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*Organizing for Performance*  
**Division Governance 2018 and Beyond**



GPSC Spring Summit- June 20, 2017  
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**Title of Session**

*Organizing for Performance* on multiple dimensions

- ✓ Board of Directors
- ✓ Committees
- ✓ Agents- Staff
- ✓ Work of the Divisions
- ✓ Care Delivery Spaces and Projects

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**Shine Light on Governance Principles and Organizing for Performance**

*Governance Principles*

- Familiarize relevant governance principles and best practice
- Build common ground, language
- Bridge the governance expertise in the room
- Common ground, language
- Inform - validate governance structure changes being considered or implemented



*Governance...Strategy...Value- interconnection*

*Moving Forward- Change & Opportunity the New BC Societies' Act*

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**Questions To Think About**

*As we look at the principles*

- How can the Divisions of Family Practice best leverage the requirements of Section 41 compliance to increase the effectiveness of the Division and its impact on primary care and new strategic directions such as the PMH?
- What considerations should be explored in selecting a new model of governance for each unique Division and its community constituents?
- In considering a new model, what resources and capabilities will Divisions require both at the governance and operational levels to continue the work of the entity and to meet strategic directions moving forward?
- What are the risks and opportunities that exist in the context of a changed governance structure?

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## Learning Objectives

- Understand the principles of governance and how they relate to the Division context
- Become familiar with governance structures that meet the requirements of Section 41
- Gain clarity on the distinction between governance and the operations of the Division in the context of new governance structures
- Understand the interrelationship between structure, strategy and value creation both within the Division and externally to community
- Explore key guiding questions to engage Division colleagues and stakeholders in exploring new governance structures
- Identify strategies to facilitate dialogue and decision making processes in adopting a new governance structure

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## Leadership and Governance

- Principles**
  - What it is.....What it is not!
  - History
  - Responsibilities of BOD
  - Committees
- Culture and Effectiveness**
  - BOD Culture
  - Role of Chair
  - Decision Making
- Governance, Strategy and Structure**
  - Mission and Vision
  - Organizing for Performance
- Governance Evolves**
  - Societies Act- Section 41
  - Energizing the evolution and change



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## “Frame or Be Framed!”

- **Compliance is often associated with** “the action or fact of complying with a wish or command... “the act of conforming, acquiescing, or yielding.”
- **Opportunity-** a set of circumstances that makes it possible to do something.
- Sounds pretty restrictive....but the Section 41 compliance of Societies Act creates a great opportunity to reflect on Division work to date and look to the future.
- **Governance** - the art of steering societies and organizations.” **Governance** is about the more strategic aspects of steering, making the larger decisions about both direction and roles.
- If so then...who best to steer the organization, really thinking thru the nuances of the business/mission/service/care we are in...where are we headed....

How will you frame the governance change work in your Division and Community?

