

# Board Basics

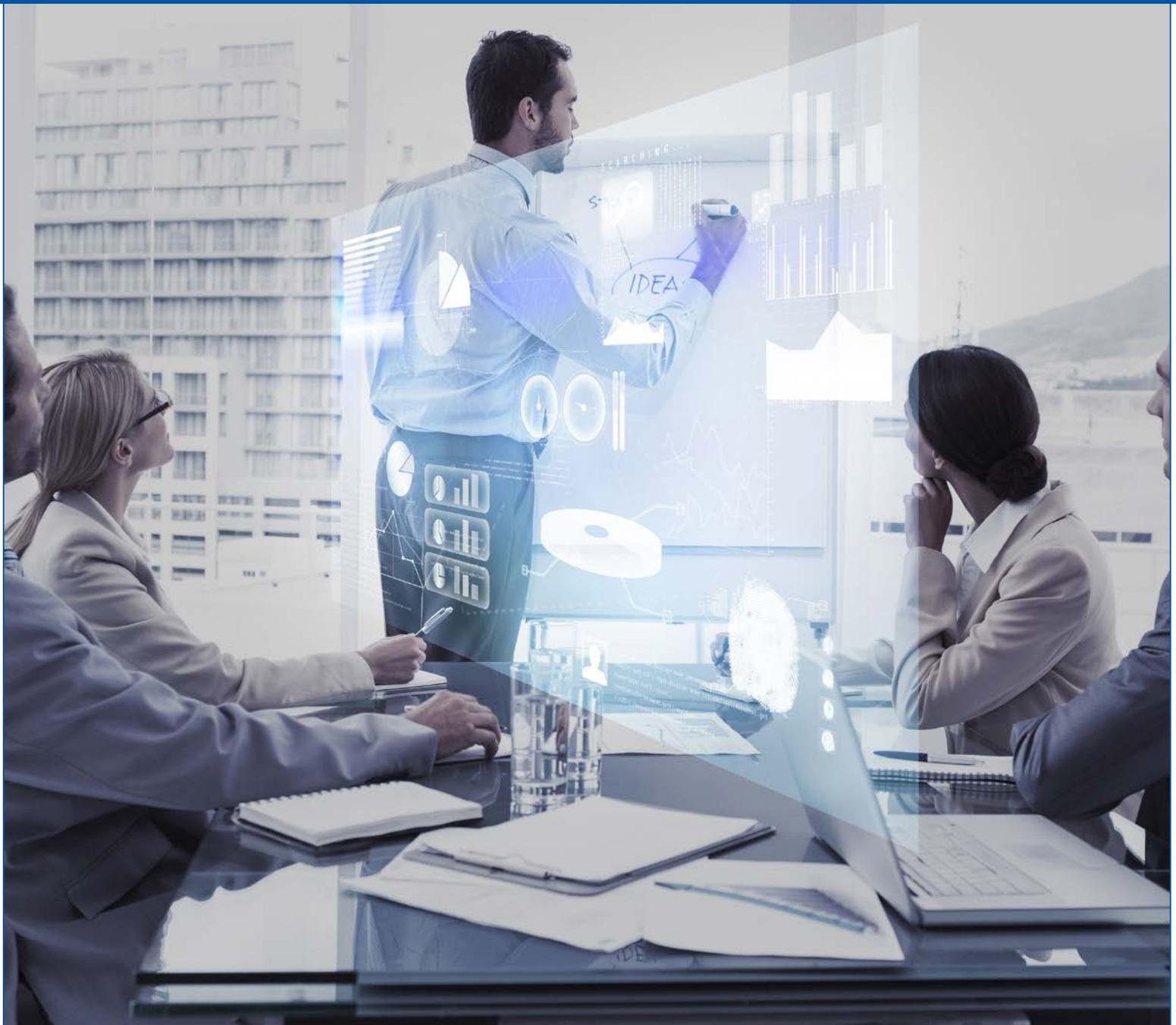
A Toolkit for Healthcare Boards and Executives



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# The Governance Institute

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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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# Introduction

**B**eing a high-performing board starts with a clear understanding of the basics of governance. This sets a solid foundation for the way the board functions and carries out its work, so the board can successfully perform its duties, achieve goals, and lead the organization into the future. This toolkit is intended to introduce new board members or refresh seasoned directors on board basics. It includes information on understanding fiduciary duties and oversight responsibilities, clarifying roles, planning for orientation and continuing education, preparing for and effectively executing meetings, taking board self-assessments, getting the right directors on the board, and accomplishing board goals. Each section provides practical to dos and discussion questions for the boardroom. For a deeper dive into any of these topics, refer to the publications in the Resource Toolbox sidebars.



