, the organization's obligations may be impacted by the presence (or absence) of a performance evaluation and by its content.

5.3.4 Termination of the executive director

Termination of the executive director is unquestionably a difficult board responsibility, regardless of circumstances. When the board determines that dismissal is necessary, the board should obtain legal advice to help guide the process and ensure compliance with legislation given the circumstances of dismissal. It may be helpful to inform your insurance carrier ahead of time, to understand whether there are any risks to termination that the board is not aware of (e.g. financial). Most insurance companies offer employment liability insurance that provides the board with some added protection in the event there are legal issues to deal with. The FHT/NPLC should explore this coverage to determine whether it is of value to the board.

When terminating the executive director, the board should:

- Be informed about and comply with legislation
- Use discretion when communicating to others about the reasons for dismissal
- Have an emergency succession plan for interim management (see Succession Planning) and a plan for recruitment

Questions to consider

1. Has your board ever had to undertake a difficult performance evaluation? How did you go about it? Were you satisfied with the process and outcome? Would you do anything differently?

5.4 Succession Planning

In this section you will find information about:

- How we define succession planning
- Why it's important
- What you should be thinking about when you make a plan
- What a sample plan could look like

5.4.1 What is succession planning?

Succession planning can be defined a number of ways, which is why it's important that we have a common understanding.

> Succession planning is the means by which an organization prepares for and replaces managers, executives and other key employees who leave their positions, and is critically important to the organization's continued and future success (Gilmore 2003).

This definition is broad enough in scope to allow for planning of interim management of the organization should the post be vacated without a successor in place.

5.4.2 Why succession planning is important

The selection of the executive director is a primary care provider board's most important job (see Executive Selection). Having a succession plan in place that is clear, understood by board and executive director, and able to be implemented immediately will go a long way toward ensuring a smooth transition of interim management.

Succession planning is a fiduciary responsibility of the board though it may often be neglected.

In fact, there are numerous **risks** associated with not having a well thought-out succession plan in place. Here are some scenarios:

- The executive director falls ill.
- An excellent internal candidate for the position is overlooked.
- An internal candidate that could have been excellent is insufficiently developed by the organization.

So why is it so often overlooked? This can be for a number of reasons, including:

- ***Being caught up in more urgent priorities.*** Note that doesn't necessarily mean more important priorities.
- ***Concern about relations with the executive director.*** It is natural for a board to want to be encouraging to its executive director. This is, after all, the person hired to do the job. Planning succession can send the wrong message if not handled with care.

Your succession plan should contemplate both what the board will do in an emergency succession (e.g. termination or illness) and what the board will do in a planned succession (e.g. retirement).

5.4.3 Before you begin

Before diving into the planning, you may want to take a few actions to prepare, such as:

- ***Have a discussion as a board about the need for a succession plan.*** Bring up the reasons for doing it, which are essentially related to risk mitigation.
- ***Have a discussion with the executive director.*** It is best to have this discussion when relations are good which will reinforce that the process is about good stewardship and not the executive's performance.
- ***Form a board task force to create the plan.*** In a large organization, a governance and nomination committee of the board may do this, but a temporary task force created just for this purpose is all you need.

5.4.4 What to Do

There's no right way to prepare a succession plan, but here are some tasks you may want to undertake. Notice that there is a lot of natural cross-over with Executive Selection.

- ***Review and update the position description of the executive director***, being sure to include new and upcoming skills that may not have been addressed the previous version.

- This creates alignment between the position profile and the strategic plan of the organization.
- ***Draw up a skills matrix and compare this to internal candidates.***
    - This can be a helpful way to ensure that you have not overlooked anyone. In a smaller organization, this process will likely be very straightforward, and may involve considering other health administrators in the region who could be realistic candidates.
- ***Develop an internal candidate.*** If one or more are identified who could take over the role, either permanently or on an interim basis, they will likely have some skills development needs that could be addressed proactively.
    - *Tip:* Making this an executive director responsibility makes sense.
- ***Draw up a search plan***, indicating who you would contact in the search to fill a vacated position.
    - This can include hiring a search firm, a list of health sector employment posting resources (e.g. your LHIN, Longwoods trade publication, the Canadian Society of Association Executives, the Canadian College of Health Leaders). (see Executive Selection) for more information.

Resources and references

Gilmore, T.N. *Making a Leadership Change: How organizations and leaders can handle leadership transitions successfully*. Lincoln: IUniverse.com, 2003.

Lyman, P.Q., Sides, M.A. *The Sarbanes-Oxley Act and Fiduciary Duties*. William Mitchell Law Review. Vol. 30, Issue 4. 2004.

Ogden, D., Wood, J. *Succession Planning: A Board Imperative.* Business Week. March 25, 2008.

Business week - Succession Planning: A board imperative
Wilkerson, B. *Effective Succession Planning in the Public Sector.* Watson Wyatt Worldwide. 2007.

