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Board Culture

AN INTENTIONAL GOVERNANCE GUIDE: TRENDS, TIPS, AND TOOLS

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About the Authors

Sean Patrick Murphy is President and CEO of TanAlto Healthcare, a professional corporation dedicated exclusively to healthcare, with a focus on leadership, governance, strategy, and innovation. TanAlto provides unique resources that allow healthcare providers and systems to think big, but act fast—to respond rapidly to the changing delivery system, in a fashion not unlike “smaller, start-up companies.” His interdisciplinary team includes former healthcare executives, health lawyers, pharmacists, educators, healthcare technology experts, and healthcare business executives experienced in both the equity and public markets. Mr. Murphy also serves as Associate General Counsel at Hackensack Meridian Health. Mr. Murphy is a former Senior Vice President and Corporate General Counsel to a large, New Jersey integrated healthcare system. He received his J.D. from Rutgers University School of Law and his M.H.A. from the George Washington University.

Kathryn C. Peisert is Managing Editor of The Governance Institute. She has been in healthcare governance for 12 years, and is responsible for all of The Governance Institute’s content development for publications in print and online, DVD/video programs, Webinars, e-learning courses, and conferences. In her role she helps to research and identify recommended board practices and key healthcare governance challenges and issues for the nation’s hospital and health system boards. Previously, she served as Permissions and Copyright Editor for Roxbury Publishing Company, now a division of Oxford University Press. She has authored or co-authored articles in *Health Affairs*, *Journal of Health & Life Sciences Law*, *Prescriptions for Excellence in Health Care*, and *Healthcare Executive*, as well as numerous articles, case studies, and research reports for The Governance Institute. She has a bachelor’s degree in communications from UCLA and a master’s degree from Boston University.

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The essential resource for governance knowledge and solutions®

9685 Via Excelencia • Suite 100 • San Diego, CA 92126

Toll Free (877) 712-8778 • Fax (858) 909-0813

GovernanceInstitute.com



Jona Raasch Chief Executive Officer
Zachary Griffin General Manager
Cynthia Ballow Vice President, Operations
Kathryn C. Peisert Managing Editor
Glenn Kramer Creative Director
Kayla Wagner Editor
Aliya Garza Assistant Editor



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Table of Contents

1	Introduction and Background
1	Intentional Governance: Seven Essential Elements
3	Board Culture
4	Board Culture Mystique
5	What Is a Good Culture?
7	Assessing Your Board's Culture
9	Intentional Governance Solutions for Building a Healthy Board Culture
9	Step 1. Develop the Board's Mission, Vision, and Values Statements
11	Step 2. Identify Key Dimensions of Your Board's Ideal Culture
13	Step 3. Embed the Ideal Board Culture into the Board's Work Routine
15	Conclusion
16	References

Introduction and Background

Six years ago, The Governance Institute published its signature publication, *Intentional Governance: Advancing Boards beyond the Conventional*.

The premise and concept of Intentional Governance are straightforward: if we want better, high-performing, accountable governing boards, we need to take the deliberate “intentional” action to achieve this goal. Success rarely happens by chance. This is true for most things in life: athletes, students, business corporations—even marriages. It usually requires time, willingness, focus, and effort.

The same goes with governance. If we want to build and achieve a talented, highly effective board, it takes work and intent. First, we must want it: aspire to have a high-performing, better governing board. Then, we must act: take the deliberate, willful, “intentional” action steps to get there. We define Intentional Governance as: deliberate and intentional processes addressing board structure, dynamics, and culture that enable the board to realize its highest potential. The examination is about who is on the board and why; it is about how directors interact with each other and how they interact with management; it is about how the board uses its time, how it establishes its priorities/agenda, and how it measures its effectiveness. It is about governing with intention.

