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by

Robert A. McGowan, CHE
Principal, The Bristol Group



and

Vanessa Flint, MPH
Consultant, The Bristol Group



A Framework for Excellence in Board Governance

In today's turbulent healthcare environment, industry restructuring and the emergence of diverse stakeholder groups demand a new emphasis in the management of hospitals and healthcare systems. Strong board leadership has become a prerequisite for success in navigating industry change and profitably responding to intensified competition.

Our experience has taught us that although there are no hard and fast 'templates' to ensure board effectiveness, truly excellent boards share a number of important characteristics. This article describes those characteristics and discusses specific board policies that will provide your organization with an introductory framework for achieving high performance standards.

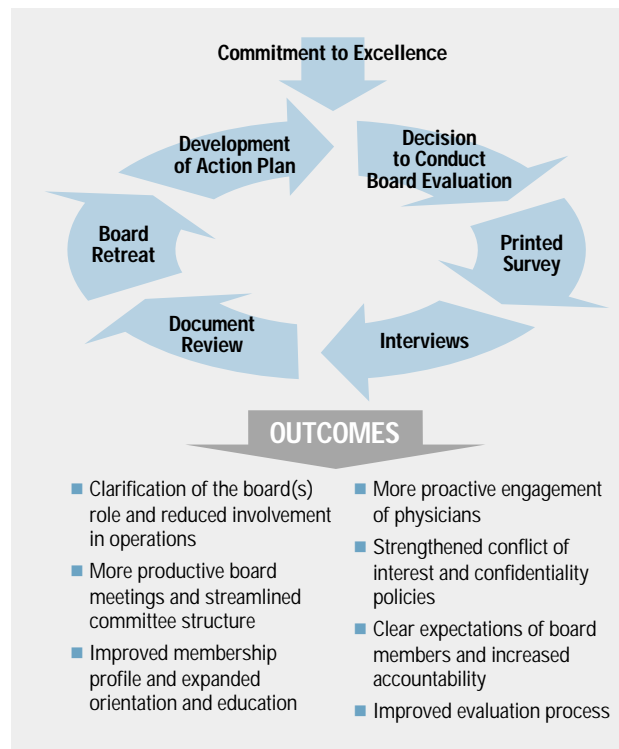
Commitment to Excellence and Ongoing Evaluation

Board effectiveness originates in a commitment from all board members to establish 'excellence' as the standard of performance. Achieving this standard means that the board will do whatever it takes to add true value to the organization's decision-making process, make hard decisions in a timely manner and support forward action. It will involve key stakeholders in the decision-making process and then hold all participants accountable for achieving agreed upon outcomes.

To maintain excellence, the board needs to periodically evaluate its performance and always have a current action plan to further board development. The Bristol Group developed and facilitates a comprehensive evaluation in which stakeholders and board members provide qualitative input on both a printed survey and during interviews. Next, a document review of meeting minutes, attendance records and other materials provides objective information to round out our assessment of the board's performance. In our experience, boards will benefit from conducting the comprehensive evaluation every three years and by reviewing their performance with the printed survey alone in the interim years.

The issues raised in the self-assessment are best discussed in a one- or two-day retreat that relies heavily on small group activities. At its conclusion, the board members will be well prepared to craft an effective action plan to achieve the standard of excellence.

The following diagram outlines the assessment and retreat process and the outcomes that emerge from it. The bulleted outcomes summarize the board attributes and policies that are described in the remainder of the article.



Clarity of Focus

The central responsibilities of a hospital board or hospital system board are to ensure that the organization concerned accomplishes its mission and remains financially viable. Success requires that the participating members focus on developing and implementing broad-based organizational policies, such as the organization's strategic agenda, operating budgets and long-range financial plan. Additionally, they must monitor the organization's performance and direct corrective actions when necessary.

