Keeping a healthcare board relevant: nine critical considerations
In the rush to stay competitive during a time of unrelenting change, many healthcare organizations are overlooking one of the most important aspects of successful growth and transformation: their governing boards.

Such boards remain mired in traditional “old-school” values and processes. Their members continue to be chosen based on their status in the community and the size of their wallets. They still see themselves—and are seen by others—as ambassadors and rainmakers rather than as strategic leaders, deferring to the CEO’s decisions and avoiding responsibilities that boards in other industries long ago assumed.

Under Vestal’s leadership, Mercy’s board has continued its evolutionary journey. Like other systems we’ve worked with, Mercy began by addressing issues that are critical for creating strong boards that can strategically guide their organizations forward.

1. Defining the Board’s Role

*Given your strategy and the challenges, what must a board do to ensure your system’s continued success?* A healthcare board, like other governance boards, must be relevant. In today’s environment that means rethinking its purpose.

While maintaining the traditional remit of strong community/organization relations and fundraising, today’s board must play an integral and commanding role in leading the organization.

The first step in transforming a board is assessing and rethinking its purpose. Key questions to consider include: Where is the organization headed? What is the board’s unique role in driving the organization forward? How can it best add value to the organization? What does the organization and its leadership team need from the board? Answering these questions requires a solid understanding of the system as well as knowledge of the broader industry and its evolving market dynamics. Boards that lack the necessary business expertise and industry knowledge to address these issues should consider seeking outside expertise—a cost well worth absorbing given the increase in return on investment an effective board can create.
2. Assessing “Fit for Purpose”

*Given the organization’s purpose, does it have the right board members?* Board members must fit the profile of what’s needed for their system and strategy in terms of skills, behavior, experience, understanding of healthcare, and ability to work as part of a senior team. Do members have the necessary business acumen? Do they have a basic understanding of the industry? Are they willing to further develop that knowledge? Are they willing to engage and challenge others and ask questions when they need to? Can they be assertive when needed, but also listen, actively collaborate, and compromise?

Board diversity must also be considered. Does it have the right mix of expertise, industry experience, and knowledge? Does the board represent the organization’s various constituencies and stakeholder groups? Is it tied to key professional, social, and industry networks? Does it represent the variety of perspectives needed to make sound decisions?

Effective boards also reflect diversity of thought and behavior. They have both analytic and conceptual thinkers, a balance of intellectually reflective and action-oriented members, a blend of innovative early adopters and those with a more conservative, traditional perspective. In the words of Nobel laureate Daniel Kahneman, a board should have members that can think both “fast and slow.”

Organizations are finding they must look beyond their list of usual suspects to find such talent. Many turn to the business community, where there is a wealth of untapped experience in finance, mergers and acquisitions, risk management, marketing, technology, and other areas of expertise now needed in healthcare.

To better represent their consumer and customer base, boards have also begun looking beyond their traditional candidate pools in terms of ethnic, social, economic, and cultural diversity.

This shift can be challenging, especially for organizations with traditionally close community ties. Admittedly, the thought of bringing outsiders into the family is daunting. But it needn’t be disruptive. Many organizations find a diverse leadership mix results in a more dynamic, impactful board. To help create that mix, large systems have started turning to their affiliate boards to develop potential talent.

Rather than merely interviewing and vetting potential talent, smart healthcare organizations are also assessing candidates using an objective, proven methodology that looks not only at skills but also traits, behavioral competencies, and other attributes critical in determining their “fit for role.”

Traditionally, CEOs had or were given responsibility for identifying board candidates. While they should continue to have a voice in the process, boards should ultimately take responsibility of member selection if they are to be truly independent.

3. Recruiting New Talent

*Do you have a process for identifying, assessing, and recruiting new members who are a good fit for the board’s purpose?* Assuming you have identified the critical skills, behaviors, experience, knowledge, etc., how do you identify board candidates who exhibit them?
4. Onboarding New Board Members

Is there a process for grounding new members on board culture, structure, procedures, and key issues? Given the complexity and pace of today’s healthcare organization, onboarding has become a necessity. An effective process—something beyond the introductory dinner, drinks, and slide-deck review—can reduce risk, decrease ramp-up time, and increase effectiveness and impact.

In addition to introducing new members to key organizational leaders and bringing them up to speed on the organization’s structure, strategy, and goals, it is important to orient them on how the board works: its purpose, processes, expectations, and behavioral norms.

Better boards also provide their members with ongoing professional development, including feedback and coaching.

5. Creating Effective Roles, Rules, Processes, and Structures

Do the roles and processes facilitate effective governance? Too often, good governance is hamstrung not by a lack of talent or dedication, but through ambiguity in how work gets done and decisions are made.

Effective boards have clear understanding and agreement on how they do their work. They know their roles: They are expected to contribute, ask critical questions, listen, collaborate, and fully debate key issues.