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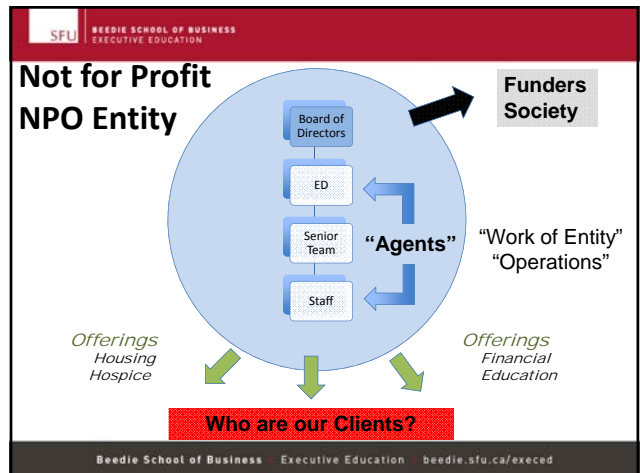
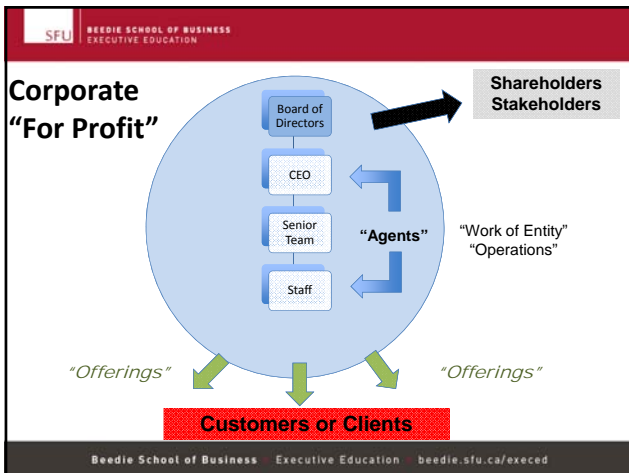
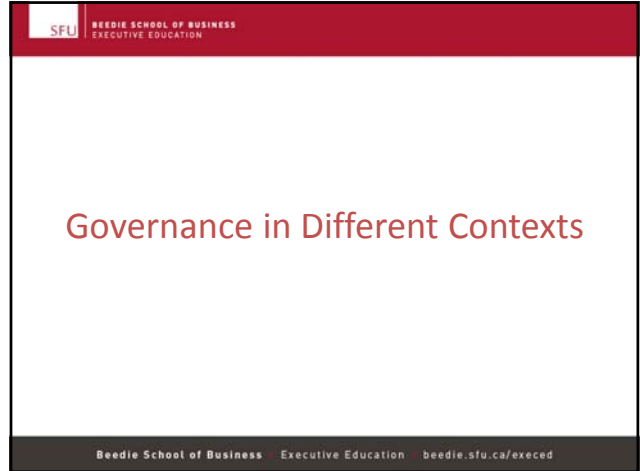
## Idea of Collective Good

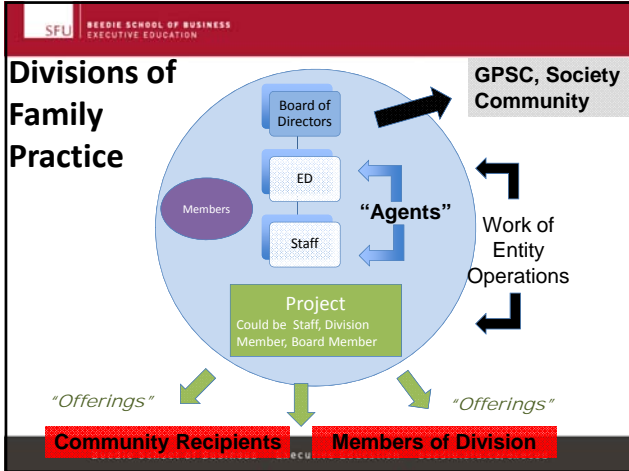
- Governance level
- Membership Level
- Care Delivery Level- (offerings, partnerships, collaborative)

Are there ways to leverage one of the compliance options to strengthen Division governance, operations and the impact on Primary Care?

How can you capitalize on the Section 41 compliance and evolve and enrich the governance of the Divisions

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### What is Governance?

- Responsibility
- Accountability "Stewardship"
- Guidance
- Defining Expectations
- Discipline "Vigilance"
- Shared Decision Making- Scarce Resources and Time...."Creating Value"

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### Making Boards Work

**Loyalty** – entities' interests before one's own  
**Prudence** – applying proper care, skill and diligence to decisions

-McKinsey & Company, 2014

**\*\* Strategy and Direction**  
 => Time for quality & depth of conversations  
 => Changing Board Structure or Membership

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### Need for Effective NPO Governance

- Heightened accountability and expectations on part of diverse/expanding shareholders
- Competition for funding
- Increased demand for services
- Increasing size and complexity

L. Bolwes "The Effective Not for Profit Board"

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## Governance- Past Present and Future