# The Board's Role

## Fundamental Fiduciary Duties and Oversight Responsibilities

Two of the most important responsibilities as a board member are to:

1. Fulfill your fiduciary duties and oversight responsibilities.
2. Ensure that the organization achieves its mission, vision, and strategic direction.

Boards have legally mandated fiduciary duties to their organizations. These duties describe the manner in which board members are required to carry out their roles and responsibilities. The director's fundamental duty to manage the corporate enterprise by delegation to full-time managers is referred to as the "duty of oversight." This duty is central to everything a director does. It obliges directors to exercise reasonable and prudent oversight with respect to corporate officers, agents, and employees to whom such affairs are delegated. To adequately discharge the duty of oversight requires the director to give attention to such matters as:

- The current business and financial performance of the organization
- The principal activities of senior management
- The effectiveness of, and senior management's commitment to, the corporate compliance plan
- Achievement of the charitable mission of the organization, which incorporates the organization's duty to provide quality and safe patient care
- The presence of an effective reporting system to the board
- Selection of competent senior management
- Establishing institutional norms and procedures (e.g., compliance programs)
- Reviewing and having input into management-formulated strategy
- Management of institutional investments and access to restricted gifts
- Monitoring the performance of the enterprise and of senior management

The related duties of care, loyalty, and obedience describe the manner in which directors are required to carry out their fundamental duty of oversight of the organization:

- **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 corporate purpose and charitable mission as stated in its articles of incorporation and bylaws.



**fi • du • cia • ry:** To hold something in trust for another...to assume responsibility or ownership of property...to keep, use, or administer for another's benefit. It encompasses *all* oversight responsibilities of the board, not just financial.

**A note about system governance structures:** In healthcare systems with tiered governance structures, there can be both legally constituted governing boards as well as advisory boards. *Legally constituted governing boards* bear sole and ultimate responsibility for the affairs of an organization. They serve as the fiduciary agent of the organization's owners (whether they are shareholders or stakeholders) and possess legally mandated responsibilities and functions. *Advisory bodies* (alternately called community boards, local boards, and so forth) are non-fiduciary entities created by the health system for the purpose of providing advice and counsel to the system board, the management of the subsidiary itself, or both.

### Fiduciary Duties of Directors (Tax-Exempt Organizations)

Care

Loyalty

Obedience

### Core Responsibilities

Quality Oversight

Financial Oversight

Strategic Direction

Board Development

Management Oversight

Community Benefit/Advocacy

The best way for boards to meet and fulfill their responsibilities is to take on three key roles:

- **Policy formulation:** Boards formulate policy to give the organization direction. Policies are statements of intent that guide and constrain further decision making and action and limit subsequent choices. Policies provide a framework for the decision-making role.
- **Decision making:** This is considered to be the most important role of governance, since much of what boards do eventually comes down to making choices. Decisions are based on policy. A board can choose to retain authority with respect to an issue related to one of its responsibilities, or the board can delegate decision-making authority to management or the medical staff.
- **Oversight:** This is central to everything boards do. Boards engage in oversight by monitoring decisions and actions to ensure they conform to board policy and the organization's strategic plans and budgets, and produce intended results. Management and the medical staff are accountable to the board for the decisions they make and the actions they undertake. Proper oversight ensures this accountability.

The primary function of a hospital or health system board is to direct the organization toward achieving its mission. It is essential that each board member has a belief in and passion for the organization's cause. The board's role is then to turn the mission into policies that guide performance in six oversight areas:

- Quality of care oversight
- Financial oversight
- Strategic direction/mission oversight
- Board self-assessment and development
- Management oversight
- Community benefit and advocacy

For more details on the board's role related to each of these oversight responsibilities, see our [Board Orientation Manual](#).

**To Dos:** To help achieve the mission:

- ✓ Establish *why* the organization exists (*whom* you serve and *what* you do).
- ✓ Ensure the mission is highly visible (e.g., on the organization's Web site).
- ✓ Share the organization's history and relevance.
- ✓ Communicate and reinforce the mission for common understanding.
- ✓ Ensure *all* board members know and clearly understand the mission. (Practices to help in these efforts include reading the mission at board meetings or having "mission-in-practice" vignettes.)
- ✓ Establish specific criteria for each policy area so that you can know (and demonstrate) when the mission is being fulfilled. These criteria should inform goals and metrics for the organization's strategic plan.

**Discussion Questions:**

- Do all board members know and clearly understand what their most important responsibilities are?
- What is being done on a regular basis to ensure board members are effectively carrying out their roles and responsibilities?
- Does the board have detailed policies and procedures in place that successfully assist it in performing these duties and obligations?
- If asked, could all board members recite the mission statement and provide examples of the mission in action?