Succession Planning: How a little planning can give your nonprofit a better chance to survive and thrive

Organizations that Post Health Executive Positions:
http://niche.workopolis.com/association-executive-jobs/index.htm
http://jobs.longwoods.com/
http://www.cchl-ccls.ca/#sthash.w7hJLt0P.dpbs

Questions to consider

1. Have you ever found yourself in a situation where the executive director suddenly had to leave? What impact did this have? What plans have you made to minimize the impact of future situations where the executive director was unable to fulfill her/his role?
2. Has your board ever discussed the topic? If not, why?

Case Study

Succession Planning

Background

The Centre for Family Medicine FHT was established in 2005 in the Kitchener-Waterloo area. It is a physician-led FHT (18 family physicians) that has recently added a non-physician to its board and has approximately 80 clinical and administrative staff. The FHT has extensive partnerships with other health care providers, specialist physicians, two universities, and a research institute. It has a Community Advisory Council with membership from its patient population, local community agencies, local government, academia, and the research/innovation community. It is also a distributed learning site for family medicine residents of McMaster University. The FHT is highly regarded as a leader and innovator in primary health care.

Executive Leadership

For seven years the FHT was guided by the expertise of its first executive director. Over this period the physicians and the FHT staff had come to know and rely on her solid skills and experience; she was well liked and very competent - a firm hand with a warm and encouraging style. The FHT relied on her leadership.

In 2011, the Executive Director announced her intention to retire in 2012. She discussed her plans with the Board Chair, Dr. Joseph Lee, who in turn discussed the issue with the FHT Board. The Board put into action a recruitment and transition strategy.

The FHT's Strategy

When the Executive Director announced her intention to retire, the FHT was ready. In fact, it would have been prepared for any of its staff to leave.
From its inception, the importance of succession planning was entrenched in the FHT's approach to human resource management. Staff are cross-trained and knowledgeable about one another's jobs. The FHT consciously plans for and builds leadership capacity in all of its staff.

The Executive Director had provided a long period of notice to her retirement. This allowed the Board to activate the FHT's succession plan to identify and systematically coach and mentor an internal candidate for the position. With the Board's commitment, over a period of many months, the new candidate took on more and more responsibility, under the guidance of the incumbent Executive Director.

The Board and Executive Director made sure that the succession plan was clearly communicated to all staff and physicians and that external stakeholders were aware of the impending change of leadership.

The Outcome

The positive outcome was testament to the Board's well-executed succession plan - a smooth transition; continued leadership excellence; and no interruption to delivery of care, service or FHT operations.

Today, the FHT has a new Executive Director and continues to be a provincial leader in the provision of collaborative, inter-professional care. The FHT is leading the local Health Links initiative and has launched an e-Health Centre of Excellence for primary care. It is also a leader in the partnership between inter-professional care, education and research.

The Elements of Success

Change is difficult, particularly change in senior leadership. It was important that the FHT get it right – recruitment, leadership transition, maintaining the confidence of the staff and physicians, and communication to staff and stakeholders.

Not every FHT/NPLC will have the ability to plan for executive director succession by recruiting and supporting an internal candidate, either because the organization is too small or because no staff has the required career aspiration. Succession planning then relies on the execution of a thorough and well thought out external recruitment strategy.

Regardless of whether the recruitment is external or internal, to be successful, a Family Health Team/NPLC board should:

- Develop a succession plan for the executive director before you need one

  - Consider strategies for a planned departure
  - Be prepared in the event of an unplanned departure
- Involve your executive director in succession planning
- Communicate plans clearly to staff, physicians and external stakeholders
- Ensure a comprehensive orientation to integrate the new executive director
- Offer your staff formal and informal opportunities to learn and develop throughout their tenure
  - have a "talent management" plan that allows every staff member to continually learn and grow
  - encourage and foster a culture of learning and development

(To see the interview with Dr. Lee, click here)

6 Resources

6.1 Enterprise Risk Management (ERM)

Every organization faces uncertainty and this uncertainty presents both risk and opportunity. Enterprise risk management is the process that the organization uses to manage risks and take advantage of opportunities. Failure to manage risk and opportunities effectively can have a negative impact on the organization's ability to achieve its objectives.

Enterprise risk management involves, as the name suggests, identifying and managing risk across the entire enterprise including risks related to governance, strategy, and operations, including clinical care. Managing risk involves every level of the organization working together including board, management and staff.