- Principles & Best Practice are Evolving
- History has defined many principles that have stood the test to time and influence modern day



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## History of Corporate Governance

- Origins from over 500 years ago... still guide us today!
- Best Practice continues to evolve – e.g. diversity, evaluation, oversight, risk management



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## History and Human Nature Shaped Separation of Ownership & Management

- Became basis of the modern organization
  - Shareholders purchase stock, becoming *residual claimants*
  - Professional managers are contracted to provide decision-making and day-to-day oversight
- Leads to task-efficiency
  - Risk is borne by the shareholders
  - Strategy is developed by managers


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## The Agency Dilemma

Management is inherently self-interested

- ...has a greater risk tolerance
- ...greater access to information
- ...and controls the presentation of information to the enterprise's owners



As a result, owners find it difficult to control those who act on their behalf (managers)

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## 2 Broad Models of Governance

- **Agency Model:**
  - Agents can't be trusted
  - Agents are self-interested
  - Independent Boards are critical to protect shareholders
- **Stewardship Model:**
  - Agents are trustworthy
  - Agents have a range of incentives – long and short term
  - Insider Boards / Executive Chairs are better-performing

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## Corporate Governance

Refers to the relationship between an organization's Board of Directors, its senior management (officers), shareholders, and stakeholders in determining the direction and performance of the organization.

“...decision-making in the exercise of authority for direction and control.”  
(Shailer)


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## Governance

“...the processes and structures used to direct and manage an organizations operations and activities.”

“...defines the divisions of power and establishes the mechanisms to achieve accountability among stakeholders, the BOD and Management”



L. Bowles "The Effective Not for Profit Board"

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## Board of Directors

- Four broad decisions:
  1. Health of the Balance Sheet
  2. Dividends
  3. Compensation
  4. Level of capital spending / risk

No Board ever made an organization great

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## Board of Directors

- **Insiders:**
  - Organization’s CEO/ED and other officers (often the CFO)
- **Related Outsiders / Independents:**
  - Not involved with day-to-day operations, but who have a relationship with the organization (e.g., executives of other organizations) e.g. CRNBC- R.N.
- **Outsiders / Independents:**
  - Independent individuals, free in terms of *thought, judgment, and action*. E.g. Public Representative

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## Board Responsibilities

- Set overall direction, mission or vision
- Review, evaluate, shape strategy
- Hire, fire, determine compensation of ED/CEO and officers
- CEO/ED Succession
- Control, monitor, supervise top management
- Review and approve the use of resources
  - Includes risk assessment / risk tolerance
- Review financial statements
- Always act in the interest of the long-term viability of the organization

“NIFO”

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## Finding the Balance



Hindsight..... Oversight..... Foresight

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## NIFO vs. NIFOP!

*Noses In Fingers Out*

- “Ceremonial” to monitor to LEAD on most crucial organizational issues
- Take charge- hire the ED
- Partner with senior management- developing strategy
- Stay out of way on execution and operations

*Noses in Fingers on Pulse*

- Occasions when execution of strategy so vital to organizations survival...merits elevation beyond stay out of way e.g., Target, Luxury Resorts, Providence Healthcare

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## NIFOP Warranted

- Merger- another organization IFCYMH, FORCE
- New partnership
- IT acquisition- e.g. CST Project
- Major org structure...culture change

“Nose In, Finger on Pulse: A New Paradigm”, Dakens and Steve Jacobs  
The Intellectuals Challenge of Hospital Governance. Messy complicated  
and meaningful Director Journal. ICD May/June 2015

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## Your Division

- How do NIFO and NIFOP relate to the governance of your division?
- How have you managed this balance?
- Challenges? Solutions?

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## Three Board Views

Hindsight- Past

Oversight- Present

Foresight- Future  
(50% time)



How do you spend your time?

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## Structure and Strategy

- Where are we headed?
- How are we adding value in our community?
- What new strategic directions are we headed in? e.g. PMH
- Therefore what are the **resources** and **capabilities** we need....on the BOD...staff operational level or both?