**Resource Toolbox:**

[Fundamental Fiduciary Duties of the Non-profit Healthcare Director](#) (Elements of Governance)  
[Board Orientation Manual](#)

## The Roles of Governance vs. Management

The healthcare board must represent and balance the interests of its constituents. This is best accomplished by focusing board efforts on governance—the area where the board is best positioned to add value to the organization. Sometimes, however, boards drift into the responsibilities of management, to the detriment of the organization.

Having a clear understanding of the difference between the roles of governance vs. management is the only way to ensure that the board is not crossing over into management's domain. The board's role is to take strategic approaches to issues rather than focus on operational tasks. The board is responsible for *setting overall direction and strategy*, while executive management *implements* board directives for overall operations and performance. This results in good governance.

Ideally, governance and management is a joint endeavor. The future of the organization depends on the effectiveness of their mutual efforts. Nevertheless, it is the healthcare organization's governing board that is ultimately responsible—legally and morally—for the institution and all services it provides. So both the board and the CEO must diligently support their respective roles in the organization. As defined in the previous section, the board's role is to set policy, make decisions, and oversee organizational performance. (View the Governance vs. Management Matrix on the following page for a list of core board responsibilities and sample governance-level questions.)

Governance experts have identified two primary reasons boards stray into operations and away from policy:

- **They gravitate to the familiar:** Many board members spend their professional lives in operations-related roles in the for-profit sector, and the non-profit healthcare arena is unfamiliar territory. Not only must the board member acknowledge the differences in operational imperatives between his or her business and that of the healthcare organization, but also the differences in management and governance.
- **They lose faith in the CEO:** This happens more frequently than one would expect. If, for example, a board member believes that management is not handling an issue adequately or correctly, the temptation to step in personally is difficult to ignore. However, the board member does have more effective options; that is, bringing the issue directly to the CEO for discussion and resolution, bringing up the issue at a board meeting, and, if still unsatisfied, working through the executive management oversight responsibility and CEO performance evaluation.

## Governance vs. Management Matrix

Core Responsibility	Governance-Level Questions
Setting Strategic Direction	<ul style="list-style-type: none"> <li>• How will we increase access to healthcare services in the outlying areas of our community?</li> <li>• Why has our market share in orthopedics continued to decrease over the last five years, and what is management doing to reverse the trend?</li> </ul> <p><i>(The board should not decide exactly which piece of property should be purchased for a new clinic.)</i></p>
Financial Oversight	<ul style="list-style-type: none"> <li>• What is our targeted bond rating and how well are we doing towards achieving that goal?</li> <li>• Why is ___ (insert the measure) trending down, and what is management doing to correct it?</li> </ul> <p><i>(Not analyzing the budget, line-item by line-item to determine how to reduce costs by \$100,000.)</i></p>
Quality & Patient Safety	<ul style="list-style-type: none"> <li>• What are our clinical quality and patient safety outcomes vs. our own targets, our peers' scores, and national benchmarks (e.g., CMS core measures)? What is management doing to improve our rank/scores?</li> <li>• What serious, care-related adverse events have occurred in the past year? What did we learn from these events? What processes did management put in place to ensure they won't ever happen again?</li> </ul> <p><i>(The board should not decide whether Mary should be promoted to Director of Quality Improvement.)</i></p>
Management Oversight	<ul style="list-style-type: none"> <li>• What annual goals will we set for the CEO's individual performance and the performance of the organization as a whole?</li> <li>• Why hasn't the CEO accomplished the goal, and what is he/she doing to ensure achievement of that target?</li> </ul> <p><i>(The board should not encourage nurses and physicians to come to the board with their concerns about the CEO's performance.)</i></p>
Community Health & Advocacy	<ul style="list-style-type: none"> <li>• What percentage of our revenues will be dedicated to community benefit?</li> <li>• Why hasn't management assessed the community's health-care needs in the last three years, and what is management doing to correct that situation?</li> </ul> <p><i>(The board should not be involved in labor negotiations.)</i></p>
Board Self-Assessment & Development	<ul style="list-style-type: none"> <li>• What improvement goals does management think we as a board should set for ourselves? Are we micromanaging?</li> <li>• What should we do differently to ensure a healthy, collaborative relationship with the CEO and the senior management team?</li> </ul> <p><i>(The board should not include any managers other than the CEO in a session devoted to board enhancement.)</i></p>

Even if boards understand their roles and responsibilities, they occasionally may find themselves in situations where these become blurry. When a board member or the entire board steps outside its governance domain, it can make matters worse, and usually results in a rift between the board and executive management.

