

Reading

# Understanding Board roles in governance

2003-04





There are many demands and expectations on members of Health Service Boards. Board members are accountable for the success of their agency, and as directors of a public authority must consider:

- their community whom they are serving
- the government as owner and funder
- regulatory agencies for adherence to expected standards
- their staff to whom they must provide leadership
- other professionals whom are critical partners.

Responding to these accountabilities requires Board members to carefully balance where they spend their time, especially relative to the role that managers must play in operating a successful health service. This leads to the fundamental question for all Board members:

“What roles should our Board play in leading this organisation?”

The model used for the Rural Health Boards of Management training and development program is that developed by Professor Robert Tricker.

## 1. The role of Board members

	Accountability (Conformance)	Leadership (Performance)
External focus	External accountability	Strategy
	<b>Approve and work with CEO</b>	
Internal focus	Monitoring and supervising	Policy making
	Past and present oriented	Future oriented

Source: Robert I. Tricker, *International Corporate Governance: Text Readings and Cases*, New York: Prentice Hall, 1994, p.149

This model proposes that Boards must simultaneously ensure:

- **Conformance** – monitoring management in terms of how well it runs the organisation in the interest of the community, government, other relevant stakeholders and in accordance with the law
- **Performance** – setting objectives and working with management to improve the agency's delivery against agreed objectives, in particular maximising the benefits delivered against the resources available.

In addition, Boards must simultaneously be:

- **Externally facing** – delivering results and accountabilities to external stakeholders
- **Internally facing** – ensuring the organisation is operating appropriately.

The external perspective addresses how the organisation appears to external stakeholders, especially those that have specific requirements of the organisation (eg legal requirements). The internal perspective entails reviewing the work of management and ensuring that the organisation's processes are minimising potential risks.

In practice, Boards have to attend to a myriad of issues that are inter-related and not neatly packaged as either conformance or performance related. However, if Boards drift too far into one area at the expense of the other, then they may fail to adequately meet stakeholder expectations.

Finally, Boards deliver results through their delegation to the CEO and staff. However, the Board is clearly responsible for the overall performance of the organisation: it appoints the CEO and delegates accountabilities to the CEO for delivery, but cannot delegate accountability for success or failure.

## 2. Accountability (conformance)

The Board's conformance role is primarily concerned with establishing effective accountability. Accountability has a strong past and present orientation; it is the foundation upon which most other things are built.

Boards have an external accountability to the government as owner and funder, and to regulatory authorities in terms of how the agency delivers its services. At a minimum, this will be concerned with legal obligations (eg Health Services Act). But as public authorities, agencies must also address their broader obligations to deliver on government policies and meet community expectations. Moreover, successful agencies will consider how best to proactively demonstrate that these expectations are being met.

Internal accountability requires that the Board have policies and processes in place to monitor and supervise the delivery of results by management (and others as required). The depth of this monitoring and supervision by a Board will depend on the capability of management. However, going "hands free" and depending solely on management to deliver what it thinks is required is a flawed governance practice.

In healthcare the various accreditation requirements at State and Commonwealth levels represent an important conformance obligation. Accreditation can be undertaken with the sole intention of complying with the requirements of regulatory agencies. Far more powerfully, Boards can use accreditation as a process to positively contribute to the achievement of better healthcare outcomes for the community.

### 3. Leadership (performance)

The Board's performance role means setting the strategic direction for the agency – deciding what it should and shouldn't do – and ensuring the policies are in place to deliver on the strategy. This performance role is primarily about leadership. Boards should not passively rubber stamp management decisions – this would be to abrogate the performance role. In short, Boards should actively provide leadership to management to achieve sustained, above average performance.

Setting and approving strategy is an important role for the Board in driving performance of the agency. Strategy defines how the expectations of stakeholders will be met, especially community and Government. Strategy defines the "success model" for an organisation, because management's day to day decision making should be directed by agency strategy. However, the planning process often associated with strategy is *not* strategy per se. What really matters is being clear about the directions a health service should take and the possibilities to make this happen; planning can then be undertaken by management within this framework.

The internal performance orientation is manifested in policies (and culture) that translate the strategy into an effectively operating agencies. Policies developed by management and approved by the Board set up the ways in which an agency enables its strategy and makes decisions. Policies can include responses to legislative provisions, as well as policies designed to enhance organisational performance (eg employee relations or various patient care policies/practices). Strategy needs to be underpinned by a set of policies that are focussed on supporting superior performance for the organisation; so too do the accountability roles outlined above.

Accreditation is a good example of how policies can be used to ensure compliance on the one hand and enhance performance on the other. Effective policies are typically required to ensure that clinical practices are safe and meeting accreditation standards. Policies can also be used to orient the focus healthcare service priorities, thereby better meeting community requirements. In this way, policies can have both a conformance and performance enhancing impact.

The performance role of the Board has a future orientation and provides the reason for the existence of the service. Boards should recognise the need to think through and debate as a cohesive team the agency strategy and then establish enabling policies. Many Boards have found that thoroughly debating the strategy constitutes a powerful glue, which assists the Board to operate more effectively as a leadership team.

The Boards must not only ensure they fully develop this performance orientation, but also recognise that they must communicate their performance to their key stakeholders. Failure to grasp this challenge successfully can weaken the confidence a community places in the Board, and might ultimately damage the ability of the Board to influence Government and others to provide desired resources.