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# *Board Education and Development*

**AN INTENTIONAL GOVERNANCE GUIDE: TRENDS, TIPS, AND TOOLS**

A Governance Institute  
Online Toolbook  
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# *Introduction and Background*

Six years ago, The Governance Institute published its signature publication, *Intentional Governance: Advancing Boards beyond the Conventional*.

The premise and concept of Intentional Governance are straightforward: if we want better, high performing, accountable governing boards, we need to take the deliberate “intentional” action to achieve this goal. Success rarely happens by chance. This is true for most things in life: athletes, students, business corporations—even marriages. It usually requires time, willingness, focus, and effort.

The same goes with governance. If we want to build and achieve a talented, highly effective board, it takes work and intent. First, we must want it: aspire to have a high-performing, better governing board. Then, we must act: take the deliberate, willful, “intentional” action steps to get there. We define Intentional Governance as: deliberate and intentional processes addressing board structure, dynamics, and culture that enable the board to realize its highest potential. The examination is about who is on the board and why; it is about how directors interact with each other and how they interact with management; it is about how the board uses its time, how it establishes its priorities/agenda, and how it measures its effectiveness. It is about governing with intention.

## **Intentional Governance: Seven Essential Elements**

Intentional Governance is the byproduct of a simple, but important question: what makes an effective board? During our research we identified seven essential elements of governance, each an essential part of the organization and operation of a “good board.” These seven elements include:

1. Board recruitment
2. Board structure
3. Board culture
4. Education and development
5. Evaluation and performance
6. Continuous governance improvement
7. Leadership succession planning



## Intentional Governance Spectrum

This Intentional Governance Guide addresses the fourth element, board education and development. Each guide in this series is designed to provide takeaway tools and assist readers in developing customized Intentional Governance plans related to each of these seven essential elements.



## Board Education: A Look Back

For years, hospitals have monitored physician training and education as an important component in the granting of medical staff appointments and privileges. This is not surprising. Physicians dedicate years to formal studies, residencies, and fellowships. Thereafter, they sit for licensing and board certification exams; and throughout their careers they must fulfill ongoing education requirements imposed on them from a variety of sources. Tracking physician training and education is a cumbersome, but critical task—as training and education are essential components of physicians’ ability to provide quality patient care.

In contrast, hospital boards have received little in the way of formal training in governance. Historically, most directors learned how to be hospital or health system directors through “on the job” training. Formal board education, to the extent it took place, was a matter left to the discretion of each individual board.

The idea of providing industry education to directors is relatively new in business, and especially in healthcare. In the for-profit sector, the founding of the National Association of Corporate Directors in 1977 spearheaded the idea that board education and training was both important and necessary. Its founder, John Nash, was consulting with

the Securities and Exchange Commission (SEC) when Penn Central filed for bankruptcy, and the primary question in the fallout was, “Where was the board?”

Despite high-profile legal cases against hospitals beginning with *Darling vs. Charleston Memorial Community Hospital* in 1965, formal training for healthcare board members did not truly manifest itself until the mid-1980s, helped along by the founding of The Governance Institute in 1986. At that time, boards were mainly comprised of community leaders and “friends” of the chief executive, and the focus was primarily on financial statements. But legal scrutiny of hospitals continued to grow in intensity, and due to several cases regarding negligent credentialing, more focus was placed on the board as the ultimate body of responsibility for patient care. Then, in the 1996 *Caremark* case, the shareholders of Caremark International, Inc. brought a derivative action, alleging that directors breached their duty of care by failing to put in place adequate internal control systems. This in turn was said to enable the company’s employees to commit criminal offences, resulting in substantial fines and civil penalties.

*Caremark*, along with the passage of Sarbanes-Oxley (SOX) in 2002, though intended for private corporate boards, opened the eyes of many non-profit hospital boards, which began to implement policies to protect their organizations from scrutiny in the event that SOX would be applied to non-profit organizations in the future. Shortly thereafter, Senator Charles Grassley, as chairman of the SEC, went after hospitals to challenge their tax-exempt status.



Thus, it became increasingly apparent that informal, unstructured board and director education was not enough. In its 2007 report, *Principles for Good Governance and Ethical Practice*, the Panel on the Nonprofit Sector took aim at governance education, noting specifically: “The board should establish an effective, systematic process for education and communicating with board members to ensure that they are aware of their legal and ethical responsibilities, are knowledgeable about their programs and activities of the organization, and can carry out their oversight functions effectively.”<sup>1</sup>

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**Boards must move beyond education as a means of protection from regulatory scrutiny. Education is essential for a board to be highly effective, including its ability to translate that effectiveness throughout all levels of the organization.**

### **Certification?**

The critical question has become whether untrained or informally trained directors can effectively direct a hospital or system, no matter how well intentioned they are, considering the fact that hospitals and health systems are some of the most complex systems in our society. In response to this, a trend of more formal director education emerged. Specifically, several state hospital associations began offering director certification programs starting in 2009–2010. These programs, which were independently developed and structured, provide curriculum-based educational programs designed to ascertain that all healthcare boards have been appropriately trained and are at least minimally competent in specified areas (e.g., quality, safety, finance, and compliance). Further, more and more organizations are now using board education (including director certification) as a condition of director reappointment, not unlike medical staff requirements for continuing medical education.

