

The Board-Management Complement: Clarifying Governance and Operations

A Practical Resource for
Hospital Leaders

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Introduction

Hospital boards play a critical leadership role in stewarding hospital systems that are accountable, effective, and sustainable. When governance is clear and disciplined, and management is empowered to execute, hospitals are better positioned to meet their public accountability, fiduciary duty, and stewardship responsibilities.

At the same time, maintaining an appropriate balance between governance and management is increasingly complex in today's environment, characterized by heightened public expectations, operational pressures, and evolving system demands. The line between oversight and execution is not always clear or easy to navigate in practice.

This resource clarifies the distinct but complementary roles of governance (the board) and management (the CEO and senior leadership team). In doing so, it builds on concepts outlined in *Chapter 2: Models of Governance* in the Ontario Hospital Association (OHA)'s [Guide to Good Governance, Fourth Edition](#) (Guide), which helps boards understand where they sit along the governance spectrum and how that informs decision-making and accountability. The resource also references relevant [Guide form templates](#). A shared understanding of these roles builds trust, strengthens decision-making, and supports effective delivery of high-quality and patient-centred care.

The Guide and all form templates can be accessed at www.oha.com/GGG.

Disclaimer

This resource provides a broad overview of applicable topics and governance best practices at the time of publication. It is not intended to be, nor should it be construed as, legal advice. As always, hospitals and health service providers are advised to seek and obtain legal and/or professional advice based on their individual situations, including existing policies, practices and communities served.

The authors will not be held responsible or liable for any harm, damage, or other losses resulting from reliance on, or the use or misuse of, the general information contained in this resource.

Roles at a Glance

Board of Directors (Governance)

Hospital boards are legislatively tasked with “manag[ing] or supervis[ing] the management of the activities and affairs of the corporation”.¹ The board governs on behalf of the public and has fiduciary obligations to the hospital corporation. This obligation requires directors to act in the best interests of the hospital in carrying out their duties.²

The board’s focus is strategic, future-oriented, and system-level rather than operational. Core governance responsibilities include:

- Approving the hospital’s mission, vision, values, and strategic direction
- Providing financial, quality, and risk oversight
- Establishing policy, ethical standards, and accountability frameworks
- Hiring, supporting, and evaluating the CEO
- Ensuring organizational performance aligns with public expectations, legislation, and regulatory requirements

A well-known governance principle captures this distinction succinctly:

“The Board keeps its nose in, but its fingers out.”

Chief Executive Officer and Management (Operations)

Management, led by the CEO, is responsible for day-to-day operations and execution. This includes deciding how work is carried out and by whom, within the framework set by the board. Management responsibilities include:

- Operational planning and implementation of board-approved strategy
- Staffing, budgeting, and resource allocation
- Managing clinical, operational, and organizational performance
- Identifying risks and bringing material issues to the board
- Ensuring compliance with laws, regulations, accreditation, and policies

Management translates governance direction into action.

1 *Not-for-Profit Corporations Act*, SO 2010, c 15, s 21.

2 A statutory duty and standard of care applies to directors of Ontario public hospitals under the *Not-for-Profit Corporations Act*, 2010 (ONCA). Section 43(1) of ONCA provides that every director and officer in exercising their powers and discharging their duties to the corporation shall act honestly and in good faith with a view to the best interests of the corporation, and with the standard of the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Board-Management Complement

Boards are ultimately accountable for the organization as a whole, but they discharge this responsibility through oversight, not direct management.

Effective governance means:

- Setting direction
- Establishing clear expectations
- Monitoring performance
- Holding leadership accountable

The CEO and the Chief of Staff are both formally appointed and employed by the Board and are accountable to the Board (with the broader senior leadership team reporting through the CEO). This reporting relationship does not require the Board to oversee day to day operations. Rather, it enables the Board to assess whether management is advancing the organization’s board approved strategy, mission, vision, and values, and whether risks are being appropriately identified and managed.

Boards monitor what progress is being made by management and whether results are being achieved. They avoid second-guessing operational decisions or intervening in management processes, except where performance, risk, or integrity concerns warrant deeper inquiry.

Boards best support management by creating the conditions for effective leadership:

clear priorities, disciplined oversight, constructive challenge, and mutual trust.

When boards remain anchored in governance – providing direction, accountability, and foresight without crossing into operations – they reinforce management’s authority, strengthen organizational resilience, and uphold the integrity of the governance-management partnership.

