Building a More Diverse Board

A Toolbook for Healthcare Boards and Executives

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The Governance Institute

The Governance Institute provides trusted, independent information, resources, tools, and solutions to board members, healthcare executives, and physician leaders in support of their efforts to lead and govern their organizations.

The Governance Institute is a membership organization serving not-for-profit hospital and health system boards of directors, executives, and physician leadership. Membership services are provided through research and publications, conferences, and advisory services. In addition to its membership services, The Governance Institute conducts research studies, tracks healthcare industry trends, and showcases governance practices of leading healthcare boards across the country.

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The Need for Greater Board Diversity

Hospitals and health systems in the U.S. are dealing with a changing workforce and customer base, with rapid increases in racial and ethnic minority populations. By 2050, no single racial or ethnic group will comprise a majority of the U.S. population.[1] Faced with this reality, a growing consensus has developed on the need for greater diversity in the composition of the governing boards of these organizations. As a recent report concluded, "the ability of healthcare leaders to manage and meet the needs of an increasingly diverse workforce will be critical, and an organization that truly embraces diversity in its leadership ranks will have a sustainable competitive advantage among its peers."[2] In addition, directors who understand the cultures, issues, and needs of patient populations can provide deeper insight and make better decisions about how to serve their communities.[3]

The call for greater diversity is hardly unique to healthcare. As the National Association for Corporate Directors notes in its *Diversity Guide for Corporate Directors*: "In light of new global trends and business imperatives, the need for diversity of experience, background, and perspective has become an important board mandate. Boards have a responsibility to prepare for the future of their organizations and to take the strategic actions necessary to meet shifting stakeholder demands and adapt to the rapidly changing environment in which their companies compete."[4] Similarly, a review of the boards of Fortune 250 companies (which included in-depth interviews with directors from 100 of these companies) concluded the following:[5]

- A wide range of perspectives, not merely token representation, is critical to effective corporate governance.
- Diversity is essential as boards navigate the complex and dynamic issues their organizations now face.
- Boards become more appreciative of, and greater advocates for, diversity as they have more direct beneficial experiences with it.
- A diverse board allows the group to better anticipate and consider the concerns and perspectives of all key constituencies, including not only shareholders, but also customers and employees.
- A robust dialogue of differing views helps a board keep pace with changing dynamics.

Board Questions for Consideration

Drawn from multiple sources, the following represents a composite list of questions that boards should consider related to building a more diverse board and leveraging the benefits of that diversity:

- Does our board's membership reflect the communities we serve? What could the board do differently to address the needs of communities of color?[6]
- Does the board consider issues relating to race and ethnicity when it sets policies and makes decisions for the organization?[7]
- What does diversity mean to our board and organization? Have we taken a formal position on the issue of board diversity?[8]
- What should the board look like in the future? What skills, experiences, contacts, and professional/personal backgrounds will be most helpful to the organization?[9]
- What steps has our board taken to increase the diversity of its membership? How do we measure progress in this area?[10]
- What is the board's current "culture"? What is a new board member's impression of the organization? Is it welcoming to individuals of diverse backgrounds? Are people of color comfortable serving on the board? If not, what could the board do differently to be more inclusive and welcoming?[11]

The benefits of board diversity are multi-faceted. Across industries, these benefits include more effective decision making, better utilization of the talent pool, an enhanced reputation, and better stakeholder relations.[12] Within the healthcare arena, more diverse boards report richer and more deeply informed discussions and fewer missteps in implementing new programs and services.[13] Board members from different groups, communities, and backgrounds can help boards better understand root causes behind health disparities and social determinants of health, both increasing areas of concern and needed action on the part of healthcare organizations. In fact, a 2011 Witt/Kieffer survey found that 57 percent of healthcare organizations committed to board diversity reported better board decision-making and care outcomes.[14]

1   C. F. Dye and B. D. Lee BD, *Ethnic and Gender Diversity: The Healthcare Leader's Guide to Actions, Awareness, and Perception,* Health Administration Press, 2018.
2   *Ibid.*
3   M. K. Totten, "Governing for Diverse Communities," *Trustee,* July/August 2015.
4   National Association of Corporate Directors (NACD), *Diversity Discussion Guide for Directors,* 2015.
5   Russell Reynolds Associates, *Different is Better: Why Diversity Matters in the Boardroom* (http://bit.ly/2yxxTjN).
6   *Ibid.*
7   *Ibid.*
8   *Ibid.*
9   National Council of Nonprofits, *Diversity on Nonprofit Boards* (www.councilofnonprofits.org/tools-resources/diversity-nonprofit-boards).
10 *Ibid.*
11 K. Pease, *Inclusiveness at Work: How to Build Inclusive Nonprofit Organizations,* Denver Foundation, January 2005.
12 Association of Chartered Certified Accountants (ACCA), *Diversifying the Board – A Step Towards Better Governance* (http://bit.ly/2AnRJiJ).
13 Totten, 2015.
14 *Ibid.*