It is the board's responsibility to ensure that:

- There is a risk management policy in place and review it regularly
- The organization's tolerance for risk is clearly defined and understood
- The organization has a risk management framework in place to:
    - Identify risks

- Assess the likelihood and impact of the risks
    - Mitigate negative risks and take advantage of positive risks borne of opportunities
    - Assign responsibility for monitoring or managing the risk
    - Report on risk

Risks are typically organized across a number of dimensions or categories. One way to categorize health care organization risks is as follows:

- Clinical
- Strategic
- Operational
- Financial
- Compliance
- Reputation

Tools

Sample risk matrix

Resources and references

20 Questions Directors Should Ask About Risk
This publication was developed by the Canadian Institute of Chartered Accountants to help board members fulfill their responsibility for the oversight of risk.

ASHRM's NEW Risk Management Pearls for Enterprise Risk Management: The Foundation
This publication is designed to help you understand ERM, how it can benefit your organization and help improve patient safety. ERM: The Foundation begins with an overview of ERM, and progresses to implementation of an ERM program and its benefits.

Questions to consider

1. What are the organization's policies and processes for assessing and managing major risk
   exposures?
2. What are the key risks, vulnerabilities and plans to address them in your FHT/NPLC?
3. Has the organization defined its risk tolerance?
4. Is the board getting the information it needs about key risks?

6.2 Financial Performance

The board has responsibility for the overall financial performance of the organization. The oversight of the organization's finances is an important board responsibility, both for board members individually and for the board as a collective. Individual board members must be sure that they understand and agree with the financial information they are approving. The board as a whole maintains financial accountability for the funds entrusted to the organization by the public and must ensure that the organization is well managed and its financial situation is sound.

Tools

Sample Terms of Reference for Finance and Audit Committee

In this section you will find information about four elements that will help the board execute its financial oversight responsibilities successfully. These are:

1. financial management policy
2. budget
3. annual audit
4. executive director performance appraisal

6.2.1 Financial management policy

The financial management policy is the board's direction to the executive director for the financial management practices of the organization. It should outline:

- financial controls (e.g., practices for record keeping, banking, cheque signing, paying invoices, invoicing, payroll, employee deductions)

- budget process and authority (e.g., practices for budget preparation, frequency and form of reporting and monitoring)
- executive director's authority to enter into contracts on behalf of the organization
- frequency and type of financial reporting to the board
- requirements for purchasing and protection of assets (e.g., at what price to obtain quotes from vendors, security of files and records both paper and electronic)

The board may choose to delegate oversight of financial functions to a board committee (e.g. the Audit Committee) or a board member (e.g. Treasurer). The board delegates financial operations to the executive director (or other staff member as appropriate). When a function is delegated, the board remains accountable for what occurs. Consequently, it is important to give careful thought to what responsibilities are delegated and to whom the delegation is given. Delegations of financial authority are necessary to ensure that the organization operates effectively by authorizing its employees or sub-committees with appropriate authority so they can carry out their responsibilities.

The board should have a Delegation of Authority Policy that clearly outlines the financial transactions and financial controls that may be exercised on the board's behalf. And executive directors should be clear about the limits to their authority.

Tools

Sample Delegation of Authority policy

6.2.2 Budget

The budget serves two fundamental purposes. It is both a financial *planning* document that sets out in financial terms, the objectives of the organization for the upcoming year and it is a *monitoring* document that tracks the organization's expenditures against its objectives.

The budget is usually prepared by the executive director and brought to the board for approval. The approval of the budget is one of two key annual financial responsibilities the board will undertake (the other being acceptance of the audited financial statement). The board should consider whether the budget is aligned with the organization's priorities and understand fully the assumptions upon which the budget is based before approving.

Once the budget is approved, the board must regularly review the budget for signs of problems or opportunites and make adjustments as needed. Frequency of budget monitoring and form of reporting to the board should be outlined in the Financial management policy.

6.2.3 Annual audit

The annual audit is an independent appraisal of the organization's financial management practices and reporting conducted by an external financial services firm. A favourable audit will give the board assurance that the organization is following accepted "accounting principles", that there are sufficient financial controls in place, and that its financial statements are a reliable reflection of the organization's financial situation. The audit may point out cases where accepted accounting principles were not adhered to, or where the organization's financial policies were not followed and the board will need to take corrective action.

The board may consider establishing a Finance and Audit Committee of the board to assist in decision-making and oversight of the organization's financial health including oversight of the annual audit and review of the audit recommendations. It is quite common for the board to invite a community member with audit experience to sit on this committee to enhance the board's financial skill set.

6.2.4 Executive director performance appraisal

Evaluating the executive director's performance in fulfilling responsibilities for financial management and reporting will give the board confidence that financial policies and practices are being adhered to. (see Performance Evaluation).

Resources and references

A guide to financial statements for not-for-profit organizations - Questions for Directors to Ask (CICA)

6.3 Human Resources Planning

The board of directors has several responsibilities related to human resources. These include:

- hiring, evaluating, and planning for the succession of the executive director (discussed in the chapter on Executive Leadership)
- approving the compensation approach of the organization
- overseeing the human resources policies and practices of the organization

The board may consider establishing a board Resources Committee to assist in discharging its oversight responsibilities related to compensation policies, executive director compensation, and other key human resource activities. This Committee could also be responsible for oversight of finance and audit, Information systems and capital projects. Alternately, the board could establish a Human Resources Committee for this purpose (see Board Committees).

