Governance Training
Session 2: Understanding the Board's Responsibilities

February 2015

Objectives for today

- Understanding the basics of good governance

- Understanding the Board's roles and responsibilities

Board Roles and Responsibilities

Board has a role and specific responsibilities in 6 key areas

1. Board Structure and Processes (session 1 & 2)

2. Executive Leadership (session 2)

3. Resources (session 2)

4. Quality and Safety (session 3)

5. Stakeholder Relations (session 3)

6. Setting direction (session 3)

Board Structure and Processes

Includes:

- Bylaws ✓
- Membership ✓
- AGM ✓
- Board committees ✓
- Effective Board meetings ✓
- Role of Board Chair ✓

- Board Composition & Recruitment
- Board Orientation
- Governance policies
- Conflict of Interest
- Board Evaluation
- Board work plan

Board Structure and Processes - Board Composition & Recruitment

Skills-based board ensures there is required knowledge and experience to provide strong leadership and oversight

Required Skills, knowledge & experience
- ✓Clinical
- ✓Risk management
- ✓Human resources
- ✓Quality improvement, quality indicators
- ✓Finance
- ✓Governance & accountability
- ✓Communication & public relations
- ✓Performance measurement
- ✓Facilities and capital project management
- ✓Knowledge of community

Board Structure and Processes - Board Composition & Recruitment

Use skills matrix to identify and recruit board members

Provide training and development for board members to acquire skills and knowledge

Required Personal Characteristics
- ✓ Integrity
- ✓ Honesty
- ✓ Team player
- ✓ Shared vision of the FHT
- ✓ Collaborative
- ✓ Supportive

Board Structure and Processes - Board Orientation

- Supports new board members to do their job effectively
- Builds a good working relationship among board members
- Provides information about the organization (purpose, strategic directions, funding, issues)
- Provides information about the board (mandate, structure, schedule, responsibilities & expectations)

Board Structure and Processes - Governance Policies

- Set of governance policies guide the board in conducting business and undertaking its responsibilities

- Distinct from operational policies & procedures

- Some examples:
  - Code of Conduct
  - Conflict of Interest
  - Nominations to the Board
  - Roles and responsibilities
  - Board Evaluation

Board Structure and Processes Board Work Plan

- Not the same as the Strategic Plan

- Often required by the Bylaw

- Set of goals and objectives specific to the Board's role and performance

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Board Structure and Processes - Conflict of Interest

- 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

- Board members are required by law to avoid conflict of interest

- Conflict must be declared and a process established for managing it

Board Structure and Processes - Managing Conflict of Interest

- Conflict of interest policy – should be signed annually by board members

- Conflict must be declared

- Board members in conflict should recuse themselves from discussion and voting

- Utilize expertise of external board and committee members

- Measure board decisions against corporate mission and vision

- Remind directors they are obligated to act in the best interest of the corporation

- Code of Conduct, signed annually

Board Structure and Processes – Board Evaluation

- To improve governance effectiveness
- Assesses performance on number of dimensions
- Can be done by an external evaluator or can be done internally using surveys, questionnaires, board member interviews
- Annual
- Review results with entire board
- Set goals and objectives to address

Board Structure and Processes – Board Evaluation

- What to evaluate:
  - Fulfillment of strategic directions (goals, objectives, targets, performance)
  - Quantity & quality of stakeholder relations
  - Board structure, composition and processes
  - Board meeting effectiveness
  - Board culture

Executive Leadership

Includes:

- Executive Selection
- Executive Director Performance Evaluation
- Succession Planning
- Role of the Executive Director
- Executive Director/Board Chair relationship

Executive Leadership - Role of ED

- Execute direction(s) provided by the Board

- Relationship Management

  – Collaboration with Board Chair

  – Keep Chair briefed on all strategic issues and risk management issues

  – Initiates positive conflict resolution practices

  – Foster strong working relationships with Committee Chairs; provide relevant staff support

  – Work with Chair on succession planning (Board & staff)

- Manages the implementation of the Operational Plan

Executive Leadership - Executive Selection

- Important responsibility of the board is to hire the executive director

- Understand organization's needs & develop a job description

- Recruitment process
  - Advertising
  - Screening
  - Interviewing
  - Reference checks
  - Offer
  - Orientation

Executive Leadership - ED Performance Evaluation

- Board role

- Annual assessment and opportunity to set goals and objectives

- Determine process and evaluation tool

- Evaluate performance
  - Against agreed-upon objectives and goals
  - Respectful and constructive
  - Confidential
  - Set new goals
  - Identify training and development opportunities

- Evaluation results should be discussed with the board

Executive Leadership - Succession Planning

- Preparation in the event the executive director position becomes vacant – planned exit (retirement) or unplanned (illness, termination)

- Board and executive director prepare a plan

- Plan could include, for example,
  - Recruitment plan
  - Mentoring & grooming of an internal candidate
  - Interim role for an internal or external candidate

Executive Leadership - ED/Board Chair Relationship

- Critically important relationship
- Mutual trust, shared vision, respectful relationship

Resources

Includes:

- Enterprise Risk Management
- Financial performance
- Human Resources
- Information Systems

Resources
- Enterprise Risk Management

- Identify and manage risk across the organization
- Board's responsibility:
  – Risk management policy
  – Risk tolerance is defined
  – Risk management framework
    - Identify risk
    - Assess likelihood & impact
    - Mitigation strategies
    - Assign responsibility for managing and monitoring
    - Regular reporting

Resources
- Types of Risk

- Clinical

- Strategic

- Operational

- Financial

- Compliance

- Reputation

Resources
- Financial Performance

- Financial management policy
    - Controls (cheque signing, approvals, record keeping)
    - Budget process & authority
    - Define Executive Director's authority
    - Frequency & type of reporting to board
    - Purchasing policy & protocols (e.g. tendering & bidding)
- Budgeting and audit
    - Process, reporting

Resources
- Human Resources

- Board responsibilities:
  - Selecting and evaluating the executive director
  - Succession planning for the executive director
  - Ensuring succession plan in place for senior leadership positions
  - Overseeing HR policies and procedures
  - Approving approach to compensation

Resources
- Information Systems

- Board role:

  – Ensure IS add value to the organization (right system, right reports)

  – Ensure organization meets data privacy requirements

Recap

✓ Board Structures and Processes

✓ Board's role in Executive Leadership

✓ Board's role in stewarding and oversight of resources

- Many of the good governance practices and structures are required for the Governance and Compliance Attestation