When a board steps outside its governance roles and responsibilities, it may end up:

- Shifting the board’s focus from strategic to operational issues
- Diverting board attention from its primary roles and responsibilities to those of its CEO
- Undermining CEO authority
- Sending mixed messages to the organization’s constituents—physicians, employees, patients, and the community it serves

### What Roles and Responsibilities Are Not

Role	Example
Policy making is NOT...	Policy implementation
Decision making is NOT...	Decision implementation
Oversight is NOT...	Close scrutiny of day-to-day operations
Responsibility	Example
Mission and strategic planning oversight are NOT...	Changing the course of the organization without management counsel
Quality of care oversight is NOT...	Challenging medical staff performance without management input
Executive management oversight is NOT...	Stepping in to resolve individual operational issues that are the responsibility of the CEO
Financial oversight is NOT...	Expecting management to explain basic financial theory each time financial statements are presented to the board
Board effectiveness is NOT...	An informal process

**To Dos:** To avoid dipping into management issues the board should:

- ✓ Ensure it is focusing on the mission.
- ✓ Set direction and measurable goals.
- ✓ Develop board-level (not operational) policies.
- ✓ Ensure systems and processes are in place and functioning well.
- ✓ Monitor progress and hold management accountable.





## Governance vs. Management: Who Does What?

As an exercise in governance and management, it helps to consider specific tasks that require the attention of the board, management, or both. [Click here](#) to download a table that outlines activities that may fall within the scope of a board's deliberations.

Review these activities and select where you believe the responsibilities rest. Because the distinction between management and governance varies from organization to organization, and from time to time, within each organization, there are no "correct" answers. However, we provide suggestions in the column furthest to the right.

### Discussion Questions:

- Does the board have a good understanding of the different roles of management and governance? How do these roles play out in our organization?
- Does the board have systems or checkpoints in place to ensure the line between management and governance doesn't become blurred?
- Does our management team and board have a good, appropriate partnership? How can this be improved?
- What are some of the challenges our organization is facing today that might put our board at risk of getting down into management details?

### Resource Toolbox:

[The Distinction Between Management & Governance](#), Second Edition (Elements of Governance)

["The Difference Between Governance and Management"](#) (Governance Notes article)

["Advisors' Corner: A Chronic Condition: Distinguishing Governance from Management"](#) (*BoardRoom Press* article)

## Clarifying Roles within a Health System

High-performing health systems clearly delineate what responsibilities exist at each level of governance. It is best to have the board approve a document or policy specifying allocation of responsibility and authority between the system and local boards. Systems often create a formal “governance authorities matrix” to delineate the relative roles and responsibilities (see example below).

### Sample Governance Decision Authorities Matrix

<span style="color: green;">■</span> Approve	<span style="color: blue;">■</span> Ratify
<span style="color: yellow;">■</span> Participate	<span style="color: orange;">■</span> Appoints
<span style="color: red;">■</span> Input	<span style="color: purple;">■</span> Responsible

Responsibility	Corporate Member	System Board	Direct Subsidiary Board	System Committee	System CEO
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#### MISSION/STRATEGIC PLANNING

Development of or revision to system’s mission and values	<b>Approve</b>	<b>Participate</b> (recommend)			<b>Participate</b> (recommend)
System vision and strategic plan		<b>Approve</b>	<b>Input</b>		<b>Participate</b> (recommend)
Agreement of consolidation or merger for system or any subsidiary	<b>Ratify</b> <i>(for system consolidation/merger)</i>	<b>Approve*</b> <i>(ratify for subsidiaries)</i>	<b>Approve</b> <i>(for entity)</i>	<i>Finance Committee</i> <b>Participate</b> (recommend)	<b>Participate</b>
Significant investments in businesses, joint ventures, mergers, acquisitions, and other business combinations involving system or any subsidiaries		<b>Approve</b>		<i>Finance Committee</i> <b>Participate</b> (recommend)	<b>Participate</b> (recommend) & <b>Responsible</b>
Determination of service portfolio including discontinuation, addition, or expansion of programs, services, and initiatives offered		<b>Approve</b>	<b>Input</b> <i>(re: impact on entity)</i>	<i>Finance Committee</i> <b>Participate</b> (evaluate)	<b>Participate</b> (recommend)