Tools
Sample Terms of Reference for Human Resources Committee

6.3.1 Approving the compensation approach of the organization

Primary care organizations have little flexibility in developing the approach to compensation. The Ministry of Health and Long-Term Care establishes policies and maximums for salary and benefits, giving the organization latitude for vacation entitlement, leaves of absence and non-monetary compensation like flexible hours and opportunities for development.

When designing its approach to compensation, the board needs to consider whether the approach will apply equally to all roles within the organization, how the approach compares to other like organizations, whether the approach is a responsible use of resources and is defensible with stakeholders and funders, and whether it will help the organization attract and retain staff. A good example is the salary of a FHT executive director, which is sometimes supplemented by the board through other sources.

6.3.2 Overseeing the human resource policies and practices of the organization

Human resource policy is a shared responsibility between the board and management. The role that the board plays as distinct from management needs to be clearly defined and understood. Boards have a responsibility to influence the organizational culture and ensure that their organization is following fair and legal human resources policies. Following is a discussion of the board role in human resource policy and practice in the following areas:

- code of conduct
- setting the human resource policy framework

6.3.2.1 Code of conduct

A code of conduct is a formal statement of the organization's commitment to ethical conduct. It guides the behaviour of the board and staff and is a valuable tool for setting the tone of the organization. The board is responsible for ensuring that the code of conduct clearly articulates the organization's principles and values. It is becoming increasingly common to post a notice in public areas such as waiting rooms regarding the mutual expectations of respect and non-violence between care providers and patients/clients.

Tools
Sample code of conduct

6.3.2.2 Overseeing the human resource policy framework

The board has oversight over the development, review and monitoring of the organization's human resource policy framework. It is the board's responsibility to ensure that this framework is aligned with and has policies addressing legislative requirements and other key areas including:

- *Occupational Health and Safety Act* including work place bullying and harassment
- *Employment Standards Act*
- *Accessibility for Ontarians with Disabilities Act*
- Human Rights legislation
- *Income Tax Act*
- Discipline
- Grievances
- Diversity and Inclusion

- Staff training and development

The board is also responsible for overseeing the development of the organization's strategy for recruitment and retention of staff and ensuring that it is aligned with strategic priorities.

The board should ensure that human resource policies support a positive and healthy workplace that will help to sustain the organization over time.

Resources and references

[20 Questions Directors of Not-for-profit Organizations Should Ask About Human Resources]

This publication, commissioned by the Canadian Institute of Chartered Accountants, will assist directors of not-for-profit organizations with their key responsibilities: hiring, evaluating and planning for the succession of the executive director; setting the compensation of the executive director and approving the compensation philosophy of the organization; and overseeing the human resources policies and practices of the organization as a whole.

Questions to consider

1. Does the board understand the skills and expertise required of its executive director?
2. Does the organization have comprehensive human resource policies and procedures in place?
3. Are there strategies in place for recruiting, retaining and developing staff?

6.4 Information Systems (IS)

Information systems (IS) concern the use, manipulation and storage of information through systems, people and processes. While it is commonly associated with information technology, it can also include non-computerized technologies.

The board's role in information systems is threefold:

1. Ensure that the use of information systems add value to the organization and help the organization meet its objectives
2. Oversee the executive director's performance in the management of information systems

3. Ensure that the risks associated with using information technology are identified, assessed, and monitored with a plan for mitigating risks.

6.4.1 Ensure that information systems add value

Use of information systems is increasingly important in FHTs and NPLCs. Boards have an oversight responsibility to ensure that the information systems add value to the work of the organization. For example, the IS is integral to the development of the quality improvement plan helping to facilitate the setting and evaluating of many quality and safety targets. As well, the use of electronic medical records (EMR) has become standard in many primary care organizations and can help to improve quality of care, care coordination, and practice efficiencies.

6.4.2 Oversee the executive director's performance

It is the board's role to oversee and approve the work of the executive director, to ensure that there is an effective information system strategy in place, and that information technology contributes to the meeting organizational objectives.

6.4.3 Identify, assess and mitigate risk

The board must be involved in the oversight of systems that ensure appropriate data privacy and application of the *Health Information and Protection Act*. The board should ensure that the FHT/NPLC has adequate protections in place to ensure the privacy and security of patient data and, ideally, have a related policy posted publicly (see Enterprise Risk Management).