They establish processes for how work gets done, from creating agendas to disseminating pre-meeting communication to how they communicate between meetings. They adhere to established norms and rules of engagement on how decisions are made, how dissent is handled, and when a unified voice is critical.

They also create committees that are aligned with their purpose, defining the role and responsibilities of each, and eliminating those that are unnecessary. And, they clearly define which decisions are made at the committee level and which require the full board. One best practice that many boards have embraced is the creation of committee charters that outline roles and responsibilities.

Not surprising, good governance today requires a strong chair and committee heads who not only drive the board’s mandate, but also provide feedback, run effective meetings, communicate frequently outside of meetings, and ensure all members have a voice.

Finally, effective boards understand that although they have the ultimate responsibility for setting strategy and policy, they must continually engage and collaborate with the CEO and executive team to create the clarity, alignment, and buy-in needed to execute that strategy.
6. Identifying Key Priorities

**Does the board’s mandate foster the right discussions?** Once a board is in place with the right purpose, membership, and processes, it must focus on the right issues—those necessary to drive policy, strategy, mission, and values.

A primary, overarching focus should be on long-term organizational performance; issues such as quality of care, patient satisfaction, financial performance, and growth. Too often boards focus instead on compliance to drive these outcomes, and in doing so limit their ability to maximize business performance. While compliance is critical, it should be addressed in the context of what needs to be done strategically to move the organization forward.

It bears repeating: To effectively address these priorities, board directors must know what is really going on in their organizations from a governance, leadership, organizational, and financial perspective. They must understand the culture of the organization. Whether faith-based or non-religious, they must understand and adhere to the mission, vision and values of the sponsor organization.

They must stay current on healthcare in general and their organization specifically. They should have an accurate appreciation of risks their organizations face and a plan to mitigate them.

Too often governing boards get distracted reacting to short-term, tactical issues and, in the limited time in which they meet, fail to adequately address more important strategic challenges. One way to avoid such diversions is by creating and tightly managing a board agenda that captures only those issues that are of critical importance.

7. Developing an Effective Relationship with the CEO and Executive Team

**Does the board and executive team maintain a working relationship that empowers both to effectively advance the organization’s strategy?**

Of all the considerations outlined here, this is the one boards and CEOs struggle with the most. As noted previously, traditionally the CEO of took the lead in recruiting and selecting directors. Not surprising, such boards were often seen as mere rubber-stamp bodies, with little real power. Today, boards need a truly independent mindset. They must fully understand the capability of the CEO and leadership team to execute the strategy, establish expectations for their performance, and hold them accountable for results.

At the same time, given the complexity and breadth of today’s healthcare organizations, there is room for both to share the attendant demands and challenges without getting into territorial catfights. But that requires both parties clearly understand and agree to the roles and responsibilities of each, including who makes which decisions. Ideally, the board should focus on governance and strategy, with input from the CEO, while the CEO and his or her team leads the execution of that vision and strategy with advice from the board.

Even with clear mandates, in the high-stakes, pressure-cooker atmosphere of boardrooms and C-suites, the mix of egos, perceptions, and opinions can—even with the best of intentions—quickly derail a board/CEO relationship and damage stakeholder trust and business performance. Creating strong working relationships between these powerful leadership bodies often requires a separate set of engagement rules that defines how together they will create a culture of trust, transparency, and performance.
8. Evaluating the Board

*Is there a robust process for evaluating the board and individual trustees?* If the board is to operate optimally, both the board and the individual members must be regularly evaluated. The review process should go far beyond the traditional casual conversation. It should be formal, fair, and robust, with criteria carefully established and understood well before the actual evaluation.

The most challenging step is identifying sound evaluation criteria. It should be based on the board’s effectiveness in governing—how well it creates those conditions that allow management to achieve long-term performance outcomes.

Other challenges that often slow or derail this process include identifying raters outside the board and determining who will present the feedback. Finally, the board must have a process for developing or removing members who are not contributing or meeting the role requirements.

9. Rewarding Board Members

*Should board members be rewarded?*

Traditionally, healthcare directors were provided token compensation, if any. But as the industry has evolved, members are increasingly compensated for their expertise, leadership, and contribution.

Initiating a board compensation program can be difficult, especially in longstanding, traditional healthcare systems. While a dramatic shift for many nonprofit organizations, compensating board members—even offering a just a small stipend—often leads to increased commitment and dedication.

There are no definitive guidelines on board compensation; it ranges from several hundred dollars to hundreds of thousands. Boards should review their compensation philosophy in terms of the organization’s values, culture, and strategy, the talent needed to stay competitive, and most importantly, the board’s contribution to long-term outcomes.

A performance-based reward strategy also must be aligned with the board’s purpose, priorities, and evaluation criteria outlined above. It should fairly reward the board for the work it does, the value it adds, and the risks to which it is subjected.

As with other elements that shape effective governing boards, creating a sound reward strategy requires not just an understanding of compensation, but also knowledge of the healthcare industry and the role of the board and the complex challenges that both face.
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