Intentional Governance: Seven Essential Elements

Intentional Governance is the byproduct of a simple, but important question: what makes an effective board? During our research we identified seven essential elements of governance, each an essential part of the organization and operation of a “good board.” These seven elements include:

1. Board recruitment
2. Board structure
3. Board culture
4. Education and development
5. Evaluation and performance
6. Continuous governance improvement
7. Leadership succession planning

This Intentional Governance Guide addresses the third element, board culture. Each guide in this series is designed to provide takeaway tools and assist readers in developing customized Intentional Governance plans related to each of these seven essential elements.

Intentional Governance Spectrum



Board Culture

Board culture is the most important component and determinant of good governance. Our work with organizations and experts in the industry has confirmed that culture affects every aspect of the board's work. Culture determines the degree to which a board embraces its responsibilities, as well as the level of ethics and accountability to which the board holds its members. Culture determines how much of the advice and information gathered by the board will be absorbed, incorporated, and acted upon. Finally, it is the underpinning of the board's willingness to be proactive in fulfilling its requirement to evaluate its own performance.

Each of the seven pillars of Intentional Governance should be reviewed and assessed periodically in order to ensure ongoing high performance at the board level. Board culture is an important pillar to address in today's healthcare environment because the board's culture is a critical underlying and intangible aspect of how the board functions. We define board culture as the shared values (both behaviors the board professes and behaviors it practices), beliefs, and rules that influence the board's behavior and actions. It applies to both the board as a whole as well as individual board members. Like their organizations, boards have a culture too.

However, we have observed a collective lack of awareness and accountability regarding board culture, representing a barrier to change. The healthcare board's responsibilities have been strongly (and legally) tied to the oversight, structure, and operations of the organization, resulting in a failure of boards viewing themselves as an accountable instrument of their own performance. Culture may not be considered a priority area of focus given boards' very full agendas. Its elusive nature makes it difficult to define, identify, and understand its effects. Finally, board members haven't had much direction and guidance on how to deal with board culture, historically.

Board culture: the shared values, beliefs, and rules that influence the board's and individual board members' behavior and actions.

The importance of organizational culture is well understood in the business world—culture is esteemed as one of the most important elements within an organization and its management. As such, high-performing organizations that value a healthy corporate culture should also treat *board* culture as a priority. If the board's culture is not healthy, it can act as a subversive barrier to its ability to be high-functioning and therefore its ability to improve the performance of the organization itself. Furthermore, there are not many existing resources or tools to aid boards in understanding the importance of culture, assessing their culture, and making steps to change it. This toolkit represents a method for healthcare boards to do just that.

Board Culture Mystique

How does one define a board culture that promotes success, and distinguish it from the culture that prevents success? Can we assume that a high-performing and effective board has a good culture? We may assume the answer is yes, but it is difficult to assess. Sometimes, you know a good board when you see it, yet some boards feel they are doing legendary work that will have a lasting impact but lack clarity or are unable to step outside of their own perspective to gain objectivity.

We have all seen lists of attributes of a “great board.” It is natural to assume that a highly engaged, high-functioning board likely has a strong board culture. This is probably true in most instances, but the problem becomes that we don’t have any reasoned analysis as to how to create, implement, develop, and sustain a board culture. It is important to emphasize that having effective processes does *not* ensure the board has an effective culture. For example, keeping track of attendance at meetings, conducting board self-assessment retreats, focusing on governance as a separate line item at each meeting—all these steps might convey the message that effective governance is important. Assuming the organization has recruited the right people for the board, various board and personal dynamics also may be seen as a proxy for an effective culture. These processes are necessary but do *not* sufficiently address the issue of culture.

For example, one widely recognized component of an effective board is a high level of board member participation or engagement. One board took that to an extreme, and determined that those board members who were comparatively quiet during board meetings should not be reappointed. There are of course many reasons why some board members might not speak as much as others during meetings, however, they can be as or more valuable to the board and organization than the “squeaky wheels.” Unfortunately, such general proclamations can become distractions. In this example, board members felt pressured to speak up more often just so they would be considered as more engaged and adding value, and to protect their chances of being reappointed, rather than focusing on speaking up when there was something critical to add to the discussion.



