

BoardBrief

Prepared for Colorado Hospital Association Trustees

Becoming a Remarkable Board: Unleashing the Power and Potential of Purposeful Governance

Hospital governing boards do not become excellent by chance. They build excellence by purposefully practicing key leadership "habits" that work together synergistically to ensure long-term leadership effectiveness.

Boards today face a variety of significant leadership challenges, including withstanding the effects of a severe economic downturn, the uncertainties of health care reform, improving quality and patient safety, ensuring a strong board/CEO relationship, building financial stability, strengthening strategic direction, sustaining and growing leadership through effective governance succession planning, and building strong and effective public trust and confidence. Boards of trustees will be successful in dealing with these issues if they understand the most critical components of leadership effectiveness, and successfully transform those practices into consistent leadership habits.

This *BoardBRIEF* includes hospital governing "leadership habits" that boards should practice. Each leadership habit has a number of underlying supporting components that are carried out with purposeful governance practices. Adherence to these habits will ensure the right focus on the right issues and challenges, in the right way, at the right time. Boards that pay close attention to practicing these leadership habits will find that their governance processes will improve, their leadership skills will be enhanced, and the quality of their governance decision-making and strategic focus will be sharpened.



Leadership Habit #1: Driven by a strong and focused sense of purpose with an ethical center

Mission, Values, Vision. The board should ensure that the organization has mission, values and vision statements that are clear, focused and relevant. These statements are more than words on paper; they are crucial positioning elements that drive decision-making, strategies, objectives and action plans. They should also be used to continually test board decisions by determining how the decisions strengthen the hospital's ability to achieve its mission and vision. Nothing motivates more than a clear picture of a bright and successful future. Accomplishing this will demand that boards develop an exciting, shared purpose that will stimulate enthusiastic followership.

Strategic Thinking. A clear understanding of the continually shifting and evolving health care environment is the foundation of successful strategic planning. Strategic planning at the board level should rely on continual "strategic thinking." A strategic thinking mindset will help the board establish a flexible, responsive strategic planning process that can successfully adapt to an ever-changing

environment. In addition, the process should include a way to monitor progress toward the achievement of strategic objectives.

Governance Processes. Establishing well-organized and consistent governance processes and procedures will enable the board to be most productive, and ensure that its time is allocated to the most critical topics. Agendas should reflect the most important strategic issues and priorities, and make efficient use of trustees' valuable and limited time; meetings should be designed to maximize trustees' ability to engage in critical dialogue; and committees and task forces should be used to enable the board to focus time on high-level strategic discussion.

Ethics and Values. Written values and ethical principles for both the hospital and the board should be exhibited in all aspects of the organization's work. The hospital's ethics and values should be consistently applied in governance decisions and in the delivery of patient care, and be a factor in the formation and continuation of relationships with all stakeholders – employees, physicians, vendors, partners and others.

Different Scenarios. In today's highly complex and rapidly changing health care world, there are no straight lines to the future. Boards must take the time to consider the many different possibilities of market change, driven by both internal and external factors. One way to assess the impact of possible events is to predict various futures that may develop, and play out scenarios that reveal where you might be and what actions you might take should the scenario, or some version of it, occur. Becoming overly obsessed with "what-ifs" can paralyze an organization, but exhibiting a "controlled paranoia" can push the board to continually think into the future. Controlled paranoia means preparing your thinking before bad things happen. Boards should develop "dependent strategies," or planned responses to different circumstances that may occur.

Focus on the Emergent. It's easy to become overly focused on the here and now of current organizational issues. Boards must continually adjust their focus to deal with the issues ahead, not the issues of the past. Creating time on the agenda for meaningful discussion of the most significant issues facing the hospital ensures that future issues, challenges, barriers and opportunities are considered. Time should be primarily focused on understanding trends and strategic priorities, rather than dealing with operational details; the focus should be on future-oriented strategic thinking about challenges and issues.