#### GOVERNANCE

Appointment and/or removal of directors of the corporation	<b>Approve</b>	<b>Approve* &amp; Recommend</b>		<i>Gov. Committee</i> <b>Participate</b> (recommend)	<b>Participate</b>
Appointment and/or removal of directors of direct subsidiaries		<b>Approve</b>	<b>Participate</b> (recommend)	<i>Gov. Committee</i> <b>Participate</b> (recommend)	<b>Participate</b>
Establishment of committees of the board		<b>Approve</b> <i>System level</i>	<b>Approve</b> <i>Entity level</i>	<i>Gov. Committee</i> <b>Participate</b> (recommend)	<b>Participate</b>

Continued on page 9

Appointment and/or removal of chairs and members of all standing committees and all special committees		System Board Chair <b>Appoints</b> for system committees	Entity Board Chair <b>Appoints</b> for entity committees	Gov. Committee <b>Input</b>	<b>Input</b>
Revisions to Governance Authorities Matrix		<b>Approve</b>		Gov. Committee <b>Input</b>	<b>Input</b>
Revisions to or restatements or repeal of bylaws or articles of incorporation for system	<b>Ratify</b>	<b>Approve*</b>			<b>Participate</b> (recommend)

**QUALITY POLICY/OVERSIGHT**

Development of a multi-year System Quality & Value Work Plan with long-term and annual improvement targets		<b>Approve</b> (including entity "Quality Improvement Programs")	<b>Approve &amp; Recommend</b> (entity "Quality Improvement Programs")	Quality/Value Cmte <b>Participate</b> (recommend)	<b>Participate</b>
Development of performance objectives and plans for sustaining high levels of physician, employee, and patient satisfaction		<b>Approve</b>		Quality/Value Cmte <b>Participate</b> (recommend)	<b>Responsible</b>
Establishment of standards for practitioner credentialing across the health system		<b>Approve</b>	<b>Participate</b> (approve) for Entity	Quality/Value Cmte <b>Participate</b> (recommend)	<b>Responsible</b>
Appointments, reappointments, or revocation or restrictions of appointment to the hospital medical staff, upon recommendations from the Hospital Medical Executive Committee			<b>Approve</b>		<b>Responsible</b>
Amendments to Hospital medical staff bylaws, prepared by the medical staff			<b>Approve</b>		<b>Participate</b>

\*May also require recommendation if there is a Corporate Member.

Source: Marian Jennings, "Is It Time to Update Your Governance Authorities Matrix?" System Focus, The Governance Institute, March 2019.

Note: The full template includes additional sections on financial and compliance policy/oversight, community benefit and advocacy, and executive oversight; sample definitions of the terminology in the matrix; and tips for creating a customized matrix. To view this as well as additional samples of a governance authorities matrix, go to [www.governanceinstitute.com/templates](http://www.governanceinstitute.com/templates).

In the past, many systems allowed a significant amount of authority to remain at the subsidiary level. But over time, most systems have found that arrangement hindered “systemness” so they have narrowed the fiduciary duties of the subsidiary. For example, today, the system board and its committees may handle the subsidiary’s fiduciary duties regarding the following responsibilities:

- Approving the subsidiary’s audit
- Approving the hiring, evaluation, and termination of the subsidiary’s CEO
- Approving the subsidiary’s executive compensation
- Approving the subsidiary’s capital and operating budgets above a threshold
- Approving the subsidiary’s strategic plan
- Approving the subsidiary’s board members

In this scenario, the subsidiary may still be a fiduciary board if it remains a separate, legal corporation with some fiduciary duties such as final approval of:

- Capital and operating budgets below a threshold
- Medical staff credentialing
- Subsidiary-specific quality, safety, and service goals
- Community benefit goals

These subsidiary boards would also provide advice to their senior management on the responsibilities for which the system retained ultimate decision-making ability, such as input on strategic planning, input into their CEO’s hiring and evaluation, and recommendations regarding individuals to serve on their board.

However, some systems have decided that the best way to ensure consistently high-quality, low-cost care for the population served is to convert their subsidiary corporation boards to advisory entities. In this scenario, all the legal, fiduciary duties of the subsidiary board are retained by the system board and its committees.

Advisory boards or councils (sometimes known as community boards or other equivalent) often play a significant role as fiduciary boards. They provide much-needed advice to the system on their community or region, while allowing the healthcare experts (e.g., senior management) to handle running the organization. Such councils can play an essential role in assuring that needed care is delivered and coordinated in each community in an era of population health management. They often provide advice and recommendations to management on the following:

- Identifying their community’s health needs across the full continuum of care
- Clarifying gaps in creating a unified patient experience and providing excellent, safe care
- Suggesting services to address current gaps in healthcare within their community
- Managing the health of specific demographic and health-status populations (e.g., the elderly, children, and individuals with chronic health or behavioral health issues)
- Connecting with community leaders, organizations, and agencies to address social determinants of health (e.g., transportation, housing, and healthy food options)
- Supporting the system’s philanthropic efforts
- Being advocates for the system/hospital/clinic/nursing home in the community

Whether a board is fiduciary or advisory does not really matter. What is important is that the individuals serving on boards, committees, and councils understand what is expected of them and feel that their contributions are meaningful.