Tools

AFHTO-QIDSS Privacy Toolkit

7 Quality and Safety

Oversight of quality of care and patient safety is an important responsibility of a health care organization's board of directors. The board is responsible for the quality of care that is provided by the organization. This section will:

- Introduce quality and safety and its relevance for FHTs and NPLCs
- Present two quality frameworks
- Examine the components of a quality plan

For more information on quality and safety, please refer to the work that AFHTO and CPSI are undertaking on Effective Governance for Quality and Patient Safety.

7.1 What do we mean by quality and safety and why is it important?

The board's role in overseeing quality and safety has increased steadily over the past few years. Previously, most health care boards had been much more concerned with issues of finance and other fiduciary obligations and had considered quality and safety to be more the purview of an organization's physician leaders including, in larger providers, the medical advisory committee. This is also true for FHTs and NPLCs, and because these organizations are relatively new they have been understandably focused on start-up issues. This has now changed and boards are expected to have a good understanding of quality and risk issues relating to patient and client safety.

As a result of the increased emphasis on quality and patient safety, many boards have identified the need for board education on how best to address these issues. Provider-led FHTs and NPLCs have the advantage of significant clinical expertise on their boards. However, these boards still need to consider how best to assess current performance and develop plans for improvement. These issues require a systems lens and quality improvement knowledge that differs from the expertise gained from providing care to individual patients.

7.2 How do we build a quality performance measurement framework?

Before developing its quality plan, a board needs to build a framework to better understand and measure quality of care in its organization. This begins with defining quality. Quality care is care that is safe, leads to good outcomes, is responsive to the patient, and is delivered on time, in an efficient way, that all people can access. These considerations are often referred to as dimensions of quality with the labels of safety, effectiveness, patient-centeredness, timeliness, efficiency and equity, respectively. A framework for measuring quality requires a range of measurements to capture indicators in each dimension. In Ontario's primary care landscape, there are two predominant and closely related frameworks: the Starfield model (based on work by Barbara Starfield and adopted by AFHTO) and the Primary Care Performance Measurement Framework (PCPMF) whose development was led by the Primary Care Performance Measurement Summit Steering Committee, sponsored by Health Quality Ontario and the Canadian Institute for Health Information.

The Starfield model includes the following key components (domains) of primary care:

- access to and use of first-contact care
- patient-focused (rather than disease-focused) care over time for defined populations
- services that are comprehensive and timely
- coordination of care when patients need services elsewhere
- comprehensiveness

In the Starfield model, there is an emphasis on *comprehensiveness*; research has shown that investment in *comprehensive* primary care improves system quality, equity and health care system costs. The Starfield model tracks outcomes of care, capacity to provide care, and the cost of delivering that care and incorporates the patient perspective in the measurement of performance. See Resources and References below for more details on the indicators in the Starfield model.

The Primary Care Performance Measurement Framework (PCPMF) is divided into eight domains of measures including:

- access
- integration
- efficiency
- effectiveness
- focus on population health
- safety
- patient-centredness
- appropriate resources

The framework also includes equity as a domain that cuts across all others. (Note that risk is captured in this definition of quality through the safety domain). For more detail on the indicators included in the PCPMF, see Resources and References below.

There is considerable overlap in the general categories (i.e. domains) and indicators between the two models. Though implementation is in the early stages for both models, boards may refer to both to help in the selection of indicators to track the quality of care.

Boards may also wish to follow the progress of "Data to Decisions: Advancing Primary Care 1.0", an initiative undertaken by AFHTO in April 2014. Data to Decisions: Advancing Primary Care 1.0 (D2D 1.0) is a summary report that will include performance of AFHTO member organizations on a small number of primary care indicators and will be a practical, useful readiness assessment for and pilot test of primary care performance measurement models such as Starfield and The Primary Care Performance Measurement Summit Steering Committee's PCPMF.

7.3 How does the Quality Improvement Plan fit into this?

Once the board has defined what aspects of quality to focus on, it needs to develop a plan to improve quality in the organization. While each board should consider this a fiduciary responsibility, and thus be accountable to itself for progress, the Ministry has compelled attention to quality through the requirement for Quality Improvement Plans (QIP), applying aspects of the *Excellent Care for All Act* (ECFAA) to FHTs and NPLCs.

In its roll out, the Ministry began with requiring organizations to focus on three of the measurement domains in the PCPMF: Access, Integration and Patient-centredness. As FHTs and NPLCs gain experience in defining and measuring quality and safety, their QIPs will address more of the dimensions of quality noted above.

The board chair must sign off on the QIP prior to its submission, signalling the need for the board to understand and agree to this plan. As in some other highly important areas, such as strategy, the executive director should be working closely with the board in the preparation of the Quality Improvement Plan. The board should not wait until the final draft to review it. It is also good practice for the organization from which the corporate members are drawn (e.g. the FHO) to also approve the plan, as it represents most, if not all, of the physicians who will be playing a critical role in the execution of the plan.