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**Strategic Direction and Who?**

**Corporate hotels** to family resorts

**RainCity Housing**- low barrier housing to ACT- Employing Psychiatrists, regulated professionals, ordering dispensing medications, clinical records, clinical care

**Company X** going to online sales

**A Division** sponsoring supporting/advising on new models of care

Do we need new kinds of expertise at governance or operations staff level or both?

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**How are you Managing Risk?**



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**Are you thinking about risk?**

- Link risk to strategic plan
- Key is reputational risk...if you run into trouble does it allow you to execute on your mission?
- All staff should know where they contribute to the strategic plan
- Full board responsibility not just finance/audit committee
- Be proactive- scenarios and response

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**Board Organization and Committees**

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## Board Organization

- Boards have, on average, 9.2 members
- **Majority** should be *independent*.
- Majority of directors sit on only one Board and commit ~8 days/year.

The Corporate Library

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## Committees

- Private sector, public traded influence on NPO
- Best Practice evolving
- Influence of illegal activity
- E.g. Sarbanes-Oxley Act or "Public Company Accounting Reform and Investor Protection Act" 2002
- Increased regulation wrt to audit

How are you using committees to govern your Division?

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## Committees

- Boards must have, at *minimum*, two committees:
  - Audit/Finance
  - Compensation
- Many also include one or more of the following:
  - Nominating
  - Ethics
  - Governance
  - Risk- \*separate or as component of other committees
  - Executive\*\*no longer considered best practice

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## Other Committees

**Ethics Committee:**

- Often seen in multinational organizations and/or firms facing ethical issues
- Deal with image and other substantive issues affecting the organization's reputation

**Governance Committee:**

- Recruiting, training, evaluating directors and the Board as a whole
- Oversight of governance structures to ensure compliance with laws & regulations

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**Other Committees**

Nominating Committee:

- Chair and/or Compensation chair, external director(s), ED/CFO
- Recruit Board members, set committee membership

Temporary Committees  
e.g. develop policy, fundraising event or campaign

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**Governance and Organizational Culture**

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**Building Better Boards!**

Take 10 minutes

What are some characteristics of an effective director?

What are some characteristics of an effective Board?

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**Governance and Moral Authority**

*“Moral authority requires the capacity to evaluate and decide on what is the right or wrong course of action. It does not require perfection, but continued striving.”*

*“Moral authority is diminished when power, particularly power that is conferred by others or society, is used for personal advancement.”*

*“Power to Advocate for Health”*  
Kurt C Stange, MD, PhD. *Annals of Family Medicine* 2010.

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## “Better Directors”

- *Curious, well prepared*
- *Comfortable asking questions and sharing contrary views*
- *Contribute to discussions...at times be a dissenting voice*
- *Ask difficult questions...in a way that seeks to inform rather than criticize*

Ken Finch. "Have the Courage to Speak up and Face the Future" ICD Director Journal 2016

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## “Better Boards”

- *Spend most time...strategic issues*
- *Resist the temptation to delve too far into operational issues*
- *Strive for a culture...open communication, respect effectiveness...thru annual assessments and comparison to best practice*

Ken Finch. "Have the Courage to Speak up and Face the Future" ICD Director Journal 2016

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## Board Recruitment

Competence, Commitment...and Character!

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## Building the Team

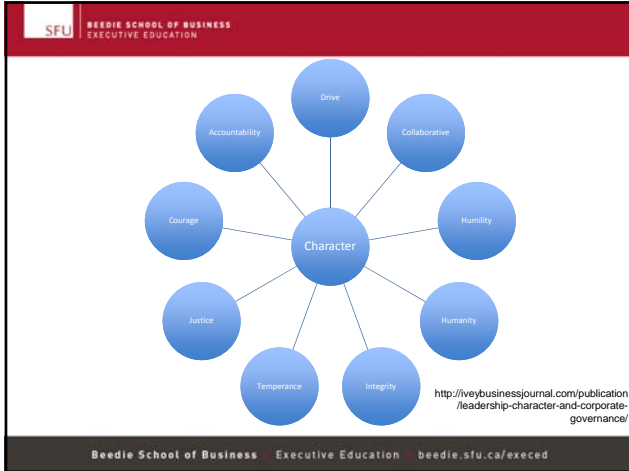
**Want-** Commitment and Competence



**Select for-** Character- Traits, Values and Virtues

Gandy, Crossan, Seijts, and Reno <http://iveybusinessjournal.com/publication/leadership-character-and-corporate-governance/>