Innovation. Holding to the status quo is not sufficient to propel organizations to excel in the future. Innovation is the key to future viability in a complex, competitive world. Innovation must be encouraged and rewarded in all areas and levels of the organization. This will require a "governance movement" of thought, ideas, creativity, accountability and purpose.

Execution. Successful leadership requires a shared trustee understanding of the opportunities for change, and a shared commitment to executing the steps necessary to enact change. This does not come easy; it requires the right leadership in the right place, at the right time. Leadership must not only be committed to change, but possess and exhibit the knowledge necessary to facilitate actionable, disciplined decision-making.

**Quick Test:
How Purposeful
is Your Board?**



Mission at the Center

- Our mission, values and vision drive decision-making at all board meetings
- Our mission, values and vision drive hospital strategies, objectives and action plans over the next five years
- Our board uses our mission, values and vision when making policy and strategic decisions

- Our board tests policy and strategy decisions by asking how/if they will strengthen the ability to achieve our mission and vision
- Our board regularly reviews the status of strategies and objectives to ensure their fit with our mission and vision

Ethical Center

- We have a board-approved statement of values and ethical principles for the hospital and board that are consistently applied in our governance decisions, and in the delivery of patient care
- Our values and principles are a factor in all relationships - employees, physicians, vendors and partners

Commitment to Community

- We understand our community's needs, and have a community health improvement focus in our governance work
- We address community needs as part of our ongoing environmental assessment process
- We connect community needs and community benefit

Purposeful Preparation

- We receive timely and relevant governance support materials that prepare our thinking for purposeful participation at board meetings
- Executive summaries on critical issues are provided to the board to ensure that everyone is "on the same page" in their understanding
- We prepare ourselves well to ask critical strategic questions at our board meetings

Action Agendas

- Our board meeting's primary focus is on discussion and decisions regarding strategy in the areas most critical to our success
- Staff reports are distributed as background material prior to meeting, not at our meetings
- The majority of our agenda time is devoted to strategic-level discussion and decision-making (what's coming vs. what's happened)

Focus on the "What" vs. the "How"

- We have a clear delineation of management and board roles
- Our board's responsibility is to be strategic thinkers and strategic leaders rather than strategic planners
- We focus our time on outcomes, not processes
- Our board members understand the evolving health care environment and community needs
- We have a flexible, responsive strategic planning process that ensures our ability to shift priorities as circumstances change
- We monitor progress toward the achievement of our strategic objectives, and make timely modifications to direction when necessary

Energy on the Emergent

- We focus on future-oriented strategic thinking about challenges and issues
- We focus on trends and strategic priorities, not operational details
- We create time on our board agendas for meaningful discussion of the most significant emerging issues affecting our hospital

Champion of Change

- We create and nurture a governance and organizational culture that welcomes and embraces change as a creator of new opportunities
- We engage in timely board discussions about major change, and its implications
- We consider various futures that may develop, and understand that there are no longer any “straight lines to the future.” Scenarios tell where we might be, and what actions we might take

Expectation for Innovation

- We reject “status quo” thinking, and value innovative new approaches and ideas
- We encourage “controlled risk”
- We promote a culture of innovation throughout the organization

Knowledge Growth

- Our trustees are provided with the information and intelligence we need to lead with purpose
- Our trustees receive well thought-out strategic options and alternatives from management prior to defining a strategic course of action
- New information and new assumptions are expected at our board meetings
- Our meeting materials promote meaningful board meeting dialogue and critical decision-making
- Our governance information is relevant, timely, understandable and actionable, and facilitates board decision-making
- Our trustees have a clear and comprehensive understanding of the implications of a rapidly changing health care environment
- Our board’s understanding of the evolving health care environment ensures effective strategic decision-making
- Our trustees understand the factors most critical to our success
- Our board is familiar with the planning data and assumptions that form the foundation for our strategic plan
- The strategic information provided to our board ensures a clear understanding of issues and challenges