We do not consider formal certification programs to be a requirement of effective governance. Some state associations have more robust programs than others. But it is yet another avenue to provide board education in a formal way for board members, and as such, we do recommend that all boards become familiar with the programs their state associations provide, and determine whether some or all board members could benefit from such programs.

State certification programs can provide a “generic” starting point for board education curriculum. The next step is to implement more customized education and director development programs that are specific to an individual board’s and individual board members’ needs. This toolkit provides a roadmap for creating an in-depth, robust, and effective board education plan.

1 Panel on the Nonprofit Sector, *Principles for Good Governance and Ethical Practice: A Guide for Charities and Foundations*, October 2007, p. 17.



# *Board Education and Development*

A board must assume responsibility for itself—its own effective and efficient performance. To discharge its stewardship responsibilities to its “owners,” the board is responsible for its own education and development, job design, discipline, and performance. For a board to govern with intention, board education must be more than a periodic event. It must be an integral part of the board’s mission, purpose, and agenda; not an idea or plan that gets dusted off. Educational programs, as part of annual education and development plans, provide the necessary building blocks for developing a highly-effective board. When looking at it through the intentional governance framework, board education needs to be deliberate, planned, and appropriate. The board should be committed to a formal board education plan that includes everything on the education spectrum from orientation, publications, seminars, and board retreats to inclusion on the board meeting agenda.

The board’s responsibility for education and development continues to increase in importance as the healthcare industry becomes more complex, and as value-based payment models become more pervasive. This is due to expanding research showing that the practices of governing boards have a direct effect on the organization’s performance.<sup>2</sup> Bond rating agencies are so convinced of the importance of effective governance that they include aspects of governance in their bond rating assessments.<sup>3</sup> Despite the evidence, our biennial surveys of hospital and health system boards continue to show that board development (one of the six core responsibilities of boards) ranks last in both performance and adoption of board practices related to development. While the board has many pressing responsibilities, it cannot fully perform those to the best of its abilities without a strong emphasis on education and development.



- 2 See, e.g., L. Stepnick, *Making a Difference in the Boardroom: Updated Research Findings on Best Practices to Promote Quality at Top Hospitals and Health Systems* (white paper), The Governance Institute, Fall 2014; R. Millar, et al., “Hospital Board Oversight of Quality and Patient Safety: A Narrative Review and Synthesis of Empirical Research,” *Millbank Quarterly*, Vol. 91, No. 4 (2013); and T.C. Tsai, A.K. Jha, and A.A. Gawande, et al., “Hospital Board and Management Practices Are Strongly Related to Hospital Performance on Clinical Quality Metrics,” *Health Affairs*, Vol. 34, No. 8 (August 2015).
- 3 Moody’s Investors Service, *Not-for-Profit Healthcare Rating Methodology*, March 2012; [www.moody.com/research/Moodys-updates-methodology-for-US-not-for-profit-healthcare-ratings--PR\\_240399](http://www.moody.com/research/Moodys-updates-methodology-for-US-not-for-profit-healthcare-ratings--PR_240399).

## **The Challenges of Board Education**

Many CEOs and hospital boards are currently spending countless hours learning about healthcare, hospitals and health systems, and governance. Yet, the complexity and demands of the industry are unending. Specific challenges with respect to board education include the following:

1. **Model:** there is no single standard (educational model) or curriculum for board education. This is not to suggest that there should be; however, there appear to be wide variations of practice with respect to board education, and concern by some board members that they not only need “adequate training and education,” but that it should be documented.
2. **Budget:** again, there are wide variations in board education budgets, ranging from zero to \$75,000 a year.
3. **Time:** education takes time, a precious commodity for many board members. For some, the real challenge is trying to “juggle” their oversight function and obligations with education.
4. **Culture:** whether the hospital (management and the board) respects the importance of education—an informed board, a board in the dark, or a “rubber stamp.”

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**Board education needs to start the very first day a member joins the board. Board members should learn about and be oriented to the industry, the hospital/health system, the community, and the other board members.**

The Intentional Governance pillar for education and development focuses on five key areas:

1. A formal orientation program
2. Annual assessment of the board’s ongoing education needs
3. An annual board education plan that includes education goals and processes to meet those goals
4. Appropriate resource allocation for education
5. Certification of some kind, if appropriate for your board members

# *Intentional Governance Solutions for Board Education and Development*

## **A Formal Board Orientation Program**

Board education needs to start the very first day a member joins the board. Board members should learn about and be oriented to the industry, the hospital/health system, the community, and the other board members.

