



Governing with Purpose

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Do you have the exact right members on your board? Did you specifically identify and recruit board members with optimal profiles that best suit the needs of your board? How do you know? If the makeup of the board was not carefully planned out, then your board is not functioning at its optimal level.

When recruiting a CEO, an effective board will outline exactly what they are looking for in this new leader. That eventual selection will most often be the result of a detailed process encompassing the following:

- Establishment of a strategic plan based on an organization's vision, mission, and value proposition
- Creation of a CEO job description to meet the board's criteria for an ideal leader, based on the organization's strategic plan
- Thorough recruiting and interviewing of candidates who most closely align with the organization's recruiting goals
- Creation of a succession planning process to sustain organizational direction

While this strategy seems self-evident for CEO recruiting, most governing boards do not take advantage of the opportunity to create a similar process for selection and succession of members of their own board. This is unfortunate as selection of board members is at least as crucial to the long-term success of the organization as who is chosen as CEO.

The following is an approach I've found to be effective in ensuring a higher confidence of board member selection to help promote long-term success.

Skills Matrix

Similar to a CEO, prospective board members must meet a critical set of criteria based on

organizational vision, mission, and values, and serve to guide the organization toward the outcomes mandated in its strategic plan.

To accomplish this, the board—as a part of the regular strategic planning process—must identify the key characteristics that will lead to the organization's success. For example, assume that after creating the strategic plan, the board then followed a process to outline the skills it collectively needs to best implement the plan. Let's say the board identified these six characteristics that it believed to be crucial to the success of the organization:¹

- **Medical knowledge:** A good understanding of the medical profession specifically and the industry in general
- **Corporate board experience:** In an industry becoming increasingly "corporate" in its function, an understanding of the process of corporate governance and how good governance works
- **Merger and acquisition experience:** Given the transition of healthcare from "Curve 1" to "Curve 2"—or volume to value—a general knowledge of M&A activity
- **Human resources acumen:** Awareness of the fact that it is the employees and relationships with them that drive an organization
- **Insurance/payer experience:** An understanding of the payer world is essential in the volume-to-value industry shift
- **Population health expertise:** Beyond medical or payer knowledge, an understanding of how to best care for the populations the organization serves

¹ It is crucial to understand that these are examples only, and any board that follows a process to create a strategic vision will also be able to create its own characteristics for a skills matrix.

Having outlined the characteristics for success, the board can then create a matrix, summarizing the background of each board member (see **Exhibit 1** on the following page).²

Reading the Matrix

Such a matrix, part of the strategic planning process, provides a good visual understanding of what's needed to ensure that the right people are on the board at exactly the right time.

Understanding the matrix requires filling it out horizontally, but reading it vertically, with each board member filling out a summary of their experience listing their background in each area.

In this example, Board Member 1 has strong experience in medicine and population health (as evidenced by the green color), adequate payer background (as evidenced by the yellow color), and less than adequate background for the board's purpose in governance, M&A, and human resources.

Of course, this is neither positive nor negative. Since a board needs a varied background, some members will have experience in one area, and other members will have experience in other areas. The important part of this is to have each board member fill out their experience openly and honestly so the board can scan the matrix to see areas where they could use extra help. In Exhibit 1, it's clear the board could use added experience in corporate governance and M&A, while it is well covered in human resources.

The result, of course, is that a board can quickly determine their need during the next phase of recruiting members. In helping boards through this process many times, I

² For purposes of this article, I have listed only seven board members. However, a better board size is between nine and 15 members, according to the specific needs of the organization. The point of this "skills matrix" is to show the process that is required to generate such a document. Each organization will need to complete its own specific "skills matrix" in a diagram that includes each of its board members.

have found this to be a crucial tool in the succession planning process. Since it will also be a result of the strategic planning process, the matrix is fluid and continually relevant to board succession planning.

A few summary notes for any board working through this process:

- **This can be a meaningful part of your board succession planning.** While it is crucial for a board to know and understand the succession planning process for its CEO and the entire senior executive team, it is no less important for the board to know and understand its own succession planning.
- **Term limits are important for any board.** There are different processes that work best for different boards, but the concept of term limits is important. Without term limits, the board becomes about the members, and not the organization. To that end, when board members are evaluated for a second or third term, before the term limits take effect there should still be a critical evaluation on whether or not that board member brings the background needed for the board. Any good board will periodically refrain from renewing a board member for a second term or third term—not necessarily because they are functioning poorly, but since the board came to the conclusion that it needs other experience based on skills matrix development.
- **Elected boards do not fit into this process.** Because anyone can run for an elected board on any platform, this process does not work. Consequently, the ability of a hospital or health system with an elected board to meaningfully plan for their board membership is limited, if not eliminated. While I have seen a very small number of hospitals make an elected board work for an extended period of time, the odds of a successful organization in the long run is almost zero. If you are on an elected board and don't need the tax money to maintain your existence, I strongly encourage evaluating how to change the governance structure of your hospital.

Exhibit 1: Board Skills Matrix

	MEDICAL BACKGROUND	CORPORATE BOARD EXPERIENCE	MERGERS & ACQUISITIONS	HUMAN RESOURCES	INSURANCE BACKGROUND	POPULATION HEALTH
BOARD MEMBER 1	Green	Red	Red	Red	Yellow	Green
BOARD MEMBER 2	Red	Green	Green	Green	Red	Red
BOARD MEMBER 3	Red	Red	Red	Green	Red	Red
BOARD MEMBER 4	Yellow	Red	Red	Red	Green	Green
BOARD MEMBER 5	Red	Red	Red	Green	Green	Yellow
BOARD MEMBER 6	Green	Red	Red	Yellow	Red	Green
BOARD MEMBER 7	Red	Green	Green	Yellow	Red	Red

Summary

Using a process to ensure the succession planning of the board will distinguish who you are and how you respond to healthcare reform

and improve the value of care delivered to the populations you serve. This visual representation is one small part of a large process to ensure short- and long-term board functionality, but crucial nevertheless.

The Governance Institute thanks Rulon F. Stacey, Ph.D., FACHE, Managing Director in the Healthcare Practice of Navigant Consulting, for contributing this article. He also currently serves as Chair of the Malcolm Baldrige National Quality Award Board of Overseers and Chair of the International Hospital Federation CEO Circle. He can be reached at rulon.stacey@navigant.com.