Strategic Scorekeeping

- Our board regularly monitors progress toward the achievement of strategic objectives, using board-approved key performance indicators

- Timely corrective actions are taken if/when objectives are not being met
- Our board annually reviews the strengths and weaknesses of major service lines and programs, and their role and value in mission and vision fulfillment

Accountability for Performance

- Annual board self-assessment is a core governance accountability
- We set performance and effectiveness goals for the board, committees, and individual trustees
- We gauge our governance effectiveness in large part on the hospital’s strategic progress and performance



Leadership Habit #2: Leadership directed up, across, down and out

CEO Performance Motivation. In order to ensure optimum CEO performance, the board and CEO must mutually agree on their respective roles and accountabilities, and commit to pre-defined CEO performance expectations that are tied to the mission, vision and strategic objectives. Once these guidelines and expectations are in place, financial incentives should directly link to performance.

Workplace Culture. Culture is the true reflection of what the hospital values, and is evident in everything it does. The board should set the tone for an organizational culture that expects and values excellence, and that has a strong ethical center. Board members also should recognize that the culture needs to be supported with resources that will stimulate the continual development of a high-quality workforce, as evidenced by workplace satisfaction and loyalty.

Medical Staff Alignment. Physicians should participate in a variety of meaningful ways in strategic discussions and decision-making. This requires effective communication to ensure that medical staff interests and needs are well-understood. The end result will be a board and medical staff that develop and share common goals, and that pursue aligned interests.

Advocacy. Advocacy success will require individuals with deep health care knowledge and health care “literacy.” Boards should interact and collaborate with a variety of stakeholders, and continually explore opportunities for building community connections that leverage and magnify the hospital’s advocacy power.

***Quick Test:
How Purposeful
is Your Board?***



Deliberative Dependence

- Our board’s strategy/policy responsibilities and the CEO’s operational responsibilities are consistently followed
- Our board and CEO have clear, mutually agreed-upon expectations of one another
- Our trustees do not interfere with the CEO’s operations management role
- Our board consistently supports the CEO in the pursuit and implementation of board-approved objectives
- Our board and CEO work together with a sense of purpose
- Our board always hears from the CEO in advance of a difficult or potentially problematic hospital issue

Performance Motivation

- Our CEO is involved in setting and approving his/her accountabilities
- Our board evaluates and compensates the CEO using defined expectations and performance targets tied to achievement of the mission, vision and strategic objectives
- CEO compensation is linked to strategic performance
- CEO compensation stimulates and rewards excellent performance
- Our board regularly reviews progress toward the CEO's attainment of board-approved performance objectives, and acts as partners for success

Succession Success

- We have defined the business changes and challenges the hospital will likely face in the future
- We have defined the skills, personal qualities and characteristics that will be required of the successful future CEO
- Our board has an approved process for leadership succession planning linked to our strategy and business priorities
- We have strong CEO participation and support in the succession plan

Enlightened Engagement

- Our hospital and medical staff have a mutually shared understanding of our mission, vision and values
- Our physicians are well-aware of the board's commitment to help them successfully cope with turbulent economic and operating challenges
- We include physicians in meaningful ways as partners for hospital progress, involving physicians in conversations and decision making about critical issues
- We hold management and the board accountable for building medical staff alignment as a strategic imperative
- We provide a consistent, predictable level of commitment to physicians
- We back up our commitments with concrete actions and accountability
- We always place the quest for quality patient care at the center of our mutual efforts

Real Voice for Physicians

- We dedicate adequate time to listening to and understanding our physicians' needs
- We provide "heads-up" advance information to our medical staff on critical issues and decisions
- We provide a forum for our physicians to encourage their input into important decisions well before the decisions are made
- We control the "rumor mill" with early, open and honest communication
- We involve physicians in meaningful ways in securing recommendations about planning and budgeting
- We ensure strong physician leadership on the board, in committees and task forces

- We routinely solicit physicians' viewpoints, advice and counsel
- We invite recommendations from our medical staff for ways to improve the practice environment

3

Leadership Habit #3: Ethic of deep, decisive dialogue that matters

Artful Listening. Miscommunication and misjudgment often are a result of inadequate listening, not from a lack of words. To ensure strong, effective governance communication, boards should listen first and talk later, acquire and absorb new ideas, listen attentively without rushing to judgment, and absorb information before offering a definitive response.