As part of a general board orientation, each new director should receive information about the hospital or health system's mission, and training on the board's duties, policies, and current legal trends. In addition, they should become oriented on such matters as the organization's operation, organization, compliance, conflicts of interest, code of ethics, and quality matters.

Aspects of an effective orientation program for new board members include:<sup>4</sup>

1. Comprehensive new board member book containing relevant information about the organization as well as important board information such as the board and individual board member job description, policies, calendar, sample meeting agendas, and expectations of board members (including the code of conduct and required time commitment for meetings, preparation for meetings, committee participation, organizational events, travel, etc.).
2. An in-depth program (over a two-day period, or a series of one-day programs over two months) run by the governance support executive and/or board chair, and CEO that includes: a) review of the information contained in the new board member book; b) discussion of the fiduciary duties and core responsibilities, the distinction between the roles of management vs. governance, conflict of interest procedures and other aspects of compliance and legal liability concerns, and the strategic plan; c) a tour of the hospital facilities; and d) one-on-one Q&A sessions with key members of the C-suite and physician leaders.
3. A mentor program pairing the new board member with a seasoned board member for the first full year of the board member's term.
4. Access to resources and publications to help the new board member learn the ropes, as well as assistance with scheduling participation in Webinars, conferences, and e-learning throughout the board member's first year.

<sup>4</sup> For more comprehensive information about what should be included in an orientation, refer to The Governance Institute's *Board Orientation Manual*, Fifth Edition, 2015.

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**Once a new board member has completed the board orientation program, it is key to provide further, ongoing education activities. The following are some ways the board can access ongoing education:**

- Take advantage of programs geared specifically to hospital and health system boards.
- Read and review relevant industry publications, journals, magazines, and news articles, and discuss such materials during an education session in a board meeting.
- Bring in expert consultants and facilitators to conduct educational sessions during board meetings or retreats.
- Set aside time during a meeting to discuss a topic in which the board may be particularly interested, or one that presents an area of weakness for the board. Provide supporting and background materials as needed.
- Participate in other educational methods such as e-learning courses to test board member knowledge and/or remind them of the keys to effective governance.

The key to ongoing board education is to expose board members to current trends in the industry on a regular basis.

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### **Assessing the Board's Ongoing Education Needs**

An important place to start when developing a board education plan is to determine what the education needs are. The Intentional Governance Assessment below is just a start—it covers the basics of what boards should have in place regarding education plans and programs. In addition, boards should use the results from their annual self-evaluation, as a basis for developing the education plan. These results can help determine which topics to cover, in what order of priority, and how much time should be spent on each (i.e., the particularly low-scoring areas would be more of a focus than those areas that had scores closer to average). As boards usually do a self-evaluation annually, we also recommend that the board education plan be updated annually, after the evaluation results have been reviewed and discussed. Conversely, as education plans are aligned with the results of the board evaluation, at the end of the year, the board should determine whether the education plan was effective based on the subsequent evaluation results, and assess ways to change or improve the plan and/or methods of education. This can be done on the basis of the full board's needs, or tailored to the needs of individual board members.

(Board evaluation and performance is the pillar that comes after board education and development in the Intentional Governance spectrum, and thus will be covered in the next Intentional Governance toolbox.)

## Intentional Governance Assessment: Board Education and Development

Please indicate your level of agreement with each item.

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Don't know/ not applicable
The board has an effective, formal board orientation program for new board members that includes education on their fiduciary duties and information on the industry and its regulatory and competitive landscape.						
The board has an effective, ongoing board education plan that allows board members to participate at least annually in education regarding the board's responsibilities to fulfill the mission, vision, and strategic goals.						
The board has formal education goals and a process to meet these goals.						
The board has devoted adequate resources to board education and development.						

### A Formal Board Education Plan

Education plans can take many different shapes and have different goals and purposes. The first step in developing your board's annual education plan is to identify the dimensions of governance on which it needs to focus and then develop an approach to each. The approach must include practical strategies with specific steps, the responsible party/parties, and implementation timelines. Most importantly, the plan should be achievable—don't pack too much into the year or board members might not be able to devote the time necessary to meet their education goals.

