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# Governance Notes

A Quarterly Summary of News, Resources, and Events for Governance Support Professionals



## Welcome to The Governance Institute's *Governance Notes*!

This newsletter provides governance support professionals with information and expert opinions in the area of hospital and health system governance and gives updates on services and events at The Governance Institute.

### News, Articles, and Updates

#### Board Member Orientation: *Preparing New Directors for a Challenging Role*

As directors join the board, it is essential that they have a comprehensive orientation that successfully prepares them for their new role. Being a board member is a tough job in today's ever-changing healthcare industry. The business model is completely transforming, making boardroom decisions more difficult than ever before. To make things even more challenging, many new board members come from other industries and have not dealt with the dynamic issues hospitals face. In order for directors to have a successful start, it is critical that they receive the training they need in order to be an effective member of the board and help lead the organization in the right direction.

Orienting new board members should begin immediately after they are selected and before their first board meeting. You want to ensure that your newest members of the team are armed with the knowledge, tools, and most importantly, the motivation to make a difference as soon as possible. Hospitals and health systems approach this in various ways: a board retreat, a series of orientation sessions, and/or using a "buddy system." Generally it includes meeting with the board chair and CEO (as well as other members of senior management), a tour of the facilities, structured orientation sessions, and creating a plan for continuous education and mentoring, all spread over the first six to nine months of service.

#### Where to Begin

To start off, new board members need to understand the goals, structure, and pieces of the organization, as well as the current state of the industry—the level of detail during this process will depend on the new director's background and needs, as in most areas of orientation. Board

members should be made aware of the time commitment of the role. This will ensure that they understand the importance of attending meetings, preparing for meetings, and constantly being engaged.

The new board member needs to learn what makes the organization they are serving unique: its mission, vision, and values. Every decision the board makes should further the organization's mission and take into account the vision and values, so the board member should have a clear understanding of these and how they relate to his or her role. Most organizations create a welcome packet with board-specific information, including key contact information, the board calendar, meeting agendas, meeting minutes, job descriptions, organization and management structure charts, and an overview of committees and their functions.

Thoroughly review the board's articles of incorporation, bylaws, policies and procedures, and code of conduct with new directors. These documents can be long and cumbersome, so be sure to highlight those policies and bylaws with which the board member should be most familiar (such as the conflict-of-interest policy), and indicate those the board member can refer to later and on an as-needed basis

#### Addressing Board Responsibilities

Once new board members have a better idea of the organization and the healthcare industry, discuss their duties, roles, and responsibilities. Help new directors gain a strong understanding of the fundamental fiduciary duties of care, loyalty, and obedience. This part of the orientation should be given priority attention. Emphasize that these

are the board's *legally mandated* duties and they cover much more than protecting the financial health of the organization. All of these duties are equally important, so board members should understand that they need to excel at each one to have a successful board. A quick review of the fiduciary duties appears below.

**Fiduciary:** to hold something in trust for another; to assume responsibility or ownership of property to keep, use, or administer for another's benefit.

**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.

**Duty of loyalty:** requires board members to candidly discharge their duties in a manner designed to benefit only the corporate enterprise, not the individual interests of the board member. It incorporates the duty to disclose situations that may present a potential for conflict with the corporation's mission, refrain from discussing confidential board business with others, as well as a duty to avoid competition with the corporation.

**Duty of obedience:** requires board members to ensure that the organization's decisions and activities adhere to its fundamental purpose and charitable mission as stated in its articles of incorporation and bylaws.

During the orientation process, educate board members on the six key areas they are responsible for overseeing:

- **Financial oversight:** Review the key board decisions and actions under financial oversight, such as financial objectives relating to board goals and the organization's mission, developing budgets, and the annual auditing process. Review financial reports that the board receives, including the income statement, balance sheet, statement of sources and uses of cash, financial scorecard/dashboard report, and activity statistics.
- **Quality oversight:** Boards have ultimate responsibility for ensuring quality patient care. It is important to stress to the new board member that discussions on quality of care deserve equal weight as financial discussions on the board meeting agenda. Review quality

improvement initiatives your organization is currently involved in, recent sentinel events (if any) and how the board handled the situation (as well as what they are doing to ensure they do not occur in the future), CMS core measures and Joint Commission quality standards, the credentialing process and the board's role in credentialing, and the quality scorecard/dashboard report (with tutorial of how to read it).