Critical Conversations. Board and committee meeting time is limited, and every minute should count. That means that board members must ensure their governance conversations are always vibrant, vital, and focused on purpose and outcomes. Dialogue should be the board's "social operating mechanism." Through critical conversations, decisions are made by grappling and grasping with concepts, ideas and practical solutions, leading to more informed and rational conclusions.

Constructive Confrontation. Without constructive challenges to conventional wisdom and thought, the best solutions may never surface. Boards should regularly confront issues by challenging assumptions and exploring alternatives to traditional thinking. Doing so may cause short-term tension and disagreements, but this tension should be welcomed and resolved through thorough, organized, deliberative dialogue.

Disparate Voices. A well-informed board should search out opinions, ideas and perspectives that may be different from their own. Boards can accomplish this by listening to a variety of voices outside the organization, engaging the viewpoints of people with unique experiences and perspectives. In doing so, boards will expand their knowledge base, build a mutual understanding of diverse perspectives, and open new lines of thinking.

Rapid Cognition. A turbulent environment requires organizations to be highly attuned and adaptable to change. Instead of reacting to changes, hospital boards must focus their thinking and be more proactive in their choices. Being proactive requires an "early warning system" that enables the board to address issues before they become unmanageable. When challenging situations arise, the board should quickly bore below the surface to understand the root of what is actually occurring, so that the appropriate and most effective actions can be taken.

Pattern Recognition. Too often the information that boards rely on to make decisions is anecdotal, disjointed or disconnected. The key to successful evidence-based decision making lies in the intelligent use of "dashboards" and "balanced scorecards" that plot performance against expectations over time. This enables the board to govern through "strategic gap analysis," with attention focused where the most significant performance problems and opportunities lie.

Quick Test: How Purposeful is Your Board?



Critical Conversations

- We have a governance ethic of "listen first, and talk later" to avoid miscommunication and misjudgment
- We engage in critical conversations to positively impact how trustees relate to one another
- Our board meeting management style encourages openness and participation
- We make decisions by first thoroughly considering all alternatives
- We challenge assumptions and refuse to rely on traditional thinking when confronting strategic issues and challenges

- We air tension and disagreements, and resolve them through thorough, organized and deliberative dialogue
- Our trustees engage in vibrant dialogue that challenges conventional thinking
- Deep and meaningful dialogue at our board meetings creates consensus and forges positive new directions

Culture of Discovery

- Our board takes the time to discuss difficult issues
- Our trustees are open about their thoughts and feelings
- Our decision-making culture includes active-involvement, questioning, probing, challenging and stimulating discussion and dialogue on meaningful issues
- Our governance culture is open to alternative views, and constructively challenges “conventional wisdom”
- Our governance decision pathways ensure that all critical decisions include the proper mix of background, discussion alternatives, potential outcomes and preferred choice
- Every trustee has a voice in our decisions
- Our board participation strengthens decision-making, enriches discussion, builds understanding and prepares individual trustees for future leadership challenges

Varied Voices

- We listen to people outside of the organization to help shape critical thinking
- We value the importance of engaging with people who have different perspectives than we have
- We connect with a broad range of people to open new lines of governance thinking

Rapid Cognition

- We have an effective early warning system that detects issues before they become problematic
- We bore below the surface of issues and challenges, and ensure board-wide understanding before taking actions
- Our governance style enables a rapid chain of thinking that capitalizes on every trustee’s experience and skills
- We expect new insights and new ideas to emerge at every board meeting