Dimensions of governance that could be part of the education plan include:

- **Board/governance structure:** continuing education, board selection, board composition, meeting organization and content, committee structure, and board evaluation; includes governance responsibilities matrix and communication/reporting structure for systems with multiple boards/subsidiary boards
- **Board attributes:** leadership effectiveness, board culture, CEO evaluation, strategic decision making, and stakeholder relationships
- **Board duties, responsibilities, and practices:** duties of care, loyalty, and obedience, and the six core responsibilities, quality oversight, financial oversight, setting strategic direction, self-assessment and development, management oversight, and advocacy

Other topics typically included in board education involve current industry trends such as value-based payment models and their implications for governance; mergers, acquisitions, and strategic partnerships; electronic health record interoperability and cybersecurity concerns; population health management; and consumerism. Coverage of these topics can be determined based on the organization's strategic plan and plan-related goals for the year, and information presented during board meetings prior to making key strategic decisions affecting the organization's mission and strategic direction.



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**Duty of Care** requires board members to have knowledge of all reasonably available and pertinent information before taking action. The board member must act in good faith, with the care of an ordinarily prudent businessperson in similar circumstances, and in a manner he or she reasonably believes to be in the best interest of the organization.

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### **Objectives of a Board Education Plan**

Most boards prepare an annual education and development plan that focuses on areas of board performance improvement. Some approach governance development as a strategic plan—identifying ambitious goals for achievement over the typical board member term (e.g., three years, five years). The timeframe will be specific to the organization; however, fixing the timeframe usually is less challenging than identifying specific areas for improvement—the elements of the plan.

As an introduction to the development process, a board education plan, at a minimum, should encourage discussion around the following questions:

- What is great governance?
- Why do we need to intentionally develop and nurture it, rather than hope it just happens?
- What are the building blocks for great governance?
- What actions should we take to enhance board performance over the coming year?
- What actions should we each take to enhance our personal growth and effectiveness as individual board members?
- What actions should management take to help support our efforts at collective and personal performance improvement?
- What are the longer-term strategies we should consider to advance the overall effectiveness of our board?
- What outcomes can we expect from a board education plan?

A board's focus on development will bring more effective decision-making processes with these key attributes:

- More focus on strategic decisions; less on tactical or operational decisions
- More efficient use of individuals' time and talents
- Civil discussion about what to do and how to do it
- Mutual respect and trust for each other and for management
- Increased stakeholder (patients, physicians, employees, and the community) confidence and satisfaction about where the organization is headed
- A higher level of organizational financial performance and vitality

Success of the board development initiative hinges on buy-in from the board and vigilant attention to the goals derived from the plan. Individual directors and the collective whole must agree to measure the degree to which the board's goals of great governance are actually achieved.

### **The Process: Identifying Goals and Objectives for the Education Plan**

The Governance Institute offers samples of development plans, as well as guidelines for optimal board practices.<sup>5</sup> These can be a great starting point for the board's discussion of its development needs. For example, review the lists of structure issues, attributes, and practices and then select those you believe most important for your board to discuss for its development over an identified timeframe (e.g., one year, three years—whatever works for your board). Next, have the board discuss its performance in each area. This exercise—a quasi-self-assessment—should not be considered a proxy for a formal board self-evaluation; rather, it is a structured approach to a formal board education plan. The next step involves a structured brainstorming session to identify goals and objectives to address each of the areas the board has identified as essential for its development and improved performance. Then, with goals and objectives identified, the board can establish timeframes for meeting its objectives.

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**A strong board education program paves the way to setting board goals because board members are more aware of industry trends, new regulations, and the workings of their own organization, which provides a foundation of knowledge that can help shape the appropriate board goals for their organization.**

We recommend that the process for putting together a board education plan—and its implementation—be guided by the governance committee or a committee with similar responsibilities. Your board may decide to have the designated committee go through the entire process by itself and then bring a recommended plan to the full board. Alternatively, you may choose to involve the full board in the process and then place responsibility for plan implementation with the committee. In this case, we believe it is more efficient to schedule a special meeting or retreat outside the annual calendar of board meetings to get this done.

Here are the basic steps in the process:

1. Review the lists of governance dimensions—board structure, attributes, and practices.
2. Select those dimensions you believe most important for your board to discuss for its development over an identified time frame.
3. Schedule and conduct board discussion of its performance in each area.
4. Conduct a structured brainstorming session to identify goals and objectives to address each of the areas the board has identified as essential for its development and improved performance.
5. Establish timeframes for meeting identified objectives.
6. Place overall responsibility for implementation of the governance development plan with the governance effectiveness committee (or a committee with similar responsibilities) or, if the board does not have an appropriate committee for this project, identify someone on the board to take the lead (e.g., chair, vice chair).

5 See appendices; you can also view sample templates and development plans at [GovernanceInstitute.com/templates](http://GovernanceInstitute.com/templates).

### **The Role of the Governance or Board Development Committee in Board Education**

The governance committee or board development committee generally spearheads the board's education program (review your committee charters if necessary and be sure that this responsibility is outlined for the appropriate committee in your organization). Many organizations have internal speakers at board meetings, such as the compliance officer or director of the quality improvement program. They may also have department managers give an overview of their departments, services, and/or programs.