7.4 What to do with the plan?

The board's role does not end with the submission of the QIP. The executive director and his or her staff and physicians then must implement the plan. Depending upon the initiatives being undertaken, there are a variety of approaches that can be employed. One is the HQO Quality Improvement Framework (see Tools, below). It is not the board's job to implement the improvement plan, but the board must ensure that staff and physicians have sufficient resources and are using the appropriate tools to carry out the improvement efforts. The board often does this through a quality committee of the board that can track progress on meeting the goals of the quality improvement plan and help steer the organization on its quality journey. The Quality Committee will report to the board, providing a clear report on progress toward meeting quality and safety indicators.

Patient satisfaction surveys are one important component of a quality and safety plan and are required by the Ministry. As data is gathered, the board will find it useful to measure improvements over time and to identify trends and themes related to quality of care and patient safety. The full board should devote a portion of every board meeting to discussing issues raised by the committee around progress on the QIP, as well as any adverse events relating to patient safety. Another leading practice in governing for patient safety and quality to begin every board meeting with a patient story to focus attention on issues related to quality and safety. Some health care boards ask patients to present to board meetings; other boards rely on charts, stories and anecdotes that illustrate elements of quality and safety. Increasingly, organizations are posting their QIP on their website, which is already mandatory for hospitals under ECFAA.

Tools

HQO Quality Improvement Framework

Terms of Reference, Quality Assurance Committee

Resources and references

Institute of Health Improvement based in Boston, is widely recognized as the leading provider of research and tools to promote quality and safety.

AFHTO - Valuing Comprehensive Primary Care

8 Stakeholder Relations

8.1 Engagement

Your organization's success depends heavily on the relationships it develops within your community. Those people, agencies, businesses, and funders that have an interest in your organization are your external stakeholders (employees are also stakeholders, but the focus of this section is on external stakeholders). Your organization's ability to engage with and relate positively to these groups and individuals is critical to the achievement of your mission. It is also an important element in establishing and maintaining a good reputation within your community.

There is an expectation by the Ministry of Health and Long-Term Care that Family Health Teams and Nurse Practitioner-Led Clinics will establish and maintain strong partnerships with community stakeholders. As providers of primary health care services, FHTs and NPLCs have an important role to play in improving patient care by participating in integrated solutions such as Health Links initiatives that focus on care for complex patients. Many FHTs and NPLCs, particularly those in rural and northern communities, are part of "health hubs" that connect a number of providers to support comprehensive care. The various providers in these hubs are important stakeholders for FHTs and NPLCs. FHTs are required to report annually to the Ministry on the status of their community partnerships and efforts to improve the integration and coordination of patient care.

Taking care of stakeholders and managing those relationships is a combined board and staff role. The board is responsible for identifying key stakeholders as well as nurturing and monitoring relationships with stakeholders. And remember that different issues have different stakeholders

In this section you will find information on:

- The board's role in helping to identify stakeholders
- The board's role in reaching out to stakeholders
- The board's role in monitoring stakeholder relationships
- The board's role in reporting to stakeholders

8.1.1 The board's role in helping to identify stakeholders

Stakeholders are the people who have an interest in your organization successfully achieving your mission – those who are directly affected by your work. This includes your patients/clients, other agencies and professionals with whom you partner to deliver care, community leaders, the local hospital, your bank, the Ministry of Health and Long-Term Care, your suppliers, the LHIN etc. The perspective, concerns and positive participation of these external stakeholders are important to the viability of your organization.

The board should identify and focus on priority stakeholders – those with the greatest importance to the organization, those with the most influence within the community, and those with the greatest access to your organization.

The LHIN, with its mandate for integration, and the evolution of Health Links and Primary Care Networks, is an increasingly important stakeholder for your FHT/NPLC to connect with.

8.1.2 The board's role in reaching out to stakeholders

The board should ensure that the organization has a strategy for communicating with and engaging its stakeholders. Board members also play a role in direct outreach to stakeholders through community forums, presentations, and personal contact. Boards that are community or mixed in composition may have an advantage in this regard, as their community board members can serve as valuable conduits of information (see Dr. Rob Annis interview). It can be a good idea for an organization to have a policy on stakeholder engagement, even if it is a simple one, as it will help clarify the responsibilities of the board, especially the chair, relative to the executive director.

8.1.3 The board's role in monitoring stakeholder relationships

The board has a role to play in regularly monitoring stakeholder relationships. The board should consider whether the priority stakeholders are satisfied with the work of the organizations. To effectively monitor relationships and manage any risks to reputation, the board will want to ensure that there are processes in place to identify potential risks, evaluate satisfaction, and receive and resolve complaints. The board should regularly receive and review reports from the executive director on satisfaction and complaints and oversee the development of strategies for dealing with issues that arise.