Pattern Recognition

- We use a dashboard or balanced scorecard to measure our progress towards strategic initiatives that enables us to focus on the connection between now and the future
- We govern through “strategic gap analysis” that highlights the most important areas requiring our attention
- We rely on evidence, not anecdote and “best guesses” when making decisions

4

Leadership Habit #4: Focus on transparency where it counts

Pricing. Becoming more transparent in costs and prices is a complex matter for hospitals and consumers, and is becoming increasingly important as consumers assume greater responsibility for where and how their health care dollars are spent. Boards should work now to make meaningful pricing information accessible and understandable by the public. In addition to prices, charity care policies and procedures should be clearly stated, easily accessible, and communicated throughout the organization.

Quality. Boards are fully responsible for the hospital's quality of care, and should lead the organization in seeking the highest levels of quality and safety. One way to accomplish this is through the consistent use of understandable, comparable hospital quality indicators. Frequent internal and external communication about quality improvement initiatives should occur. A quality focus must not only be in place at the top, but quality literacy should be built into the hospital's DNA at every level of the organization.

Governance. The board should communicate its governance thinking, decisions, strategies and objectives to employees, key stakeholders, and the community at-large whenever possible. Governance information should be prominent on the hospital's website, including the names and backgrounds of board members, information about committees and task forces, and an overview of board functions and responsibilities.

**Quick Test:
How Purposeful
is Your Board?**



Price Transparency Leadership

- We clearly display and communicate our charity care and financial assistance policies
- We have a process in place for patients and consumers to understand their anticipated price range and out of pocket cost before receiving care
- Our bills are patient-friendly and easy to understand

Quality Transparency Leadership

- Quality is infused throughout our board agendas
- The board plays a strong role, with our medical staff, in setting agenda discussions of quality that are designed to result in greater overall organizational performance and higher clinical quality performance
- Our board actively determines what quality issues are discussed, and to what extent they're discussed
- We have a board-approved definition of quality that encompasses community health, wellness and prevention
- Our quality improvement process defines, measures and improves quality at all levels, including clinical, service and organizational development
- Our board uses the results of patient perception studies to ensure improvement in the patient experience
- Our board has approved, clearly defined and measurable quality improvement targets
- Our CEO's performance objectives are based in part on measurable and achievable quality goals

Governance in the Sunshine

- Our board is committed to openness and transparency of governance operations
- Our board uses governance transparency to build employee and public trust in our leadership

5

Leadership Habit #5: Continual community centeredness and connectedness

Public Trust. Gaining and sustaining the trust of the community is critical to hospital success. Boards must recognize how their actions contribute to building and sustaining a positive image. Regular measurement of public perceptions should be conducted. By understanding the implications of these perceptions on future success, boards can adjust the ways in which they communicate and deliver services to the community. Forming strong and close community partnerships will also help to build and sustain positive attitudes toward the hospital.

Community Needs. Serving the health needs of the community is the hospital’s core purpose. In order to best serve the community it is important to understand what is most needed. Boards should ensure community input and viewpoints in order to define community health improvement challenges and opportunities. And while discussing needs is an excellent start, it must then be followed by a meaningful implementation of community health improvement initiatives.

Benefit and Value. In today’s accountability-focused health care world, hospitals must be able to define, measure and report the benefit and value of their activities to the community. It is necessary to measure the success of hospital initiatives in improving health, and clearly communicate priorities to key stakeholders and the community. The results should be produced and promoted in an annual community benefit report.