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## Who and Why

- Is there a connection between board diversity and recruitment and the interface with the CSC and other stakeholders (H.A., allied professions)
- Risk- (is our level of risk changing?)

## Recruitment and Nominations

- What works?
- Where have you had success?

## Organizational Culture

- "Tone at the Top"- values, appetite for risk
- BOD "relationship"
- Discourse and Respect- Supporting decisions outside board room
- Diversity- competence, skills, gender
- In- camera sessions
- BOD Learning and Evaluation

A cartoon illustration showing a man in a suit holding a sign that says "MAKE IT TO THE WEEKEND." and a woman in a suit standing next to him. The man says, "That's our mission statement." The cartoon is signed "Dilbert" and "© 2007".

**“Tone at the Top”**

*Boards actions are compatible with and reinforce the organizations stated objectives, values and risk tolerance in areas such as:*

- Choice of CEO/ED & Compensation
- Selection of Directors
- Strategic Plan
- Code of Conduct
- Inclusion of risk management issues as regularly scheduled board agenda items

20 Questions Directors Should Ask about Risk. H. Lindsay, CICA Canada

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**Resources**

*“A national charitable organization that supports charities and nonprofits so they can support **Canadians** and communities they serve”*

[https://www.google.ca/?qws\\_rd=ssl#q=imagine+canada](https://www.google.ca/?qws_rd=ssl#q=imagine+canada)

*Focus on charitable organizations*


- e.g Director Recruitment Package
- Sample Board Evaluation



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**Chair Role and Culture**

- Facilitator
- Tone Time and Talent
- Trust and Tensions
- Neutrality- avoid anchoring
- Impact of Chair Style- DISC




D.R. Beatty, 2012

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**Meeting Effectiveness**

- Structure- agenda- priority & order of items
- NIFO and NIFOP
- E.D. Update-“what is key for us to know since we last met?”
- % strategy- BOD performance
- Information- what and in what format you need to make decisions
- Recording- minutes and in camera



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**Discussion**

- What principles of governance resonate for you in your experience of governance and or the Divisions of Family Practice and moving forward?
- How can these principles guide your responsibilities and work going forward?
- What is the relationship between the board and the nature of the projects/work the Divisions may engaging in or support? e.g. PMH
- How can you best **organize for performance**?

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**Frame or Be Framed**

How do you currently or will you help non family medicine board members know of your purpose of the Divisions?

History of the GPSC initiative and why?

How will you frame the values of your division and your values and approach to primary care? Who will you approach for board positions? What will you base this search on? Values, relationships, skills, expertise, community position, neutrality?