Governance vs. Management in Practice

The following examples illustrate how similar topics are viewed differently through management and governance lenses.

Management (the <i>how</i> and <i>who</i>)	Governance (the <i>why</i> and <i>what</i>)
<ul style="list-style-type: none"> • How much do we pay our clinical staff and who got a raise this year? 	<ul style="list-style-type: none"> • Do we have a compensation philosophy and how is its effectiveness measured? • How does our employee turnover rate compare to other hospitals? Or to previous years?
<ul style="list-style-type: none"> • How are internal audits conducted and which paperwork must be filed to ensure compliance with specific accountability or privacy laws? 	<ul style="list-style-type: none"> • Does our organization meet all provincial health laws and regulations and maintain accreditation status?
<ul style="list-style-type: none"> • Which factors contributed to the cluster of medication errors in one unit? • How can corrective actions be implemented and monitored? 	<ul style="list-style-type: none"> • Does our organization have expectations for a culture of safety? • Do we review aggregate quality indicators and ensure leadership has resources and accountability to resolve the issue?

Risks of Role Confusion

A board will run the risk of role confusion if it excessively or unnecessarily exercises its power of oversight on management matters.

Common consequences of this role confusion (regressing into a management board) may include:

- Strained relationships between the board and CEO
- Difficulty recruiting and retaining senior leaders
- Erosion of management authority and weakened organizational culture
- Lack of board cohesion
- Overall decline in organizational quality
- Reduced ability of the Board to focus on long-term strategy and system stewardship

Tips for Hospital Boards

1. Stay at the Right Level

- Focus on strategy, outcomes, trends, and material risks, not day-to-day operations.
- Ensure discussions consistently link performance to the organization's mission, values, and strategic plan.

2. Ask Strategic Questions

- What are the material risks and opportunities?
How do we know this approach is working? What alternatives were considered? How does this decision align with our strategy, values, and obligations?

3. Avoid Operational Problem-Solving

- Resist the urge to “fix” management issues.
- Hold management accountable for results, learning, and improvement.

4. Build a Strong CEO Relationship

- Foster trust, open communication, and mutual respect.
- Be explicit about roles, expectations, decision rights, and boundaries.

5. Use Committees Wisely

- Committees should deepen oversight and insight, not duplicate management work.
- Ensure clear mandates and reporting lines. See [Form 8.8: Sample Format for Committee Terms of Reference](#).

6. Invest in Board Education

- Develop an annual plan for board education.
- Commit to continuous, ongoing board education, updated regularly as needed, to strengthen understanding of governance roles, fiduciary duties, and the evolving health care environment.

7. Define and Declare the Governance Model

- Generative governance suggests that a board functions in three modes: fiduciary, strategic, and generative. The board should assess the mode of governance it currently operates in and strive toward subsequent modes.

	Mode 1: Fiduciary	Mode 2: Strategic	Mode 3: Generative
Focus	<ul style="list-style-type: none"> Stewardship, risk and compliance to policy and plan Budgets, audits, policies 	<ul style="list-style-type: none"> Strategic directions and future plans Creating and communicating sound, clear plans across stakeholders 	<ul style="list-style-type: none"> ‘What if’ questions and scenarios Ideas and big questions about responding to change, but not firm plans for action
Management Relationship	<ul style="list-style-type: none"> Board independence overseeing management 	<ul style="list-style-type: none"> Partners with management, recognizing management’s lead role in understanding the business 	<ul style="list-style-type: none"> Board as a resource and co-creator with management Dialogue with management, not usurping management’s planning initiative

Figure 2.4: Modes of Governance, Chapter 2: Models of Governance, Guide to Good Governance, Fourth Edition

- The board should declare its governance model and adopt a written statement outlining its roles and primary functions.
- See [Form 2.1: Sample Statement of the Roles and Responsibilities of the Board](#).

8. Commit to Continuous Reflection

- The Board, led by its Chair, together with the CEO and Chief of Staff, should collectively monitor the implementation and evolution of the board-management complement.
- Directors should individually reflect on whether their contributions remain at the right governance level.
- Regularly ask:
 - What does management need from the board to be successful?
 - What does the board need from management to fulfill its governance role?

For further guidance on the respective roles of the board and management, consult the OHA’s [Guide to Good Governance \(Fourth Edition\)](#) and [access the forms](#) referenced throughout the Guide.