8.1.4 The board's role in reporting to stakeholders

Keeping your stakeholders informed about your organization's activities and priorities is an important aspect of engagement. There are several ways you can do this. Consider posting regular updates and news on your website, distribute your annual report broadly to stakeholders, use community forums as opportunities to talk about your organization, keep copies of your annual report in the waiting room. Your board may also want to consider holding open board meetings that your stakeholders can attend, and/or posting your board minutes on your web site. Increased transparency is a leading governance practice that helps your FHT/NPLC to communicate with its partners and that creates confidence in your board and organization.

Resources and references

Stakeholder and community relations- interview with Dr. Joseph Lee

Questions to consider

1. Who do you see as the key stakeholders for your FHT or NPLC? What are the ways in which you engage these stakeholders? How do you communicate or meet with them to understand their views on current issues and priorities?

2. As Family Health Teams and NPLCs are developing and maturing, many are beginning to look outside of their own organizations, to work in partnership with community agencies and providers. What do you see as the benefits and risks of this transition? As a Board do you feel confident in your ability to oversee stakeholder relations?

3. As your FHT/NPLC becomes more involved in partnerships and collaboration with diverse stakeholders, what does that mean for the Board and the organization? Does it require more openness, greater transparency, more public reporting? Does your Board and your organization have the capacity to manage this?

9 Board Culture: Building a Climate of Trust and Respect

The board of directors has a crucial role to play in organizational performance and success. As you have seen from the previous sections of this toolkit, boards have many obligations and responsibilities.

However, a board's success in ensuring that an organization achieves its vision and mission requires more than a governance framework and a set of policies and procedures. Board structures and policies set the stage for effective governance, but the culture of the board determines whether an organization will be truly exceptional. The leadership that comes from the board plays a key role in establishing and nurturing both the culture of the board and the culture of the organization.

Great health care organizations are those that demonstrate vision, courage and creativity. Strong leaders and empowered staff can result in better collaborative care, more productive teams, better recruitment and retention – and better patient care. Board leadership is critical to achieving an organizational culture that inspires and motivates staff to perform to their best ability and to achieve greatness.

9.1 What do we mean by 'culture'?

Governance culture considers how board members interact with one another, and how board members behave, individually and collectively. It refers to the effectiveness of relationships - the way people work together and the formal and informal systems that support constructive interaction. Are disagreements between board members dealt with in an open and transparent fashion? Are dissenting opinions invited and valued? Are all board members made to feel included? Is there mutual respect between board members and staff?

9.2 Why is board culture important?

A truly successful organization is one in which the board and senior management team work together in an environment of accountability, diligence, engagement and candour. These are "soft" skills that a board must possess, and leadership that the board must provide, to achieve outstanding board and organizational performance - performance that reaches beyond the meeting of service targets to achieving such other measures as reputation as an outstanding employer, sector leadership, innovation and creativity, and the building of social and reputational capital.

Boards must set the tone of the organization – and demonstrate the kinds of qualities that produce outstanding organizations – traits like openness, transparency, creativity, and respect. It starts with the culture of the board itself.

9.3 Building a culture of trust and respect

Effective governance is not a static achievement. It is a dynamic process of learning, continuous quality improvement and relationship management that requires ongoing attention and focus. The result is a board that achieves synergy among its members, and with management. It leads by example, and nurtures a culture of excellence that permeates the organization.

What are some of the attributes and strategies that contribute to building a culture of respect and trust?

- A strong and effective relationship between the chair of the board and the executive director
- A clear understanding of and respect for the roles of the board, the board chair, the executive director and staff
- Respect for the decision-making process
    - Once a decision is made, the board should speak with one voice
    - Staff and board must abide by decisions that have been agreed upon, even if it means some compromise to one's personal position
- An effective board chair – one who invites participation, is inclusive, approachable, able to chair a productive meeting
- Board agendas that provide time for substantive discussion of issues, opportunities and future directions
- An environment that encourages frank discussion and debate
    - A safe environment where board members can put forward ideas and opinions, where respectful dissent is not only tolerated it is welcomed as a way of enhancing the discussion
- Selection of board members who have the skills and the personal characteristics that will contribute to a positive, productive culture
- Board members who share the vision and mission and practice the values that underpin the organization
- Board members who are positive role models for staff in their interactions and actions, their commitment, their humility and their representation of the organization to other stakeholders

- Effective communication between board and staff
    - Mechanism for staff to put important issues in front of the board
    - Board transparency
    - Effective complaint resolution process that ends with board involvement, if required
- Board members who are committed to organizational excellence and who continue to challenge themselves and their colleagues to be the best that is possible
- Opportunities for board members to learn about governance and improve their skills and knowledge.
- Opportunities for members of the corporation (i.e. FHO physicians, community members) to engage in the work of the organization in a meaningful way – by participating in discussions, contributing to committees).