At the very least, education sessions should take place at most board meetings. Routine education sessions are most effective when they take place at or near the beginning of the meeting and take up roughly 15 percent of the meeting time (for example, a 15-minute session is appropriate for a 90-minute board meeting).

Boards that meet less frequently than once a month may choose to do a longer session on a quarterly basis, while others may choose to devote one full board meeting per year entirely to board education. Similarly, some boards choose to schedule board education programs at an annual retreat, often to go along with strategic planning.

### **Resource Allocation**

Findings from The Governance Institute's 2015 biennial survey showed that boards are spending more on education compared with previous years. Healthcare institutions also appear willing to pay for such resources: the 2015 survey indicates that healthcare organizations frequently spend and/or budget significant amounts of money for governance training and education, and there was a positive correlation between boards spending at least \$30,000 annually for board education and their likelihood to rate their performance in various areas of responsibilities as "excellent."<sup>6</sup>

While it may seem obvious, it is important to remember that a formal board education and development program (including orientation) takes resources, both in the form of cash and time (from staff, leadership, and board members). While time can be managed, it is important that the governance development committee makes an appropriate recommendation to the full board of the budgeting requirements for the education and development program, and update those requirements each fiscal year. The committee can make use of the management team and finance staff as needed to determine specific costs for each line item of the plan. Costs need not be excessive but should be adequate; absent specific resource allocation, we find that things usually do not get accomplished if the resources are not set aside in advance.

6 *Ibid.*

# *Conclusion*

Great governance depends on vigilance. Boards are currently faced with daunting challenges not seen before in the healthcare industry, so now is the time to ensure all steps are being taken to sustain the organization through the next decade and beyond. It cannot be done without a high-performing board. Just as the board places great responsibility on its monitoring of the progress and performance of the organization, the board should also monitor its own performance pulse, identify its optimal “reading,” and then put corrective steps into an action plan with clear objectives and time frames. This then becomes the governance development plan, a key component of high-performing governance.

Putting together a development plan involves buy-in from the entire board—on the process, the areas needing improvement, goals and objectives, and time frames. There are many areas of focus for boards, and the decisions made throughout the process of developing and implementing a plan will vary from organization to organization and from board to board within an organization.

Boards have a lot of responsibilities and a lot to accomplish, and it may be easy to put governance development on the “back burner.” However, at some point—it could be before, during, or after an organizational crisis, or just in the ordinary course of business—it will become evident that the time for governance development as an integral part of overall board performance is now.

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# *Appendix 1: Sample Board Development Plan I: Board Structure*

	We Do This Well Now	We Need to Focus on This	Plan for Improvement Goals and Objectives/ Tasks— Timelines
<b>Board Composition</b>			
The board has a formal board recruitment program that emphasizes organizational needs and required competencies.			
The board has a long-range plan to further strengthen the board's composition, especially people from other industries who add skill sets and varied perspectives (knowledge-based, demographic, geographic, and psychographic) that lack representation on the board.			
<b>Calendar of Meetings</b>			
The board has evaluated meeting frequency to determine the optimal number of board meetings and meeting duration.			
The board publishes and updates the calendar at the beginning of each year.			
The board has a strategy review and development meeting/retreat annually.			
The board has a calendar for committee meetings.			
The board includes in its annual calendar at least one formal, special meeting with physician leaders, and at least one special meeting with community leaders.			
The board includes in its annual calendar at least one joint meeting of all boards within the system (if applicable).			
<b>Board Agendas</b>			
The board strives to spend more than half of meeting time in most meetings engaging in active discussion, deliberation, and debate about strategic priorities of the organization.			
The board requires one-page executive summaries by management for all information items and action proposals.			
The board requires management summaries to spell out management's conclusions, assessment of pros and cons, and clear recommended course of action.			
Board meetings periodically have time set aside for board education on current issues in healthcare, community concerns, organizational concerns, etc.			

	We Do This Well Now	We Need to Focus on This	Plan for Improvement Goals and Objectives/ Tasks— Timelines
<b>Board Information</b>			
The board requires lower-quantity, higher-quality information.			
The board insists on greater reliance on <i>dashboard</i> and <i>graphic</i> indicators.			
The board makes use of electronic information exchange.			
<b>Board Self-Assessment</b>			
The board seeks to continuously improve its own performance by conducting an annual assessment of the board as a whole.			
The board seeks to continuously improve its own performance by conducting an annual assessment of individual board members.			
The board commits to remain educated on priority issues and come well prepared for board meetings and interactions.			
<b>Board Committees</b>			
Board committees and task forces have specific charters with clear reporting standards.			
Committees are comprised of well-qualified members, and the board has considered non-board member representation.			
Committees have efficient operating rules.			
Committees have a strategic direction.			
Committees have an annual action plan.			
<b>Board Education</b>			
The board has a formal program for its own orientation and ongoing education.			
The board has an annual board education plan that is reflected in the organization's budget for board activities and support.			