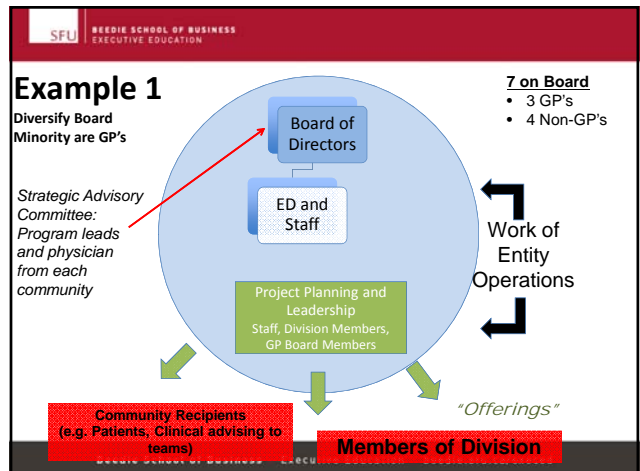
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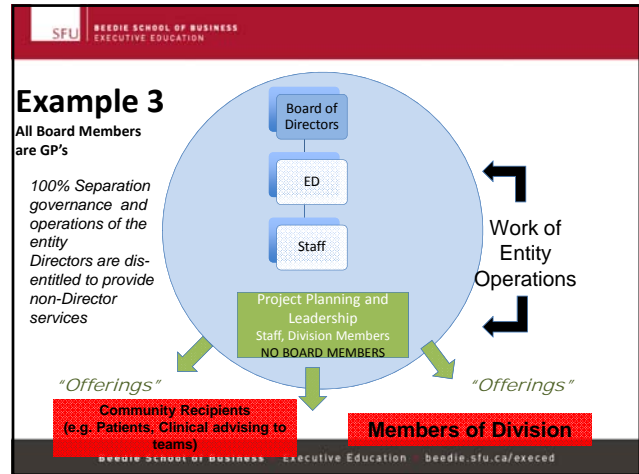
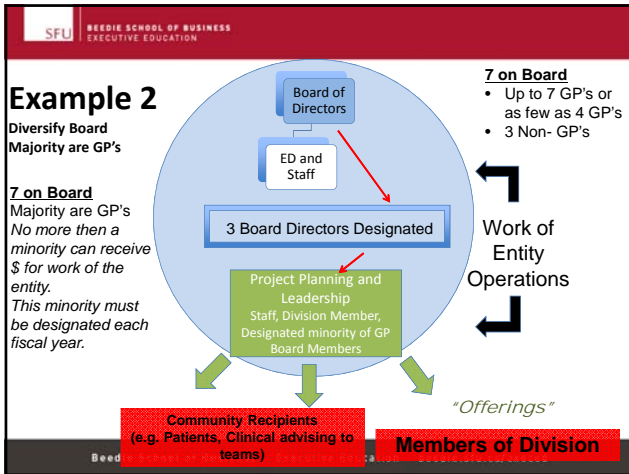
**Three Examples**

Divisions of Family Practice Board Configurations in line with Section 41 New BC Societies Act

*Reference: DofFP's And New Societies Act. Update on complying with Section 41. Doctors of BC May 2017*

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## "Work of the Entity"

- Work of the Entity refers to project or initiative work that GP's engage in on a Project Planning and Leadership Team. (e.g. Physician Lead, Member of a Project Team)
- Work of the Entity will **also include** work in the community with patients or advising to Clinical Teams **if the remuneration for this GP's work is provided by the Division** as opposed to another source such as billing MSP
- E.g. the RCI money flows through the Divisions therefore the director compensation guidelines under the new Societies Act apply to the clinical work in the community for GP's that are being paid for that work via the Division

## RCI Example- Work of Entity Governance Example 1

- Diversify the Board and a minority of the board are GP's
- Therefore in the case of the RCI, GP Board Members are able to participate in and receive remuneration for being on the Project Planning and Leadership Team and for delivery of RCI care in the community.



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### RCI Example- Work of Entity Governance Example 2

- Diversify the Board
- Majority of Board are GP's
- Therefore, in order to be reimbursed for work on the Project Planning and Leadership Team and or for delivery of RCI related care in the community, the GP Board member must be one of the 3 designated GP Board Members eligible to receive payment for non governance work.

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### RCI Example- Work of Entity Governance Example 3

- All Board Members are GP's
- 100% separation of Governance and Work of the Entity
- Therefore, if the GP remuneration flows through the Divisions, no BOD members can be reimbursed for work on the Project Planning and Leadership Team or for providing care in the community in that project.

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### 3 Examples- Director remuneration

In each approach directors may or may not, according to Board choice, be paid a stipend for their director work. The amount and frequency is entirely up to the Board.

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