Thus, we believe that board diversity efforts should focus first and foremost on increasing ethnic and gender diversity, but must also encompass the need to increase diversity related to age, socio-economic background, and skills. This toolbook arms hospital and health system boards with the information they need to increase board diversity and, by extension, build a better board. It includes case examples where appropriate. In addition, read the accompanying case study on Main Line Health.

A Useful Resource

The Denver Foundation's publication, *Inclusiveness at Work: How to Build Inclusive Nonprofit Organizations*, contains a chapter focused on how non-profit organizations can and should build more inclusive, diverse boards. This chapter, which provides practical guidance and useful tools, is available free of charge at http://bit.ly/2O58Ppu.

Limited Progress to Date

While the benefits of greater board diversity have been established, progress in achieving it remains a work in progress among U.S. organizations inside and outside of the healthcare arena. Within healthcare, a recent Governance Institute survey found that the typical hospital/health system board has roughly 12 members, including three women and one ethnic minority. Almost all of these boards (98 percent) have at least one female member, but only about half (52 percent) have at least one ethnic minority.[15] Data from earlier periods confirm the same story. Between 2011 and 2014, the racial, ethnic, and gender diversity of healthcare boards remained roughly the same.[16] In fact, there has been only a modest change toward greater diversity over the past decade.[17]

Efforts to recruit younger board members have also met with only limited success. According to the same Governance Institute survey, the median board member age is 58, down by roughly a year since 2015.[18] Data from the 2011–2014 period suggests that the number of board members age 50 and older actually increased.[19] Recruiting younger talent to the board is becoming more difficult for many reasons, including more dual-income families struggling to balance family and workplace demands.[20] But part of the problem may be an unwillingness of boards to force the issue; in the most recent Governance Institute survey, only 4.6 percent of boards have set an age limit for board members (down from 7.6 percent in 2015).[21]

The problem, moreover, extends beyond the boardroom to include the senior leadership ranks within hospitals and health systems. Despite growing numbers of female and minority ranks, these groups are still underrepresented, report receiving lower compensation, and too often feel their careers have been negatively affected by discrimination.[22]

The problem is not limited to healthcare, but rather extends throughout the U.S. business community.

For example, a global study of gender diversity in the boardroom found that, while progress is being made in many parts of the world, the U.S. lags significantly behind. Between 2012 and 2016, the U.S. remained nearly stagnant in terms of female board representation, with only 1 percent growth annually. The typical U.S. corporate board has 2.1 female representatives, far short of the "tipping point" of three women per board. The rest of the world seems to be doing a better job, with 1.6 percent annual growth in female representation on boards, and with Canada, South Africa, and several European nations already having reached the tipping point.[23]

The Risks of Inaction

The failure to focus on board and senior leadership diversity can have substantial consequences, as evidenced by the story of a small suburban hospital that had a board and senior leadership team dominated by white males. This lack of diversity did not seem to matter for the many years that the organization served a predominantly Caucasian population. But beginning several years ago, despite the organization's success in building high-end services and a positive reputation in the community, staff turnover began rising, with rates approaching 35 percent annually. Exit interviews suggested that employees felt the organization and its leadership did not value diversity (despite public proclamations to the contrary). An outside consultant found that the organization had been neglecting the fact that its patient population had changed dramatically, including a large increase in Hispanic patients. The hospital had no bilingual directional signs and offered limited access to interpreter services. It had few minority or female leaders among middle management ranks, and none among senior management. In short, leadership may have been paying "lip service" to valuing diversity but had taken no concrete actions to demonstrate that commitment.[24]

15 K. C. Peisert and K. Wagner, *The Governance Evolution: Meeting New Industry Demands,* 2017 Biennial Survey of Hospitals and Healthcare Systems, The Governance Institute, 2017.
16 Totten, 2015.
17 Peisert and Wagner, 2017.
18 *Ibid.*
19 Totten, 2017.
20 S. P. Murphy and K. C. Peisert, *Board Recruitment—An Intentional Governance Guide: Trends, Tips, and Tools,* The Governance Institute, Spring 2015.
21 Peisert and Wagner, 2017.
22 Dye and Lee, 2018.
23 EgonZehnder, *2016 Global Board Diversity Analysis* (http://bit.ly/2yxdawC).
24 Dye and Lee, 2018.