**To Dos for Systems:** To enhance subsidiary/advisory boards' understanding and acceptance of their roles and authority:

- ✓ Foster an understanding that there is a meaningful, albeit different, role for a hospital board once it is part of a system.
  - Don't try to create illusions of greater autonomy and authority than are real.
  - Intentionally help local board leaders understand that their roles are important to the system's success and outline the tangible benefits that will accrue to their communities by being part of a successful system.
- ✓ Revamp the processes of subsidiary boards to match their articulated roles and responsibilities.
  - Ensure that the local board's meeting frequency; its agendas, motions, and minutes; its local committee structure; and the competencies the local board is looking for in new directors are in sync with the board's actual roles, responsibilities, and authorities as outlined in the governance authorities matrix.
  - Have the local board chair, local executive, and system representatives collaborate to identify changes that are needed to better align processes with roles.
- ✓ Keep the governance authorities matrix "front and center."
  - Post the matrix on your board portal.
  - Make sure that as discussions occur at the subsidiary or system level, the chair intentionally frames the issue within the context of "how this fulfills our responsibility as outlined in our governance authorities matrix."
  - Ensure that motions are expressed in a manner consistent with each board's role as outlined in the matrix.
  - Conduct routine updates/refreshers on the board's roles and responsibilities at least once a year.

**Discussion Questions:**

- Do we have a governance authorities matrix that clearly delineates the roles and responsibilities of the system board versus the subsidiary boards? If not, should we consider developing such a matrix? If it already exists, does it need revisiting? How well are we communicating the matrix to all boards and are we re-communicating sufficiently/with enough frequency?
- Do subsidiary/advisory boards understand what is expected of them and feel that their contributions are meaningful?
- What, if any, clarification is needed regarding the role of the system board and its committees versus the role of subsidiary/advisory board and committees?

**Resource Toolbox:**

- [Transitioning to Effective System Governance](#) (Elements of Governance)
- ["Clarifying Fiduciary and Advisory Roles"](#) (Subsidiary Focus article)
- ["Is It Time to Update Your Governance Authorities Matrix?"](#) (System Focus article)
- [System Governance Structure: A Resource for System Boards](#) (Online Toolbook)
- [System Governance Structure: A Resource for Subsidiary Boards](#) (Online Toolbook)

# Board Education

## 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:

- **A 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.).
- **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: 1) review of the information contained in the new board member book; 2) 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; 3) a tour of the hospital facilities; and 4) one-on-one Q&A sessions with key members of the C-suite and physician leaders.
- **A mentor program** pairing the new board member with a seasoned board member for the first full year of the board member's term.
- **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.

For more comprehensive information about what should be included in orientation, refer to our [Board Orientation Manual](#).

## Creating a Formal Ongoing Education Plan

Once a new board member has completed the board orientation program, it is key to provide further, ongoing education activities. To ensure the board is gaining the knowledge needed, it is best to have a formal education plan. This section provides steps for developing and regularly updating that plan.

**Step 1: Assess 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. Boards should use the results from their annual self-assessment 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). We recommend that the board education plan be updated annually, after the self-assessment results are reviewed and discussed. Conversely, at the end of the year, the board should determine whether the education plan was effective based on the subsequent self-assessment results and think through 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.

**Step 2: Identify which dimensions of governance to focus on and then develop an approach to each.** The approach must include practical strategies with specific steps, the responsible party/parties, and implementation timelines. 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. 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.

### Sample Education Program for Committees and the Board

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
<b>Board</b>		A		D		E	F		G		I	
<b>Finance</b>	B		J		D		A		I		F	
<b>Gov. and Nom.</b>			J			E		J		H		
<b>Community Benefit</b>		C		B		C		J		E		A
<b>Quality</b>	D	I	C	B	D		A	J	H	F	E	
<b>Strategic Planning</b>	E, A			K, B			C, F			I, H		
<b>Retreat/Education Sessions</b>	B, J*		K*	A, B, E, F, H, K				C*		C, D, G, I, J		
<b>Annual Board Orientation</b>	B, C, D, E, H, K											

Educational Topics by Meeting  
(Letters Correspond to Strategic Topic List Below)

\*Educational sessions held at usual monthly board meeting time.