# *Appendix 2: Sample Board Development Plan II: Board Attributes*

	We Do This Well Now	We Need to Focus on This	Plan for Improvement Goals and Objectives/ Tasks— Timelines
<b>Board Structure</b>			
The board is large enough to offer diversity of views, yet small enough to be efficient.			
Committees and task forces have specific charters, well-qualified members, efficient operating rules, and are equipped with a strategic direction.			
The board will redesign governance based on opportunities to produce dramatically improved outcomes.			
<b>Leadership Effectiveness</b>			
The board behaves in a professional manner.			
The board is not reluctant to challenge ideas of management or others.			
The board is team-oriented and comprised of team players.			
The board uses excellent decision-making techniques.			
The board understands healthcare issues, challenges, and impacts.			
Board members are leaders who know how to encourage innovation and welcome organizational change.			
The board confronts barriers to organizational transformation and innovation.			
The board deals efficiently and effectively with unplanned change.			
The board focuses on vision and outcomes versus programs and actions.			
Board members are open to alternative views and challenge conventional wisdom.			
Board members think in terms of the future and can envision various scenarios and their implications.			

	We Do This Well Now	We Need to Focus on This	Plan for Improvement Goals and Objectives/ Tasks— Timelines
<b>Board Culture</b>			
Board members demonstrate a clear understanding of the board's roles and responsibilities.			
Meetings are held at the right frequency for the board to fulfill its duties and responsibilities.			
The board's culture allows for active participation, candid communication, and rigorous decision making.			
The board engages in constructive dialogue with management.			
Board members respect the distinction between the role of the board vs. management and avoid getting into operational matters.			
Board members voice opinions/concerns regardless of how sensitive the matter may be.			
The board sets appropriate short- and long-term goals for management and clinical leaders in order to successfully implement the strategic plan.			
The board is able to inform and engage all stakeholders to gain buy-in and sustain organizational change/transformation.			
The board, management, medical staff, and nursing staff are aligned in pursuing the organization's strategic goals and vision.			
<b>CEO Evaluation</b>			
The board has comprehensive, clear criteria for CEO evaluation.			
The board and CEO agree on scope, purpose, and how evaluation is tied to compensation.			
The evaluation has specific performance goals related to strategic success.			
The evaluation process works effectively to attract/retain quality leadership.			
<b>Board Membership and Selection</b>			
The board selects new director candidates from a pool that reflects a broad range of diversity and competencies (e.g., race, gender, background, skills, and experience), matched with strategic needs of the organization.			
Each member has an expertise profile.			
The selection process ensures diverse, well-qualified, and dedicated people.			
Recruitment needs are based on future board needs (at least three years in the future).			
The board has evaluated whether term limits do or would work well for its overall performance.			

	We Do This Well Now	We Need to Focus on This	Plan for Improvement Goals and Objectives/ Tasks— Timelines
<b>Strategic Decision Making</b>			
Board meeting agendas match strategic issues and priorities.			
The board devotes more than half of its time to strategic and policy issues; it generates key insights and wisdom versus simply gathering information.			
Board discussion is future-oriented.			
Management provides the board with well thought-out options and alternatives.			
The board provides strategic guidance to management.			
The board continually scans the environment for meaningful change that is critical to the organization.			
The board anticipates market needs rather than reacts to them.			
The board strategically invests in new core competencies.			
The board can rapidly modify strategic direction as circumstances change.			
<b>Stakeholder Relationships</b>			
The board understands key stakeholders' perceptions.			
The board develops <i>new</i> responses to community needs.			
The board has clearly defined the organization's value/ brand, and has committed to exceeding expectations and enhancing stakeholder satisfaction.			
The board knows how to build collaborative relationships.			
The board understands and develops effective responses to the interest and needs of patients and customers.			
The board has an active advocacy program to ensure that civic, state, and federal leaders understand key healthcare issues as these issues relate to their constituencies.			
The board has defined what success will look like as a result of governance and organizational change.			
<b>Board Education and Orientation</b>			
The board has a written policy and budget for education and development.			
New directors receive a thorough orientation.			
The board has an active ongoing education program tied to strategic challenges.			
The board has a peer-to-peer mentoring program.			
Board meetings typically include an education component, timed appropriately for upcoming important decisions.			
The governance development process is responsible for merging governance issues, education, and self-assessment.			