Strategies and Tactics to Close the Gap

This section details strategies and tactics that can help the boards of hospitals and health systems in their efforts both to increase board diversity and to realize the benefits of that increased diversity.

Make the Case for Greater Diversity to the Board

No board will ever become more diverse unless its members understand and accept the need to do so. Hence the first step is for the board to have an open, thoughtful discussion about the benefits of having a more diverse board, including what opportunities may be missed due to being too homogeneous. Such discussions may raise personal awareness and create some levels of discomfort.[25]

Make Greater Board Diversity an Explicit Aim

Assuming that the full board understands and accepts the need to become more diverse, the next step is to explicitly commit to doing so. In many cases this process involves:
- Development of a compelling "case statement" or diversity "vision statement" that includes a definition of inclusiveness/diversity, data about the local community, and a description of what the board will look and feel like when it has become inclusive and diverse.[26]
- More generally, board nominating committees should consider the development of formal recruitment policies related to diversity.[27]

For example, CHRISTUS Health in Irving, Texas, developed a broad definition of what diversity means for its board, noting that it seeks board members "without regard to color, creed, gender, orientation, disability, age, or national origin."[28] Similarly, Main Line Health in Pennsylvania adopted diversity and inclusion as one of the organization's core values, while Saddleback Memorial Medical Center in California made diversity in governance an explicit board goal.[29]

Set Directional Goals (Not Quotas) and Continually Monitor Progress Toward Them

Most experts advise against explicit, deadline-imposed quotas related to the number and mix of minority board members, particularly because such quotas can lead to decisions to recruit individuals who may not have the skills and experience the board should be looking for in filling a vacancy. As with any recruiting process, the primary focus should be on ensuring that anyone who comes on the board will do the job well, and fulfills a key need for skills that the board may not currently have or may need more of.[30] That said, organizations can:
- Develop a set of "directional" goals related to diversity that lay out a long-term vision of what the board should look like.[31] In most cases, these goals call for a board composition that looks very much like the communities that the organization serves.
- Boards should regularly monitor progress toward directional goals, generally on a quarterly basis.[32]

For example, Main Line Health in Pennsylvania conducted an analysis of the demographic make-up of the communities and patient populations it serves, and then set the goal of reshaping the board over the long term to reflect that make-up. For practical purposes, this analysis led to an explicit commitment to recruit more female, African American, Hispanic, and Asian board members.[33] Similarly, each year the CHRISTUS Health board sets and tracks progress toward diversity and inclusion goals for all boards within the health system, with broad goals set based on the populations served. These goals relate to board member gender, faith affiliation, and race/ethnicity.[34]

Don't Stop: Constantly Reassess Goals

Diversifying the board isn't a one-time proposition. It requires ongoing effort and monitoring, including being aware of—and making sure the board's make-up reflects—changes in the communities being served.[35]

Create a Formal Plan and Process

Countless organizations talk about expanding board diversity, and perhaps communicate openly to the public about the importance of expanding diversity, but relatively few create concrete plans for doing so. For example, 74 percent of CEOs of non-profit organizations (not limited to healthcare organizations) report that their boards have discussed the importance of expanding

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25 V. Walker, "Beyond Political Correctness: Building a Diverse and Inclusive Board," *BoardSource,* April 5, 2017.
26 Walker, 2017.
27 ACCA, *Diversifying the Board.*
28 Totten, 2015.
29 *Ibid.*
30 Walker, 2017.
31 National Council of Nonprofits, *Diversity on Nonprofit Boards.*
32 Walker, 2017.
33 Interview with Jack Lynch, CEO of Main Line Health, conducted June 27, 2018.
34 Totten, 2015.
35 *Ibid.*

board diversity, but only 19 percent have created an action plan for doing so.[36] Within the healthcare arena, nearly two thirds (63 percent) of respondents to a Governance Institute survey believe it is important to recruit younger directors to the board, but many of these same individuals acknowledge that success will require the board to change how it currently recruits new members.[37]

The key to success is to create a formal process for finding qualified minority and younger candidates that leverages existing structures and processes, including the board nominating committee. As a recent article concluded, "Organizations that have been most successful in creating a multicultural environment have made diversity a key organizational priority that involves the entire executive team, starting with the CEO."[38] These organizations highlight celebrating diversity (including explicitly celebrating various cultures) and grow diverse talent through explicit strategies designed to create a pipeline of talented individuals from various backgrounds.[39]

> "The key to success is to create a formal process for finding qualified minority and younger candidates that leverages existing structures and processes, including the board nominating committee."