Examples of a Dysfunctional Board Culture

- **The board is dominated by an individual.** When a board is dominated by the chair, CEO, or a board member, chances are:
 - » Board members may be reluctant or, worse yet, discouraged from actively participating.
 - » Board members effectively abdicate their fiduciary responsibilities.
 - » Cliques form and meetings take place outside the boardroom.
 - » The checks and balances needed for effective governance are eliminated.
- **Board members do not feel qualified to offer their perspective.** Board members lacking healthcare experience may not feel qualified or are intimidated from offering their perspective. Some suggest that not only are there no dumb questions, but that all board members should be required to ask at least one question. The board, board chair, and CEO want and need each member's perspective.
- **Board chair and CEO are buddies.** If the chair and CEO are too friendly, chances are:
 - » The board sees itself as a rubber stamp for decisions already made.
 - » Open and candid discussions may be stifled.
 - » The roles of the CEO, board chair, and individual board members are blurred.
 - » Board members may withdraw from participation.

Source: Rex P. Killian, J.D., "Health System Governance: Board Culture," *BoardRoom Press*, The Governance Institute, December 2007.

What Is a Good Culture?

Establishment of and adherence to process is fundamental to a healthy board culture. Every board expects process from the management team and all levels of the organization. Standards of clinical protocol are essentially processes put in place to create a reliable organization from the standpoint of quality of care. Patient care delivery cannot be "*ad hoc*." Nor can effective governance. Without establishing processes for performance, that high performance happens by accident, and there is no guarantee that the board will continue to perform highly without processes in place. From a legal liability standpoint, good governance that happens only by accident puts the organization at risk of non-compliance.

A board with a healthy culture deeply believes in and subscribes to process and rigors of self-scrutiny, self-evaluation, and high expectations of its own performance. How often does your board challenge itself, disrupt itself, and question what it is doing and why?

Many organizations perform well while still having dysfunctional boards. In these cases, the issue is ignored or the board (and perhaps the CEO) assumes that because

the organization's performance is fine, the board doesn't need to change. Sometimes an organization succeeds in spite of the board, but over time this success can be eroded when there is no mechanism for the board to be accountable to itself.

In one poignant example, a non-profit university board chair recently noted the following about the board culture of this particular board, and the CEO's role in helping to set the cultural tone:

“If you were on this board, it was to be your most important non-profit endeavor in terms of time and resources. Period. This was discussed with prospective members before appointment.

“There would be total transparency at the top. The president told the board at our first meeting, ‘I want my problems to be your problems.’ In return, we expected full attention, responsiveness, and confidentiality.

“We changed the dynamics of the meetings. All serious work was overseen by our standing committees, which met between scheduled board meetings. That had several intended effects: Trivial issues are no longer raised at either the committee or board level, and we've had a much better sense of inclusion because each board member has been involved in key committee decisions. (Many college and university boards are so large that giving every member a sense of inclusion and hands-on involvement does not just ‘happen.’) That has allowed us to spend our eight hours of board time dealing with real strategic issues.”¹