# *Appendix 3: Sample Board Development Plan III: Board Practices*

	We Do This Well Now	We Need to Focus on This	Plan for Improvement Goals and Objectives/ Tasks— Timelines
<b>Duty of Care</b>			
The board requires that new board members receive education on their fiduciary duties.			
The board regularly reviews policies that specify the board's major oversight responsibilities at least every two years.			
The board reviews financial feasibility of projects before approving them.			
The board considers whether new projects adhere to the organization's strategic plan before approving them.			
The board receives important background materials at least one week in advance of meetings.			
The board has specified minimum meeting attendance requirements in a written policy.			
The board ensures effective committee structure by updating committee charters annually.			
The board oversees (but doesn't "rehash") board committee work.			
The board secures expert, professional advice before making major financial and/or strategic decisions (e.g., financial, legal, facility, other consultants, etc.).			
<b>Duty of Loyalty</b>			
The board has adopted a conflict-of-interest policy that, at a minimum, complies with the most recent IRS definition of conflict of interest.			
The board's conflict-of-interest policy contains "disabling guidelines" that define specific criteria for when a director's material conflict of interest is so great that the director should no longer serve on the board.			
The board has adopted a specific definition, with measurable standards, of an "independent director" that, at a minimum, complies with the most recent IRS definition of an "independent director."			
Board members complete a conflict-of-interest disclosure statement annually.			
The board assesses the adequacy of its conflict-of-interest statement at least every two years.			
The board enforces a written policy on confidentiality that requires board members to refrain from disclosing confidential board matters to non-board members.			

	We Do This Well Now	We Need to Focus on This	Plan for Improvement Goals and Objectives/ Tasks— Timelines
The board enforces a written policy that states that deliberate violations of conflict of interest/confidentiality constitute grounds for removal from the board.			
The board's enforcement of the organization's conflict-of-interest/confidentiality policy is uniformly applied across all members of the board.			
The board ensures that the federal Form 990 information filed with the IRS meets the highest standards for completeness and accuracy.			
<b>Duty of Obedience</b>			
The board oversees a formal assessment at least every two years to ensure fulfillment of the organization's mission.			
The board ensures that the organization's written mission statement correctly articulates its fundamental purpose.			
The board rejects proposals that put the organization's mission at risk.			
The board has approved a "code of conduct" policies/ procedures document that provides ethical requirements for board members, employees, and practicing physicians.			
The board seeks independent (i.e., third party) expert advice/information on industry comparables before approving executive compensation.			
The full board reviews and approves all elements of executive compensation to ensure compliance with statutory/regulatory requirements.			
The board has delegated its executive compensation oversight function to a group (e.g., committee, ad hoc group, task force, etc.) composed solely of independent directors of the board.			
The board has a written policy outlining the organization's approach to physician competition/ conflict of interest.			
The board has approved a compliance plan that includes monitoring of arrangements with physicians (e.g., employment, contracting, medical directorships, etc.) to ensure adherence to current laws/regulations.			
The board routinely receives reports from management about the organization's corporate compliance program (e.g., systems for detecting, reporting, and addressing potential violations of law or payment regulations, etc.).			
The board has approved a "whistleblower" policy that specifies the following: the manner by which the organization handles employee complaints and allows employees to report in confidence any suspected misappropriation of charitable assets.			
The board has adopted a policy or policies on community benefit that includes all of the following characteristics: a statement of its commitment, a process for board oversight, a definition of community benefit, a methodology for measuring community benefit, measurable goals for the organization, a financial assistance policy, and commitment to communicate transparently with the public.			

	We Do This Well Now	We Need to Focus on This	Plan for Improvement Goals and Objectives/ Tasks— Timelines
<b>Financial Oversight</b>			
The board approves the organization’s capital and financial plans.			
The board reviews information at least quarterly on the organization’s financial performance against plans.			
The board demands corrective actions in response to under-performance on capital and financial plans.			
The board requires that the organization’s strategic and financial plans are aligned.			
The board understands its options with respect to acquiring debt and, if applicable, participates in the bond issuance process.			
The board monitors the organization’s debt obligations and investment portfolio.			
Board members responsible for audit oversight meet with external auditors, without management, at least annually.			
The board has a written external audit policy that makes the board responsible for approving the auditor as well as approving the process for audit oversight.			
The board has created a separate audit committee (or another committee or subcommittee specific to audit oversight) to oversee the external and internal audit functions.			
The board has adopted a policy that specifies that the audit committee (or other committee/subcommittee whose primary responsibility is audit oversight) must be composed entirely of independent persons.			
The board has adopted a policy on financial assistance for the poor and uninsured that adheres to the mission and complies with federal and state requirements.			
<b>Quality Oversight</b>			
The board reviews quality performance measures (using dashboards, balanced scorecards, run charts, or some other standard mechanism for board-level reporting) at least quarterly to identify needs for corrective action.			
The board requires major new hospital clinical programs or services to meet quality-related performance criteria (e.g., volume requirements, effective staffing levels, accreditation, etc.).			
The board includes objective measures for the achievement of clinical improvement and/or patient safety goals as part of the CEO’s performance evaluation.			
The board participates in the development of and/or approval of explicit criteria to guide medical staff recommendations for physician appointments, reappointments, and clinical privileges.			