Some organizations have a board subcommittee dedicated to diversity enhancement, while others designate a chief diversity officer to oversee diversity-related strategic goals.[40] Rather than following an explicit structure or approach, the key to success lies primarily in simply having an intentional, formal plan and process in place.

For example, Saddleback Memorial Medical Center created a formal process to find diverse candidates through the following actions:
• Having the nominating committee determine the diverse competencies and backgrounds that the board needed (which were shared with the full board)
• Charging a board member passionate about diversity to head up the nominating committee (and hence make sure that diversity played an important role in recruitment and selection processes)

• Opening up the candidate identification process to all board members (not just the nominating committee)[41]

Similarly, CHRISTUS Health has each of its regional boards submit a slate of candidates to the system board governance committee. If the slate does not reflect local market needs and goals, it is sent back to the regional board to identify new candidates.[42]

Go Beyond Traditional Sources to Find Qualified Candidates

As noted earlier, the board must identify the desired skills, knowledge, and expertise for new board members, and then find a diverse set of candidates with those competencies.[43] Success is unlikely if boards use the traditional approach of calling for volunteers and having members tap into their usual networks; not surprisingly, this approach tends to produce a group of candidates who look a lot like them. Instead, boards need to tap into local networks and organizations that represent and/or serve the various groups being sought after by the board. For example, Genesys Health's board routinely reaches out to community organizations to identify individuals who could bring greater cultural diversity to the board. Over an 18-month period, the board recruited 15 new board and committee members.[44] Consideration can also be given to using an executive search or recruiting firm that has ties to these organizations and communities.[45] Some organizations may also be able to provide lists of individuals from particular backgrounds who might be qualified and interested.

Look for Those with Ties to Organization or Market

Those without ties to the organization or the community are unlikely to join the board. If they do, they probably will not be very effective or last long. For this reason, Main Line Health ruled out the idea of going after executives with no personal ties to the organization or local market and those who work at companies that have no such ties. Rather, recruitment efforts focus on those with some connection to Main Line and/or the communities it serves (or the opportunity for such connections to develop). These ties can include being current or former patients (or having family members who are), living in the local market, having family in the local market, or conducting business in the local market. This approach has been very successful. For example, Main Line's CEO convinced a UPS executive (who lives outside the area)

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36 Walker, 2017.
37 Murphy and Peisert, 2015.
38 Dye and Lee, 2018.
39 Dye and Lee, 2018.
40 *Ibid.*
41 Totten, 2015.
42 *Ibid.*
43 *Ibid.*
44 E. Zablocki, *Genesys Board Transitions to a New Level to Prepare for Healthcare Change, Part One* (case study), The Governance Institute, December 2013.
45 Walker, 2017.

that she should join the board because UPS has a large employee base in the area. In addition, an Hispanic executive from WaWa (a local convenience store) agreed to join the board because both he and his company have strong ties to the local area.[46]

(or three people). Being the only minority on a board can result in feelings of isolationism.[50] A Wellesley College study focused on gender showed improved dynamics and governance advantages when three or more women were on the board.[51]

"A leader who pretends to embrace diversity in words but does not demonstrate this commitment in action will quickly have this disingenuousness exposed, which can be extremely harmful to an individual's career and equally disastrous for an organization."[47]

"Diversity for its own sake falls short of both the need and the opportunity…boards are beginning to realize that it is the breadth of perspective, not the mere inclusion of various diverse traits, that benefits the organization."[52]

Consider "Up and Comers"
In many cases, competition for female and minority board candidates can become quite intense, especially when trying to land those at the pinnacle of their careers. Yet often a substantial pool of developing talent—particularly women—may be available immediately below the C-suite level. Consequently, it might make sense to target younger individuals who may not yet be on everyone's radar. For example, Main Line Health recently recruited a younger partner from a local money management firm. An African American, this individual has been on the board for five years and currently chairs the board finance committee and sits on the board executive committee.[48]

Seek a Critical Mass (Avoid Tokenism)
Few individuals will want to be the only minority board member, seen as the "token" African American, Hispanic, Asian, or woman on the board. Rather, would-be candidates will research the current make-up of the board, and may not be amenable to recruitment outreach if they do not believe they will fit in or that the board is reflective of the communities being served.[49]

In addition, research suggests that boards will be better able to integrate new voices and perspectives if the diverse group makes up at least 30 percent of the group