**Quick Test:
How Purposeful
is Your Board?**

Community Connections

- Our board ensures that stakeholders’ and constituents’ needs, interests and viewpoints are assessed when developing our goals and strategies
- We have a board-approved process for eliciting community input and viewpoints about future service needs and opportunities
- Our trustee advocacy advances the hospital’s image and reputation
- Our board’s actions contribute to building and sustaining a positive image for the hospital
- Our board ensures that the organization’s plans and priorities are well-communicated to the community’s stakeholders
- Our board utilizes trustees as “ambassadors” to the community and with stakeholders on important health care issues
- Our board works with others in the community to develop collaborative partnerships to build a healthier community
- Our board’s role in local, regional and state political advocacy advances the hospital’s standing with political leaders
- Building and sustaining positive attitudes about the hospital by the public is a board priority

Evidence vs. Anecdote

- Our board ensures that regular measurements of public perceptions are utilized to strengthen public understanding and trust

- ❑ Our board has a clear and consensus-driven understanding of the most important community health needs and issues
- ❑ Our board ensures a process to secure and evaluate community feedback on the value of our programs and services
- ❑ Our board uses feedback from the community to enhance our responsiveness to community health improvement opportunities
- ❑ Our community partnerships leverage our services and resources to maximize community benefit and carry out the community health improvement agenda

Belief in Benefit

- ❑ Our board has a written policy and/or procedure that defines the board's position on community benefit, including a statement of commitment; a process for board oversight; a definition of community benefit; a methodology for measuring community benefit; measurable goals; a financial assistance policy; and a commitment to transparent, public communication
- ❑ Our board ensures that we define, measure and report community benefit
- ❑ Our board measures success in part by improvements in community health
- ❑ Our board uses the community benefit report to build community trust, confidence and loyalty



Leadership Habit #6: Fiduciary fitness

Fiduciary responsibilities and their related issues of accountability and trust are complex. Boards have a two-way responsibility: they must act in the best interests of both the hospital and the communities the hospital serves.

In these days of economic insecurity, it is particularly important for hospital governing boards to earn and keep the public trust. In the handling of hospital finances, the oversight of hospital quality, patient care and safety, and the assessment of hospital programs and services, governing boards can and must be held accountable to the people of the communities they serve. There can be no room for question of integrity or credibility of board members. Especially now, trust is an asset no board can do without.

Duty of Care. When engaging in hospital business, boards must use the same level of judgment they would use in their own personal business activities. The IRS, in recommendations for trustees, encourages putting policies and procedures in place to ensure that each trustee is totally familiar with the hospital's activities, that every activity promotes the mission of the hospital and helps it achieve its goals, and that each trustee should be fully informed about the organization's financial status. Boards and trustees must:

- Obtain necessary and adequate information before making decisions;
- Act in good faith;
- Make decisions in the best interest of the hospital; and
- Set aside personal interests in favor of those of the hospital.

Duty of Loyalty. The duty of loyalty bars trustees from using their board positions to serve themselves or their businesses. It requires that when acting in their fiduciary capacity, trustees place the interest of the hospital before all else. It demands that board members be:

- Objective and unbiased in their thinking and decision-making;
- Free from external control and without ulterior motives;
- Free of any conflict of interest when discussing issues and making decisions; and
- Able to observe total confidentiality when dealing with hospital matters.

Duty of Obedience. The duty of obedience requires board members to be faithful to the hospital's mission, and to follow all state and national laws, corporate bylaws, rules and regulations when representing the interests of the hospital. In carrying out their duty of obedience, board members must protect the limited resources of the hospital to ensure optimal services and benefit to the community, and ensure legal compliance with all applicable laws and regulations.

The IRS recommends several board actions to promote good governance practices related to the board's duty of obedience:

- Develop both a code of ethics and whistleblower policies;
- Adopt and monitor specific fundraising policies;
- Carefully outline and determine compensation practices; and
- Develop and strictly adhere to document retention policies.