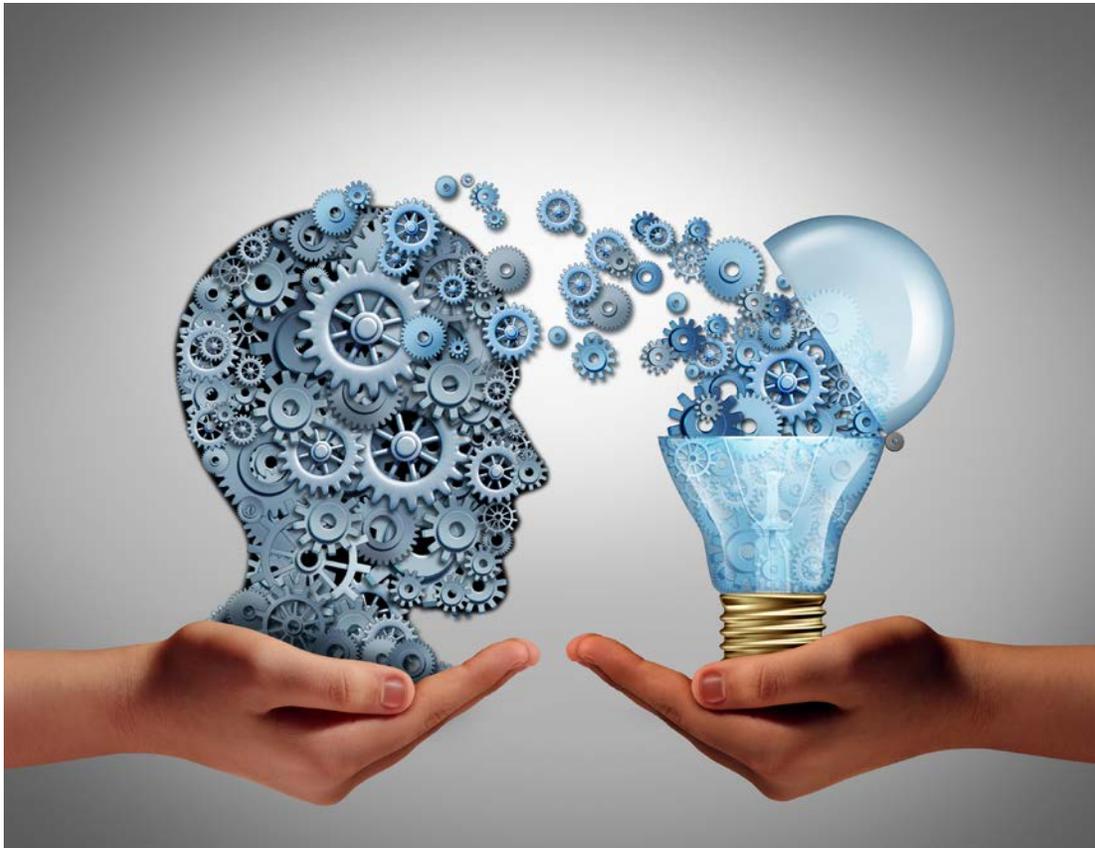
1 Mary Graham Davis, “Rx for a Successful Board: A Healthy Board Culture,” *Trusteeship*, November/December 2014.

Assessing Your Board's Culture

Rather than assuming your board's culture is adequate or healthy, a valuable exercise is to conduct a formal culture assessment. The process can be simple and straightforward, without taking up too much of board members' time. The board chair leads the effort and should seek full board agreement and support for the need to do this type of assessment. If it is not immediately clear that the culture needs to be addressed, it can be incorporated as a part of the periodic reevaluation of the board's structure and practices every two to three years.

“Assessing and improving a board’s culture is not nearly as straightforward as making changes to board size, committee structure, written policies, or meeting frequency, but without a commitment to the development of an active and responsible governance culture, changes in the rules and rituals of governance are likely to have a minimal effect on board performance. On the other hand, talking first about the kind of culture the board wants to create and then designing structures, policies, and practices that will facilitate development of that culture can be a much more effective way for a board to continually improve itself.”

(From Barry Bader, “Culture: The Critical but Elusive Component of Great Governance,” Special Commentary in Governance Structure and Practices, The Governance Institute, 2009.)



Intentional Governance Assessment: Board Culture

How would your board members rate each item below?