Leverage Fixed Terms, Term Limits, and Mandatory Retirement Ages
Term limits and mandatory retirement create natural openings on the board, and in some cases force those who may no longer be engaged to leave the board.[53] In addition, fixed terms create the opportunity to consider the merits of board reappointments, even for those not yet term limited. For example, at the end of every member's three-year term, Genesys Health's board governance committee considers whether the board needs a new mix of members and considers that assessment when deciding whether to recommend reappointment.[54]

Develop a Formal "Onboarding" Process
Simply bringing on new board members from under-represented communities is not enough. These new board members must feel comfortable in the group and in expressing their opinions freely. At the same time, existing board members must feel comfortable working as part of a more diverse group. To that end, consideration should be given to incorporating training on diversity and inclusiveness into board meetings, and to whether the board would benefit from cultural competency training.[55] Boards need to establish a thoughtful orientation and onboarding process to introduce veteran board members to newcomers,

46 Interview with Jack Lynch, June 27, 2018.
47 Dye and Lee, 2018.
48 Interview with Jack Lynch, June 27, 2018.
49 Totten, 2015.
50 Walker, 2017.
51 Russell Reynolds Associates, *Different is Better: Why Diversity Matters in the Boardroom.*
52 *Ibid.*
53 J. Warner, "Increasing Inclusion," *The Changing Face of America and the Boardroom,* A Supplement to the NACD Directorship, November/December 2014.
54 Zablocki, 2013.
55 Walker, 2017.

and should establish mentoring relationships that can help bring a diverse group closer together.[56] The board nominating committee should be charged with paying attention to retention rates for diverse members and should conduct exit interviews with those that leave the board to identify potential problem areas for improvement. In addition, questions related to board diversity should be incorporated into board self-assessment surveys.[57]

"Building a diverse board is not the same as gaining value from it…determine what is required to fully leverage the power of the board's diversity and create value for the board and its stakeholders."[58]

Expect Some Turnover

As with any board recruit, new minority board members may not stay on the board. With proper screening (and a commitment to avoid tokenism), these individuals will very likely be effective and engaged trustees. But inevitably, some of these busy, sought-after individuals will not be able to fulfill their obligations. For example, Main Line Health lost one Hispanic board member (also a member of the LGBTQ community) because her job demanded so much travel that she could not serve effectively. Similarly, a female nurse had to leave the board because she was overcommitted and could not regularly make meetings.[59]

56 National Council of Nonprofits, *Diversity on Nonprofit Boards.*
57 Walker, 2017.
58 M. Hyter, J. C. Norris, and J. E. Stevenson, "Boards and Diversity: Don't Stop at Potential, Strive for Greatness," *The Changing Face of America and the Boardroom*, A Supplement to the NACD Directorship. November/December 2014.
59 Interview with Jack Lynch, June 27, 2018.

Examples of Success from
Use of These Strategies and Tactics

As described below, several organizations have used a combination of these strategies and tactics to meaningfully increase board diversity:

- Over a 10-year period, the board of Main Line Health moved from being composed of 25 Caucasians and one African American to having 22 Caucasians, three African Americans, one Hispanic, and one Asian-Pacific Islander. Over the same period, female representation grew from five to eight members. In addition, females and ethnic/racial minorities have taken over several leadership positions, including board chair and chairs of the board finance, governance, and executive committees.[60]

- At CHRISTUS, over a four-year period, the proportion of women on the system board increased from 10 to 40 percent, and the proportion of racially/ethnically diverse trustees rose from 10 to 35 percent.[61]

- At Saddleback Memorial Medical Center, the board added five diverse individuals with needed skills to the board over a two-year period.[62]

More important than quantitative measures of success, health systems that have increased board diversity report tangible improvements in board effectiveness and other benefits. For example, board members at CHRISTUS Health reported having more robust and meaningful discussions and making better decisions.[63] At Main Line Health, the most obvious benefit has been more robust, productive board discussions that in turn have led to better board decisions. Having a more diverse board has made it much easier to discuss and address issues related to racial and ethnic disparities in access to and quality of care. In addition, diversifying the board and senior management has assisted in recruiting and retaining qualified employees and physicians, particularly from minority communities. All these efforts, in turn, have helped Main Line attract more patients from minority communities.[64,65] ◼

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60 Interview with Jack Lynch, June 27, 2018.
61 Totten, 2015.
62 *Ibid.*
63 *Ibid.*
64 Interview with Jack Lynch, June 27, 2018.
65 Totten, 2015.