**Topics:**

- A: Health Reform**
- B: Fiduciary Duties**
- C: Mission Matters**
- D: Quality Oversight**

- E: Strategic Direction**
- F: Physician Alignment**
- G: Advocacy**
- H: Institutional Integrity**

- I: Information Technology**
- J: Advanced Governance**
- K: Leadership & Board Participation**

Source: ACCORD LIMITED



## Examples of Ways to 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.

**Step 3: Identify goals and objectives.** 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). When identifying specific areas for improvement—the elements of the plan—ask the following questions:

- 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?

**To Dos:** Once goals and objectives are identified:

- ✓ Establish timeframes for meeting these objectives.
- ✓ Ensure there is buy-in from the board and vigilant attention to the goals derived from the plan.
- ✓ Measure the degree to which the board's education goals are actually achieved.

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.

### Discussion Questions:

- Does the board have an effective, formal board orientation program?
- Does the board have an effective, ongoing board education plan?
- Does the board take time for annual board education retreats?
- Does learning continue during board meetings? (Are board members continually learning about governance and industry trends and using that information to help frame strategy and policy?)
- What are the board's education goals and how will we ensure we meet those goals?
- Has the board devoted adequate resources to board education and development?
- How are we addressing individual board member education needs?

### Resource Toolbox:

[Board Orientation Manual](#)

[Board Mentoring](#), Third Edition (Elements of Governance)

[Board Education and Development](#) (Intentional Governance Guide)

[Building a Board Education Program](#) (Elements of Governance)

[Governance Development Plan](#), Second Edition (Elements of Governance)

# Board Meetings

**T**he board only exists, in both a legal and functional sense, when it meets. Therefore, board meetings are the center of governance. The way they are planned and conducted—in addition to the dynamics that emerge in them—significantly influences the quality of governance. Here we look at best practices for setting meeting agendas, preparing board packets, and running and structuring effective meetings.

## Meeting Preparation

Appropriate and relevant board meeting content is derived from the job to be accomplished. It begins with the following questions:

- What do we want to achieve at this meeting?
- How can the meeting best be organized to achieve this purpose?

Crafting the agenda should be based on these two considerations.

## The Agenda

The agenda is a carefully constructed plan for making the best use of board members' time. The selection of agenda items should be driven solely by what the board must address in order to fulfill its ultimate responsibilities and to execute its core roles. These items originate from three specific categories: routine, scheduled, and emergent:

- **Routine items:** Those that appear on the agenda at every meeting and require little, if any, board action. Approving minutes of the previous meeting and receiving the report of the board chairperson and CEO are examples.
- **Scheduled items:** Those that can be anticipated because of the nature of recurring work performed by the board and its standing committees. They require board policy formulation, decision making, or oversight activity, and are anticipated. Typically, these correspond to topics and timeframes from the board's "annual agenda"—a framework and/or document developed by the full board, a committee, the board chair, and/or the CEO for the upcoming year. They may appear on every meeting's agenda or be scheduled for only once a year, but in all instances they are predictable. Examples include:
  - » Appointing, reappointing, and determining the privileges of medical staff members
  - » Reviewing quality, utilization, and risk indicators
  - » Assessing the performance of the CEO
  - » Evaluating progress against a specified set of benchmarks (e.g., from the strategic plan)
  - » Establishing financial objectives for the coming year
  - » Reviewing and acting upon the report of the external auditors
- **Emergent items:** Items that require board policy formulation, decision making, or oversight activity, but are not anticipated. Examples include an unexpected CEO resignation, the external audit uncovering irregularities, and other unanticipated strategic opportunities that surface (e.g., desired property comes on the market, target medical group seeks alignment, affiliation/acquisition request from an interested organization).

For *scheduled* items, a standard plan for incorporating these items into the board agenda includes:

- Standing committees prepare a work schedule listing the recurring tasks it must perform, and when items will be forwarded to the board for deliberation and action.
- A master board calendar is then created. It specifies, for each meeting, both the scheduled items and an estimation of the time each item will consume.
- Using the master board calendar, the board chair, in partnership with the CEO, sets the final agenda and, in addition, also includes other routine business and any emergent items.

Following this system helps boards avoid setting agendas meeting by meeting, and also ensures that meetings will produce results rather than seemingly endless discussions of lesser issues.

**To Dos:** Include in the board agenda:

- ✓ Timeframes for each agenda item and the major topics of discussion (two or three). Setting timeframes and limiting the number of topics for discussion frees up more time to address strategic priorities.
- ✓ Framing questions for each topic (one or two). For example, if a health system is exploring the idea of acquiring a health plan, a framing question might be: what concerns or questions do you have about the possible ramifications of our health system moving into the insurance business?
- ✓ Who is leading each discussion.
- ✓ Where to find reference materials.
- ✓ What the purpose of the discussion is (e.g., approval, provide input, educational).