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
1. The board is focused on the organization's mission and fundamental purpose, and develops the strategic plan/makes strategic decisions in accordance with this mission and purpose.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. The board has established clear behavior expectations for directors, and directors usually follow these expectations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. The board engages in robust debate/discussions before making major decisions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Directors have developed a mutual trust and willingness to take action.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. The board is committed to achieving high standards for its own performance and conduct that have been identified and agreed upon by all board members.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. The board is effective at setting appropriate short- and long-term goals for management and physician leaders in accordance with the strategic plan.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. The board has an effective system in place to measure whether strategic goals will be met.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. The board effectively holds management and physician leaders accountable to accomplish strategic goals.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. The board engages in constructive dialogue with management.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. There is solid agreement among board members and the CEO on the distinctions between the board chair's and CEO's roles.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. The working relationship between the board and the CEO is consistently excellent.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Board members are well prepared to address agenda items at board and committee meetings.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. The board assures itself of the reasonableness of any reliance it makes on the advice of advisors/consultants.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Individual board members share with the rest of the board information that could reasonably be determined to be of relevance to board duties.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. Board members apply a level of diligence and attentiveness that is commensurate with the significance of the subject matter or circumstance.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Intentional Governance Solutions for Building a Healthy Board Culture

Intentional governance necessitates intense examination of the board's culture and practical steps to rectify problems and/or consolidate gains. Without a culture that supports the active and independent participation of every member, nothing else matters.

Quis custodiet ipsos custodes?

Translation: a Latin phrase found in the work of the Roman poet Juvenal from his Satires (Satire VI, lines 347–8). It is literally translated as “Who will guard the guards themselves?”

Step 1. Develop the Board's Mission, Vision, and Values Statements

To begin building and developing a healthy board culture, the board must review the organization's mission, vision, and values, and then build, from that, the board's own mission statement, the board's own vision, and the board's own values, in relation to its purpose of governing and overseeing the organization. All board members should agree upon these statements, which then become the foundation upon which the board frames its behaviors, decisions, and actions, thus making up its culture. The board's actions should be directly related to the board's mission, vision, and values. This creates the board's ability to be accountable to itself. The board should be able to account for its own actions, including its meetings, as to whether they have abided by the board's own set of values.

Many good boards try to preserve their culture through recruiting new board members and essentially osmosis (i.e., “We know what we like and we know what we are looking for...”), without actually articulating what is important to the board, what it means to serve on the board, and the values they hold themselves to as board members. The answers to these questions set in stone a starting point for that board to allow its legacy to live on, so that the good things it stands for don't get swept away through the erosion of time and board member and CEO turnover.

A sample board mission statement could be: “The board's mission is to be a highly effective, evidence-based governing board that endeavors to oversee [INSERT ORGANIZATION NAME] to help it fulfill its essential purpose of providing high-quality, affordable, patient-centered care.” A mission statement like this should be established as a predicate to the board's job description, so that the purpose of the board is clear and the onus of accountability is on the board to appropriately determine and then fulfill its responsibilities (i.e., job description).

Board Discussion Worksheet: Mission, Vision, and Values Questions

1. What is our fundamental purpose as a board? How does that relate to the organization's fundamental purpose?
2. What things might get in the way of the board's fundamental purpose (i.e., What are we not? What should we not do?)
3. What should our board's mission/vision/values statement look like?
4. How does it relate to the organization's statements, and how is it different?

The table below illustrates how the board's statements differ from the overall organization's mission, vision, and values statements:

Statement	Overall Organization	Governing Board-Specific
Mission	Succinctly describes why the organization exists	Summarizes why the board exists in relation to the organization's mission
Vision	Projects what the organization wants to be in the future	States how the board will help achieve the organization's ambitions
Values	Expresses a "moral compass" of principles and standards to advance mission and vision	Spells out the principles for how the board will act individually and collectively

Source: Sean Patrick Murphy and Paul J. Taylor, "Be Unconventional: The Case for Board Mission, Vision, and Values" (Publication Pending, 2016).



