



Hospital Focus

Building a Younger, Diverse, and Agile Board

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As hospitals in the U.S. struggle to deliver equitable outcomes across ever-more heterogeneous populations, the diversity and agility of their governing boards are increasingly important factors in the quality and effectiveness of their plans. Diversity enables boards to bring forth richer sets of experiences and mindsets as they work to meet their communities' health needs. Diversity also contributes to agility—the board's ability to generate multiple paths forward when faced with technological, social, regulatory, and other developments that portend new challenges and opportunities. Before reviewing a critical first step to build a diverse board, let's explore diversity's importance, extra-organizational encouragements, and progress to date.

The Importance of Building a Diverse Board

Women and minorities are key constituents of hospitals' workforces and communities served. Board members who identify with such constituents bring a deep understanding of needs and are consequently well-equipped to develop strategies, plans, and investment priorities with keen awareness of what will be effective and, more important, accepted by the community.

In healthcare, the presence of women on boards is vitally important because women make

Key Board Takeaways

Hospital board members should ask the following questions and, if merited, devote time on the board agenda to discuss areas of concern:

- Is our board too large to be effective and efficient in executing our fiduciary responsibilities?
- Does the composition of our board reflect the diversity of experience and perspective needed to make wise and informed judgments in fulfillment of our mission?
- Does the rate of board member renewal allow us to seat new diverse members regularly?
- What types of diversity are most relevant to our board's ability to safeguard our mission and steward organizational resources?
- Does our board work proactively to identify potential new members who reflect the types of diversity needed?

up three-fourths of the healthcare workforce, make four of five family healthcare decisions, and are the primary in-home informal caregivers.¹ The need for minorities on boards is supported by the disparities in both care quality and access experienced by minority populations, particularly African-Americans and Latinos, as compared to non-minorities.² Such disparities remain even after considering education, income, insurance status, and other socioeconomic factors.³

1 Teresa Wang and Sarah Jacobson, [The State of Women in Healthcare: 2015](#), Rock Health.

2 Robert Pearl, ["Why Health Care Is Different if You're Black, Latino or Poor,"](#) *Forbes*, March 5, 2015.

3 Robert Wood Johnson Foundation, ["Reducing Disparities in the Quality of Care for Racial and Ethnic Minorities Improves Care,"](#) Quality Field Notes, Number 4, June 2014.

In addition to better representing their workforces and customers, diverse boards make better decisions as they "help their organizations avoid missteps in implementing new programs and services for patient populations."⁴ Because a diverse board is less prone to groupthink, its discussions are more generative and its decisions more richly informed than homogenous boards. Studies show that boards with a higher percentage of women directors perform better.⁵

Calls for Increased Board Diversity

Recognizing the benefits of diverse membership, the Alliance for Board Diversity (ABD) has worked since

4 Mary Totten, "Governing for Diverse Communities," *Trustee*, July/August 2015.

5 Wang and Jacobson, 2015.

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2004 to raise the percentage of women and minorities on corporate boards. Further, The Governance Institute's 2017 Biennial Survey of Hospitals and Healthcare Systems includes a special commentary prodding boards to "accelerate their initiatives to recruit, engage, and sustain participation from more diverse board members."⁶ Legislative remedies include California SB 826 requiring certain public companies to have at least one woman board member by 2020.

Progress on Board Diversity

Despite its recognized benefits and efforts to increase it, progress on board diversity has been slow. The U.S. has seen large shifts in its demographics in the past 25 years, but minority representation at the leadership level in hospital systems has not advanced significantly.⁷ Minorities constitute over one-third (39 percent) of the U.S. population, but nearly half (48 percent) of hospitals have no minorities on their boards.⁸ The picture for women on boards is not much brighter. While representing over half the population and far more than half of healthcare workers, women account for only one in five board members at Fortune 500 healthcare companies.⁹ Regarding younger board members, there was regression from 2005 to 2014, when

hospital board members under 50 years old declined from 29 percent to 21 percent.¹⁰ From 2015 to 2017, the average board member age declined slightly, but is still 58.¹¹

Character Traits Conducive to Diversity

In our experience, boards that have effectively refreshed themselves to become younger, diverse, and agile were those with a preponderance of members who demonstrate humility and courage. They had the attitude: "If someone else can bring greater diversity and competency, I'll step aside." This contrasts with boards whose members are hesitant to make room for new members. When no one is willing to step aside, it is difficult to increase diversity and agility as seating additional members may make the board cumbersome and waiting for natural attrition (if term limits are not in place or not appropriately staggered) may mean no openings for years. Also, courage and humility are needed by board members to subject themselves to peer review if that route is taken to assess members' effectiveness.

Creating Space on the Board for Diversity

Recommendations on how to increase board diversity abound. The Governance Institute's *Building a More Diverse Board* toolkit is

among many helpful resources.¹² However, too often inadequate attention is paid to a critical first step toward board diversity—opening space on the board for new members.

There are two ways to create space on the board for diversity: expand board membership or replace existing members. Expansion should be pursued cautiously as increasing board size may be antithetical to board agility. Replacing existing members could mean a long delay if the board waits for terms to expire. Rather than waiting, board leaders may need the courage to have frank conversations with members perceived to be marginal board performers and urge them to step aside. If no clear consensus exists as to who are the marginal performers or if there is a lack of willingness among such persons to step aside, the board may need to conduct a peer review to determine who should continue to serve.

Below are a few recommended steps to create space on the board for diversity:

- Step 1. Determine board member competencies that align with your organization's mission, vision, values, and strategic direction.
- Step 2. Prioritize the types of diversity most important to the board.
- Step 3. Invite board members to carefully reflect upon their contribution to board diversity and functioning and to consider stepping aside to help make room for new members. If enough non-leading board members are willing to exit, go to step 6.
- Step 4. Assess (usually with third-party assistance) the current board against the needed competencies and the diversity aspirations.

6 Kathryn Peisert and Kayla Wagner, [The Governance Evolution: Meeting New Industry Demands](#), 2017 Biennial Survey of Hospitals and Healthcare Systems, The Governance Institute.

7 Nicole Fisher, "[Three Surprising Hospital Leadership Trends](#)," *Forbes*, March 30, 2015.

8 The Governance Institute, 2017.

9 Wang and Jacobson, 2015.

10 American Hospital Association, *National Health Care Governance Survey Report*, 2014.

11 The Governance Institute, 2017.

12 [Building a More Diverse Board: A Toolkit for Healthcare Boards and Executives](#), The Governance Institute, Fall 2018.

- Step 5. Based on the board assessment, which may include peer review, and taking diversity contribution into consideration, put forth a slate of future board members.
- Step 6. Recruit new members to fill open seats, ensuring they are diverse in the ways the board has prioritized.

Conclusion

The communities served by independent hospitals rely upon you as the governing members to provide effective oversight with the aim of delivering high-quality healthcare that is safe and accessible equitably. Such oversight is best provided by diverse and agile boards that understand community health needs and reflect community members. Board members need to demonstrate humility and courage to take the board to the next level.

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