In considering this description of the board's focus, note that its objectives and activities should not include micro-managing operations. This practice not only diverts the board's attention from its primary responsibilities, but also undercuts management's ability to lead. Symptoms of inappropriate involvement

“... [strong board leadership] will significantly enhance the vitality of your organization.”

in operations include: a large number of board committees; meeting agendas that focus on line item budgets; high visibility of board members within the organization, including direct intervention in organizational problems; and numerous telephone calls to the executive office. The responsibility for managing the boundaries between policy and operations should rest primarily with the chairman of the board but be shared by all board members.

Well Managed Board Meetings and Effective Committees

The structure and content of the agenda at board meetings have a significant impact on the degree to which board members feel that they are engaged in meaningful discussion and making a substantive contribution. The most productive meetings last somewhere between two and three hours and begin with high priority items that require in-depth discussion. Often they conclude with educational sessions that address current issues in the organization or the external healthcare environment.

Most of the of the board's work should be accomplished in the committees where ample time exists to tackle complex issues. Effective committees develop written goals and evaluate their performances against those goals annually. They clearly document their progress and issue reports to key stakeholders. However, committee reports should only be placed on the board meeting agenda when they address high priority items.

The committee structure as a whole needs to be streamlined to reduce redundancy in committee and board meeting discussions, eliminate committees that lack focus, and reduce the time demands placed on board members and key executive managers. In general, the only essential committees are finance, strategic planning, quality/professional affairs, governance/nominating and development.

Diverse Membership Profile

As a general rule, a board size of between eighteen and twenty members will ensure that a healthy amount of diversity and experience is brought to the decision-making process without compromising the board's ability to act quickly and decisively. The board's composition should change over time so that the board members, as a group, constantly possess a mix of talents and expertise that support the organization in moving forward with its particular strategic agenda (e.g. finance, marketing, new business development, facilities, mergers). Additionally, if a board is expected to represent the interests of the community served by the organization, the racial, ethnic, gender and religious diversity within that community should all be represented on the board. All board members should be willing and able to commit the time required.

Ample physician representation on the board dramatically increases the likelihood that the medical staff will support the organization's strategic initiatives and its efforts to implement them. Many contemporary hospitals and hospital systems recognize this fact, and physicians now often comprise at least one third of the board membership – quite a shift from only a decade ago, when it was common for only

the formal medical staff leaders to be present at board meetings.

It should be noted that the more active engagement of physicians in the governance process significantly increases the likelihood of serious conflict-of-interest issues within the board. This dynamic is particularly true when physician entrepreneurs who have formed larger physician groups are also board members. The bottom line is that conflict-of-interest policies must be clearly understood by all voting board members and carefully enforced by board leadership.

Expanded Orientation & Education

Many board members report that it took them as long as three years before they understood enough about the healthcare industry to make a real contribution. Orientation, which typically consist of a one-hour overview of the organization and a brief facility tour, should instead entail a formal overview of the institution's services, a comprehensive tour of the facility and a 'mentoring program' that pairs a long-term board member with a new member. Educational sessions on the facility's activities should be offered more frequently and be carefully aligned with the organization's strategic priorities.

Evaluation of Individual Board Members

Some boards promote excellence by writing role descriptions for individual board members that identify performance standards and by utilizing an annual self-evaluation process. Ideally, written protocols describe how board members will be held accountable for their performance, including a process for removing those who fall short of expectations. Even with explicit policies, however, many organizations have found that they simply lack the will to remove non-performers. For this reason, many boards have instituted policies that board members may not serve more than three consecutive 3-year terms. Ultimately, those charged with enforcing the evaluation process must decide to place the health of the board and of the organization above the desire to avoid political discomfort.


Conclusion

Excellent boards consistently set high standards for themselves, their committees and their stakeholders, and hold all parties accountable for achieving agreed upon outcomes. They periodically evaluate their performance and always have a current action plan for further board development.

It takes courage and strong leadership, at all levels, to develop and maintain an effective board. But it is an attainable goal, and achieving it will significantly enhance the vitality of your organization.



Robert A. McGowan, CHE



Vanessa Flint, MPH

The Bristol Group, Inc.
Ten Post Office Square Boston, MA
02109 (617) 423-2464