SAMPLE
Governance Mission, Vision, and Values Statements

Mission: The mission of the board of directors of Community Medical Center is to sustain the resources of our charity and its affiliates, in order to advance wellness and treat sickness to benefit the people of our region.

Vision: The board of directors of Community Medical Center is an energized, high-performing advocate for our charity as well as its patients. The board governs in an intentional manner; with an eye on the future of healthcare and its effects on our hospital, patient care, and the people of the region we serve. The board is committed to continuous evaluation, dedication to our mission, and improvement as a board.

Values: The members of the board of directors of Community Medical Center are guided by these values in fulfilling our mission and achieving our vision:

- We are passionate about our mission as a board.
- We believe that board integrity, selfless leadership, and focused discipline are critical to maintaining and preserving the hospital's mission of healing, caring, and comforting the people of our region.
- We are dedicated to working collaboratively.
- We are ever mindful of the changes in medicine, its delivery, health policy, and those effects on the hospital, its patients, employees, physicians, and the people of the region we serve.
- We shall be inquisitive stewards in all related matters.
- We are innovative and fully engaged in our thinking about the future as it pertains to Community Medical Center, its patients, and the people of the region we serve.
- We are sensitive to and support the people of our region, their diversity, and unique needs. We understand the critically important role of our charity and affiliates in our region, and strive to maintain public confidence.

Source: Sean Patrick Murphy and Paul J. Taylor, "Be Unconventional: The Case for Board Mission, Vision, and Values" (Publication Pending, 2016).

Step 2. Identify Key Dimensions of Your Board's Ideal Culture

When the board has defined its own mission, vision, and values as it relates to the organization's mission, vision, and values, the next step is to identify very specific expectations of all board members regarding conduct, behaviors, and actions that demonstrate the board's mission, vision, and values.

A 2009 study of high-performing health systems identified three dimensions of board culture and specific behaviors under these dimensions, described below.²

1. Robust Engagement

Vigorous discussion and debate are essential for boards to move beyond operational discussions and into the realms of strategic and generative governance (i.e., root-cause analysis, scenario planning, and innovation). This engagement takes place during

² Lawrence Prybil, Ph.D., et al., *Governance in High-Performing Community Health Systems: A Report on Trustee and CEO Views*, Grant Thornton LLP, 2009.

preparation for board meetings, and especially during board meetings. When board members miss a meeting, they should feel that they have missed out—they missed an opportunity to learn, gain a deeper understanding of an important issue or challenge facing the organization, or take part in a key decision. A board meeting should be a rich opportunity for the board to hear, learn, participate, and act.

Behaviors demonstrating robust engagement (as identified in the 2009 survey) are:

- Board meetings are characterized by high enthusiasm.
- Constructive deliberation is encouraged at board meetings.
- Respectful disagreement and dissent are welcome at board meetings.
- The board is actively and consistently engaged in discourse and decision-making processes.
- Most board members are willing to express their views and constructively challenge each other and the management team.

2. Mutual Trust and Willingness to Take Action

The board's stated values are an important starting point to build mutual trust. When values are regularly demonstrated through behaviors and actions over time, board members can build that trust. Within this discussion, it is important for boards to also identify behaviors that are not tolerated (including disqualifying criteria), as well as expectations of conduct specific to board meetings (e.g., confidentiality; respectful disagreement; coming prepared for discussions; adherence to attendance, conflict of interest, and other policies). The board chair is tasked with ensuring that board members adhere to standards of conduct and policies, but clearly defining behaviors that are not tolerated, up front before they occur, empowers *all* board members to speak up when those behaviors are observed. When all board members are engaged in implementing and sustaining culture-building behaviors, the board's culture becomes even stronger.

Behaviors demonstrating mutual trust and willingness to take action (as identified in the 2009 survey) are:

- The board's actions demonstrate commitment to the organization's mission.
- The board tracks the organization's performance and actions are taken when performance does not meet targets.
- There is an atmosphere of mutual trust among the board members.