9.4 Putting Meaning to Culture

A useful starting place to ensure that board members and staff understand the importance of culture is to create a single page document titled, Our Philosophy of Governance. This page, which would form the first page of the Governance Manual, would list the beliefs and values the Board is committed to and which will guide its behaviour at board meetings and in discussions among board members and between the board and staff. This single page can also be shown to potential board members as part of the board recruitment and selection process and can be used as part of the annual board evaluation process.

Resources and references

What Makes Great Boards Great - Harvard Business Review

10 Adding Value: An Introduction to Generative Governance

"Generative governance" is a term used to describe a board that challenges itself, and the organization, to think outside the box and to explore topics in new and different ways. It is typically used by more established boards that have achieved a degree of competence in their fiduciary and strategic work. It is a mode of governance characterized by exploratory thinking and deeper analysis. In this mode the board works closely with management on the journey to become a high performance organization.

This section will address:

- The governance journey
- What are the characteristics of a generative mode of governance
- How does a board practice the generative mode of governance

10.1.1 The governance journey

Good governance is a journey. It does not just happen: it requires time, commitment, knowledge and a deliberate approach to building the competence of the governors individually and the board collectively. The building of governance expertise often follows the organization's development through the phases of start-up, growth and maturation, as the governance needs of the organization are different at each stage of development.

Typically the governance journey begins with becoming proficient at fiduciary functions, and continues with the skills necessary to build strategic thinking which results in a strategic plan for the organization. These functions will always remain the foundation of an effective board.

The highest performing boards move on to assume a stronger leadership role - one where the board challenges itself, and the organization, to strive for higher levels of performance. To do this, the board needs to develop a culture of innovation and the space that is needed to explore innovative ways of thinking.

10.1.2 What are the characteristics of a generative mode of governance?

A culture of innovation involves:

- Getting the board to think outside the box
- Being open to new and different ways of doing things
- Support for experimentation
- A trusting environment
- Rewarding risk taking
- A commitment to ongoing learning
- A culture of inquiry
- A tolerance for ambiguity

These characteristics, which need to be developed over time, will create the environment for the board to work at innovative or generative dialogue.

Generative thinking builds on the fact that each person brings a unique way of thinking and of exploring information and this way of thinking needs to be brought to the fore. This is why is it important to have a board made up of individuals with different backgrounds and experiences.

10.1.3 How does a board practice the generative mode of governance?

Generative thing requires a fusion of thinking among the board, clinical leadership and management rather than a division of labour. In this mode there are no clear lines of authority. It is everyone grappling together to make sense of an issue.

A board needs to create space to engage in generative thinking. This can involve devoting time at a board meeting or at a board retreat. Here are some approaches to consider:

- Select a topic that the organization is having difficulty with and which requires deeper understanding. For example, the FHT may have set a quality improvement plan goal to reduce patient wait times for appointments but the FHT has been unable to achieve this goal. Have someone prepare a short background paper on the issue absent any recommendations. Devote an hour of a board meeting to a discussion of the topic. The idea is to ensure that everyone understands the issue in the same way and that the group explores innovative ways of dealing with the issue. The chair plays a key role here in establishing the tone by indicating that it is not a decision making discussion, any idea is a good one and that the contributions of everyone are important.

These discussions are sometimes called 'deep dives', where sufficient time is devoted to making sure that everyone understands the issue and contributes ideas of possible new and different ways of dealing with the issue. The ideas discussed are summarized in a meeting note for further consideration.

Taking the pressure off the need to make a decision provides time to reflect on what is possible and can well lead to new and exciting ways of dealing with difficult issues.

- Catalytic questions are a good way of stimulating innovative thinking. Such questions open up thinking and can make an important contribution to discussions. Consider these questions for a one hour board discussion or a topic at a board retreat: What would it look like if we were a high performance organization? How would we behave? What would our results look like? How would our patients view us? How would we view ourselves? What would we need to do differently to become a high performance organization?

- Devoting quality time to discussing these questions, perhaps with the assistance of a facilitator, can be transformative.

This mode can also become an improved way of conducting the ongoing work of the board. It involves everyone becoming better at asking value add questions, airing and understanding divergent views, developing better insights and opportunities and making better decisions.

Resources and references

Chait, Ryan andTaylor, Governance as Leadership: Reframing the Work of Nonprofit Boards, John Wiley and Sons, 2005

Questions to consider

1. Has your board taken the time to talk about the bigger issues in the primary care sector or in the health care environment that may impact your FHT? If your board were to

have this discussion, could you see it impacting strategic decisions around partners or services, for example? Or perhaps new or different roles for the organization or its staff?

2. Given the strict operating guidelines and rules that FHTs and NPLCs operate under, where might there be opportunities to be innovative? To establish stretch goals? To push the organization to new levels of performance?

3. Can you picture your board working in a generative mode? What do you feel you would need to do as a board and as board members to bring yourself to the point that you could feel comfortable working in it?