**Quick Test:
How Purposeful
is Your Board?**



Effectiveness Through Efficiency

- Our agendas reflect strategic issues and priorities, and focus on specific outcomes the board seeks to achieve at the meeting
- We place a premium on board chair leadership, organization and meeting management style
- Our board chair is well-skilled in the dynamics of effective meeting management and leadership
- Our trustees' time is respected and used efficiently; trustee involvement and participation are enhanced as a result
- Our board evaluates the success of every board meeting

Macroleadership, Not Micromanagement

- Our board avoids "purpose wandering," the tendency to wander into work that is operational, not strategic
- Our board ensures that the respective roles and accountabilities of management, the medical staff and the board are well-understood
- Our board's greatest value is the varied perspective we provide to management
- Our board judges itself on strategic, not tactical success

Financial Fitness

- Our board members are comfortable asking questions about financial issues during board meetings
- Our board identifies and approves targets for important measures of financial and operational performance
- Our financial reports are easy to understand, highlight major trends and stimulate creative discussion
- Our board uses financial performance reports to modify assumptions and shift resources, as necessary
- Our annual budget process defines the most effective allocation of the hospital's limited resources
- Our board ensures that adequate capital is available to fund the hospital's highest priority strategies

Culture of Ethical Accountability

- Our board has adopted a statement of values and ethical principles for our employees, physicians and the governing board
- Our board ensures that our ethical principles and values are provided to all individuals who are employed by, volunteer with, or are formally affiliated with the hospital
- Our board ensures that our values and principles are consistently applied to governance decision-making processes, business practices and delivery of patient care
- Our board ensures that compliance with ethical values and principles is a component of employee evaluations
- Our board ensures appropriate sanctions for employees, volunteers, and others affiliated with the hospital who violate our ethical principles and values

Conflict Control

- Our board members are well-oriented about conflicts of interest: Potential, actual or perceived
- Our board members understand their responsibilities to declare conflicts when they exist
- Policies and procedures are in place to successfully deal with conflict of interest if it arises
- Our conflict of interest policies and procedures are assessed annually
- A conflict of interest policy violation may result in trustee removal from the board
- Our conflict of interest policy contains guidelines that specify criteria for a board member's removal when conflict imperils the board's fiduciary responsibility

Confidentiality Clarity

- Our board has a policy for dealing with breaches of confidentiality
- Our board ensures that information that's acceptable to be publicly shared is clearly defined
- Our board members understand and adhere to their obligation not to disclose propriety information to unauthorized individuals where disclosure could harm the organization or prevent fulfillment of the mission

7

Leadership Habit #7: Governance growth and development

Education vs. Knowledge and Intelligence. Governance education is a continual process, not an end result. Education is the vehicle for improved governance knowledge. The end result and benefit of governance education is greater knowledge and heightened leadership intelligence that ensures trustees are fully-prepared to engage around critical issues, and make evidence-based vs. “gut”-based decisions. Well-planned and well-focused governance education builds the “knowledge capital” the board needs to ensure that the right decisions will be made, using meaningful information and data.

A well-planned and financially well-supported effort will result in better decisions based on better knowledge and insights; an improved capacity to be well-informed advocates for the hospital and its community; increased capacity to engage in challenging and productive governance dialogue; and an ability to think beyond “conventional wisdom.”

Investment in knowledge capital. Education should not be a one-time event, but should instead be an institutionalized commitment to ensuring that the governing board has the knowledge resources necessary to make strategic decisions and be a highly-effective leadership body. Every board member, not just some, must have a common level of understanding of critical issues and developments, and their implications for the hospital.

The governance education process should be undertaken with a firm and defined purpose. The board should define for exploration several months in advance the issues and topics that are most critical for board members to understand in order to make critical decisions. These topics should be drawn from the forces and factors that are driving hospital success in achieving the mission, vision and strategic objectives. Knowledge-building venues and available resources for delivering the education (meetings, publications, trustees themselves, consultants, etc.) should then be determined. A basic strategy should be set, with objectives and outcomes; success should be evaluated periodically; and new opportunities should be incorporated into the educational development effort as changes occur in the market.