- **Setting strategic direction:** Make the board member aware of how the strategic plan furthers the organization's mission and vision, and how it corresponds with the organization's values. Explain the strategic planning process and demonstrate how the new board member should be involved. Important items to include in this portion of the orientation are the organization's history of strategic planning (what has worked and what has not worked), external opportunities and threats, the organization's strengths and weaknesses, how the board tracks changes in the strategic plan/direction, and long-term vs. short-term planning.
- **Board self-assessment and development:** Go over his/her role in assessing the board's own performance, and be aware that the board is responsible for its own development, job design, discipline, and performance. Discuss the board self-assessment process, the board development plan, and board educational activities.
- **Management oversight:** Explain the leadership hierarchy of the organization and how the board fits into that. Boards must ensure high levels of executive management performance. Discuss the board's responsibility for recruiting and selecting the CEO, CEO performance evaluation, the board's responsibility in approving the CEO's and other top executives' compensation and benefits, and terminating the CEO, if the need arises.
- **Advocacy:** Advocacy is an increasingly integral part of the board's role. Advocacy is not limited to fundraising and philanthropy; it includes involvement in public policy initiatives, conducting community health needs assessments, and acting as an advocate for the organization and its stakeholders (employees, doctors, nurses, patients, and the community). Share with the new board member current activities in this area, the organization's advocacy goals, and any plans for future activities.

There should also be discussion about the difference between governance and management. It will be beneficial to explain this to board members early on since it is a continuous top of mind issue in the boardroom. Discuss the role of the board chair and CEO, as well as the distinction between board and management responsibilities. Explain the fine line between management and governance, being careful to provide clear examples of each and emphasizing that the board is responsible for oversight, while management is in charge of operations.

## Conducting the Orientation

Everyone structures their orientation program differently, but what generally works the best is to divide the process into multiple, shorter sessions that break the information down into manageable parts. The amount of information new board members review can be overwhelming if it is given to them all at once. The following is an example of how one might structure the orientation program, using a one-on-one or small-group discussion format in a series of manageable, one-hour sessions (although the last session might require more time).

### ***Sample Curriculum/Structure of an Orientation Program***

#### Session 1: Introduction to the Position and the Organization

- Mission, vision, and values
- Organization overview
- Industry overview
- Current projects in which the organization is involved (related to quality improvement, accreditation, facilities planning, strategic planning, joint ventures and physician relationships, philanthropic activities, community involvement, national award recognitions, and so forth)
- Q&A

#### Session 2: Board Administrative Issues

- Quick review of Session 1; address any further questions
- Governance structure (including board job descriptions and committee charters)
- Board packets
- Board meeting agendas, consent agendas, and how meetings are run
- Board bylaws, policies, and procedures
- Management vs. governance
- Q&A

#### Session 3: Board Duties, Roles, and Responsibilities

- Quick review of Session 2; address any further questions
- Fiduciary duties
- Conflicts of interest
- Core responsibilities
- Ask the tough questions
- Q&A

Make the orientation process thorough, timely, and efficient, so that new board members can quickly get up to speed and have the knowledge they need to be competent and confident in their role.

### **Ongoing Board Education**

To ensure learning doesn't stop with the last orientation session, provide plenty of handouts

and supporting materials for the new board member to refer to on his or her own, and an ongoing venue for the board member to ask questions. Many organizations have found it helpful to have a mentor program so that new board members have ongoing support. New directors are assigned a mentor for a year (or longer if needed) who is there to assist them with new terminology and concepts, acknowledge their

concerns, and answer questions they may not feel comfortable asking during a meeting.

It can also be helpful to check in on each new director's progress through the orientation process. Contact new directors midway through their first year to see if they have any questions or educational needs. Even after the first year, it is key to provide ongoing education activities. Hospitals and health systems are complex organizations, and it takes years for board members to know and understand how they function. By giving board members the opportunity to attend conferences and Webinars, holding organizational education sessions, keeping them up-to-date on healthcare news, and showing them where to access governance resources, they will be set up to succeed in their new role.

### **Orientation Resources**

The Governance Institute provides an array of resources that will support you in preparing board members for their new role and improving your current orientation process. Below are a few that we suggest.

[Board Orientation Manual, 3<sup>rd</sup> Edition](#) (Orientation Materials, Winter 2010)

[On Board!: An Orientation to Healthcare Governance](#) (DVDs/Video, 2010)

[Healthcare Acronyms & Terms for Boards and Medical Leaders](#) (General Publication, 2010)

[Building a Comprehensive Board Orientation Program](#) (Elements of Governance, Fall 2008)

[Individual Board Member Assessment](#) (Elements of Governance, Spring 2010)

[Board Mentoring](#) (Elements of Governance, Summer 2008)

[Power Steering: 99 Very Smart Things for Board to Do](#) (Orientation Materials, Winter 2009)

[Leadership Criteria for Physicians, Board Members, and Executives](#) (Governance Support Template, 2012)