	We Do This Well Now	We Need to Focus on This	Plan for Improvement Goals and Objectives/ Tasks— Timelines
Both the board and the medical staff are at least as involved or more involved than management in setting the agenda for the board's discussion surrounding quality.			
The board devotes a significant amount of time on its board meeting agenda to quality issues/discussion (at most board meetings).			
The board requires management to base at least some of the organization's quality goals on the "theoretical ideal" (e.g., zero central line infections, zero sepsis, and so forth).			
The board reviews its quality performance by comparing its current performance to its own historical performance.			
The board has a standing quality committee.			
The board reviews patient satisfaction/patient experience scores at least annually.			
The board participates at least annually in education regarding issues related to its responsibility for quality of care in the organization.			
The board has adopted a policy that requires the organization to report its quality/safety performance to the general public.			
The board is willing to challenge recommendations of the medical executive committee(s) regarding physician appointment or reappointment to the medical staff.			
<b>Setting Strategic Direction</b>			
The full board actively participates in establishing the organization's strategic direction such as creating a longer-range vision, setting priorities, and developing/ approving the strategic plan.			
The board is engaged in ongoing education about the critical strategic issues challenging the organization.			
The board requires that all plans in the organization (e.g., financial, capital, operational, quality improvement) be aligned with the organization's overall strategic plan/direction.			
The board evaluates proposed new programs or services on factors such as financial feasibility, market potential, impact on quality and patient safety, and so forth.			
The board discusses the needs of all key stakeholders when setting strategic direction for the organization (i.e., patients, physicians, employees, and the community).			
The board considers how the organization's strategic plan addresses community health status/needs before approving the plan.			
The board requires that major strategic projects specify both measurable criteria for success and who is responsible for implementation.			

	We Do This Well Now	We Need to Focus on This	Plan for Improvement Goals and Objectives/ Tasks— Timelines
The board sets annual goals for board and committee performance that support the organization’s strategic plan/direction.			
The board spends more than half of its meeting time during most board meetings discussing strategic issues as opposed to hearing reports.			
The board has adopted policies and procedures that define how strategic plans are developed and updated (e.g., who is to be involved, timeframes, and the role of the board, management, physicians, and staff).			
The board requires management to have an up-to-date medical staff development plan that identifies the organization’s needs for ongoing physician availability.			
The board has established policies regarding payment to physicians for hospital support (e.g., physician employment, financial support for physician recruitment, payment for ED call, etc.).			
The board reviews an up-to-date community health needs assessment at least every two years to understand health issues of the communities served.			
<b>Self-Assessment and Development</b>			
The board engages in a formal process to evaluate its own performance at least every two years.			
The board uses the results from the process to establish board performance improvement goals.			
The board uses a formal orientation program for new board members.			
The board ensures that board members receive support for ongoing board member education.			
The board assesses the organization’s bylaws/ structures at least every three years.			
The board uses competency-based criteria when selecting new board members.			
The board uses a formal process to evaluate the performance of individual board members.			
The board has established performance requirements for board member reappointment.			
The board has a mentoring program for new board members.			
The board uses an explicit process of board leadership succession planning to recruit, develop, and choose future board officers and committee chairs.			



	We Do This Well Now	We Need to Focus on This	Plan for Improvement Goals and Objectives/ Tasks— Timelines
<b>Management Oversight</b>			
The board follows a formal process for evaluating the CEO's performance.			
The board and CEO mutually agree on the CEO's written performance goals prior to the evaluation.			
The board requires that the CEO's compensation package is based, in part, on the CEO performance evaluation.			
The board requires that CEO compensation be determined with due consideration given to a benchmark review of CEO compensation in comparable organizations.			
The board requires that the CEO maintain a written, current succession plan.			
The board convenes executive sessions periodically without the CEO in attendance to discuss CEO performance.			
<b>Advocacy</b>			
The board uses the ability to advocate to legislators, the community, or prospective donors on behalf of the organization as a criterion in the selection process of new board members.			
The board identifies legislative goals/public policy advocacy priorities for board members at least every two years.			
The board reviews a survey of community perceptions of the organization at least every three years.			
The board assists the organization in communicating with key external stakeholders (e.g., community leaders, potential donors).			
The board actively supports the organization's fund development program (e.g., board members give according to their abilities, identify potential donors, participate in solicitations, serve on fund development committees).			
The board has a written policy establishing the board's role in fund development and/or philanthropy.			
The board expects individual board members to engage in advocacy efforts with legislators.			
The board has adopted a policy regarding information transparency, explaining to the public in understandable terms its performance on measures of quality, safety, pricing, and customer service.			
The board requires that management annually report community benefit value to the general public (i.e., the community).			