Every trustee is in a different “place” in terms of his or her level of awareness and knowledge of the issues discussed and the decisions made at board meetings. Nonetheless, every trustee has the same fiduciary obligation, and the same responsibility to be well-informed. Efforts should be made to understand the knowledge needs of each trustee, and plans should be developed for providing each individual with the information he/she needs to be active, engaged, and productive participants in the governance process.

Succession Planning. The importance of governance succession planning is growing as health care organizations and their governing boards face increased pressure for high performance, transparency and accountability. Governance succession planning is the key to not only filling an empty seat on the board, but to improving board and organizational performance. By regularly assessing the board’s leadership strengths and weaknesses, and using the hospital’s strategic plan to define critical future leadership requirements, the board can identify governance “gaps” that can be closed through targeted trustee recruitment.

A trustee succession plan should be developed to recruit trustees that meet specific governance needs. These “gaps” will be different for each board and organization; while one board may need increased diversity another may seek greater financial expertise or an improved balance between visionary, “big picture” thinkers and “here and now” thinkers.

Governing performance self-assessment. In order to gauge leadership strengths and weaknesses, boards of trustees should conduct an annual board self-assessment. A comprehensive, meaningful self-assessment includes ratings of leadership performance in a broad range of areas.

Successful self-assessments enable boards to identify “leadership gaps,” areas in which the board has the greatest potential for improvement. The board self-assessment process identifies these gaps, and facilitates the development and implementation of initiatives and strategies to improve leadership performance.

Through an effective, well-developed board self-assessment process growth opportunities can be realized, education can be pinpointed to unique governance needs, recruitment of new trustees can be undertaken with increased confidence, and long-range planning can be conducted within a consensus-based framework with everybody on the same page.

Governance Peer Review. A critical piece of a high-performance board self-assessment process is the individual performance assessment. Trustees may have one view of the overall board’s performance, and have an entirely different view of their own individual performance. A personal, introspective look at individual leadership enables trustees to focus on the essentials of good leadership and their personal impressions of their individual performance. A “peer review” assessment enables trustees to personally evaluate their performance, and the performance of each of their board colleagues, using a short list of relevant criteria.

Trustees should rate themselves and their colleagues on their governing attributes, the factors that define their performance in fulfilling their governance duties, and on their personal attributes, the factors that describe the personal strengths and abilities required for effective trusteeship.

The process provides trustees with unique insights into their leadership attributes and needs from the informed perspective of their trustee colleagues.

**Quick Test:
How Purposeful
is Your Board?**



Knowledge Capital

- Our board has an annual governance education plan supported by a budget
- Trustees participate in governance education as a condition of board appointment and/or election
- Our board uses governance education to acquire and absorb new ideas and make sense out of complex issues
- Our board’s governance education creates a solid grounding and awareness of critical issues and trends and their impact on the hospital

Continuous Governance Gain

- Our board self-assessment is a top governance priority
- We assess our leadership strengths and weaknesses and identify “governance gaps”
- A governance development process is in place that identifies governance issues, determines educational needs, and manages the governance self-assessment process
- Our board develops and implements an annual governance improvement plan designed to close “governance gaps”

Succession, Not Recruitment

- We have governance succession plans, not trustee recruitment plans, that define the ideal trustees for our board
- Our trustee succession plan looks forward at least five years

- ❑ We have clearly defined criteria for identifying, screening, interviewing, evaluating and recruiting new trustees
- ❑ Our board matches present governance skills against current and emerging trends, challenges and issues when undertaking governance succession planning
- ❑ We have a trustee expertise “portfolio” that outlines the experience, expertise and personal characteristics required of trustees
- ❑ We have an established process to determine new governance skills required for effective leadership

Governance Peer Review

- ❑ We conduct an annual personal and peer governance review
- ❑ Our peer review process helps board members improve their performance, and achieve higher levels of governance excellence