3. Commitment to High Standards

Is the board setting goals, for both the organization and the board, that are attainable but high enough to make real change? Does the board challenge itself as much as it would challenge management or the organization to continuously reinvent itself, to act and operate in accordance with the highest standards of evidence-based good governance?

One way to answer these questions is to hold an annual one-day board retreat for the sole purpose of assessing the board's culture and performance against its mission, vision, and values, and then identifying areas where the culture can be improved along with an action plan for improvement. Boards can use the Intentional Governance

Assessment of Board Culture as a starting point for this retreat (see sidebar “Intentional Governance Assessment: Board Culture” on page 8).

Behaviors demonstrating commitment to high standards (as identified in the 2009 survey) are:

- The board systematically defines its needs for expertise and recruits new members to meet these needs.
- Board leadership holds board members to high standards of performance.

4. Building True Consensus

In addition to the three dimensions listed in the study, building true consensus is also critical to board culture. Shaping and changing board culture is difficult but worth the effort. Sometimes the board needs to get rid of directors who do not reflect the values the governing body wishes to reflect. Board leadership can shape the culture by demanding that the behavior of all directors conform to the board’s values. Leaders must stimulate discussion by encouraging participation and by soliciting different points of view. The atmosphere in the boardroom must be one that encourages directors to ask the tough questions without fear that the questions they ask are “dumb” questions. This is particularly true with new directors. Directors must be encouraged to be persistent and ask their questions a second or third time if they are not satisfied with the answer.

True consensus means all directors gain a healthy understanding of the issues, participate in vigorous analysis and discussion, debate when necessary, and agree to disagree when appropriate, in a manner that continues to advance the welfare of the organization and the integrity of the board.

Step 3. Embed the Ideal Board Culture into the Board’s Work Routine

This step is the most important, yet the most difficult to achieve and sustain. But having all board members work through the processes above to evaluate the board’s culture; identify and articulate the board’s mission, vision, and values statement; and identify attributes of the ideal culture are critical components, in and of themselves, to focus board members’ attention on how the board should be functioning from a culture standpoint. These exercises emphasize the importance the board should be placing on its culture. The steps below will help ensure that the culture remains robust and healthy over time.

Create and Disseminate Documentation of Board Culture

The board’s new mission, vision, and values statement, along with the key dimensions of an ideal culture as identified in step 2 above, should be compiled into a concise statement or policy that all board members agree upon. This document should be hosted in a prominent place in the board portal if applicable, and referenced as needed during board and committee meetings if it seems that components of culture are getting off track, or if board members are acting outside of the agreed upon cultural norms. The board chair should communicate to the board that every board member

is empowered to refer to this document at any time if he or she feels that the board's culture is being compromised by a discussion or action.

The CEO and management team should also have access to this document. The board's culture is the tone from the top, and it can help drive cultural improvements throughout other levels of the organization.

Incorporate Culture Components into Relevant Areas of Board Work

There are several areas in which considering board culture can be routinely inserted into the existing board framework:

- Add culture questions (such as those in the board culture assessment above) into the board's annual self-assessment evaluation, and track progress on those metrics. If scores are lower than desired, include those cultural components in the governance development plan based on the assessment.
- Include relevant culture questions in the five-minute board meeting evaluation at the end of each meeting.
- Add a board education session on board culture into the annual board calendar/agenda planning.

Conclusion

Boards that govern with intention—focusing on their own performance and constantly evaluating how their effectiveness affects their organizations—are likely well on their way to having a healthy board culture. This toolbox demonstrates the importance of culture on the board’s performance and how it can affect the organization as a whole. When a board develops its own mission statement, its own statement of purpose and responsibility, and then refers to that regularly as its cornerstone for action and decision making, the board will not lose sight of its goals. It will be true to the organization it oversees, its culture will set the tone from the top, and its legacy will continue to build the next generation of intentional governance.

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