## Sample Board Meeting Agenda

### AGENDA

<b>12:00–12:30 p.m.</b>	<b>Lunch and Invocation</b>		
<b>12:30 p.m.</b>	<b>Call to Order</b>	<i>Board Chair</i>	
<b>12:30–12:45 p.m.</b>	<b>Chair’s Welcome and Meeting Overview</b>	<i>Board Chair</i>	
<b>12:45–1:00 p.m.</b>	<b>Consent Agenda</b>	<i>Board Chair</i>	<b>Action</b>
	<ul style="list-style-type: none"> <li>• Board minutes</li> <li>• Committee minutes</li> <li>• Regulatory approvals</li> </ul>		
<b>1:00–1:30 p.m.</b>	<b>CEO’s Report and Discussion</b>	<i>CEO</i>	<b>Discussion</b>
	Discussion Question: <ul style="list-style-type: none"> <li>• What, if anything, in the written CEO report do you think the board needs to discuss further at this meeting?</li> </ul>		
<b>1:30–1:45 p.m.</b>	<b>Break</b>		
<b>1:45–2:15 p.m.</b>	<b>Deep Dive Quality Report and Discussion</b>	<i>CMO</i>	<b>Discussion</b>
	Discussion Questions: <ul style="list-style-type: none"> <li>• What should be the 5–7 key quality metrics that will be tracked and reported on for each entity in the system?</li> <li>• What 1 or 2 quality-related issues seem to need additional focus across the system (e.g., the poor read)?</li> </ul>		
<b>2:15–3:00 p.m.</b>	<b>Requested Board Actions or Significant Information Items</b>		<b>Action or Information</b>
	<ul style="list-style-type: none"> <li>• Significant standing items throughout the year</li> <li>• Significant transactions</li> <li>• Significant information items</li> <li>• “Asks” from committees or subsidiaries</li> </ul>		
	Discussion Question: <ul style="list-style-type: none"> <li>• What concerns, if any, do you have about the proposed acquisition of ABC Hospital?</li> </ul>		
<b>3:00–3:30 p.m.</b>	<b>External or Internal Education Session</b>	<i>TBD</i>	<b>Information</b>
	Discussion Question: <ul style="list-style-type: none"> <li>• What are the implications of this educational information for our board or committees?</li> </ul>		
<b>3:30–4:30 p.m.</b>	<b>Strategic Topic Discussion</b>	<i>Board Chair</i>	<b>Discussion</b>
	Discussion Question: <ul style="list-style-type: none"> <li>• What do you need further information about so that at the next board meeting, you will be comfortable voting on this strategic issue?</li> </ul>		
<b>4:30–5:00 p.m.</b>	<b>Meeting Evaluation</b>	<i>Board Chair</i>	<b>Discussion</b>
	<b>Executive Session (If Needed)</b>		
	<b>Adjournment</b>	<i>Board Chair</i>	
	<b>Next Meetings (Dates and Locations)</b>		

Even with a rational system for planning and setting the agenda, sometimes agenda items mushroom, almost out of control. In order to keep it manageable, the board must abide by a few general rules for its meetings. For example, it should:

- Adopt a board schedule for the year. The schedule outlines the board's plans and actions for the year, and these form a basis for board meeting agendas.
- Empower the chair to work on meeting details. The annual agenda/schedule forces the chair to honor the board's plan; the chair is responsible for the details.
- Review performance objectives annually. The board should go over its responsibilities and establish doable, yet meaningful objectives to which it can commit itself.



### **The Board Calendar: A Tool for Elevating Strategic Discussions**

At the start of each year, the governance committee should oversee the development of a calendar that includes all board and committee meetings, topics, educational events, and retreats. This calendar should be developed based on the strategic plan, other anticipated strategic-level decisions, required board approvals, and other key events. Some tips for developing a strategic board calendar include:

- Identify a strategic topic to focus on for each board meeting. For instance, if one component or goal of the strategic plan is to increase physician–hospital alignment, that should be the strategic topic for at least one board meeting in the year. In addition, before the board would be asked to approve a major strategic initiative related to that goal (e.g., development of a co-management model), the appropriate committee or task force should have provided education and/or a recommendation.
- Align board and committee calendars. For example, the board's approval of the annual budget should be preceded by a meeting of the finance committee, at which it considers and recommends the budget. This should have the effect of limiting the finance committee's need for the full board to discuss the budget at multiple meetings, therefore freeing up time for strategic issues.
- Ensure that the timing and sequencing of the committee meetings vis-à-vis the board meetings actually allows for this flow of approvals. There should be two to three weeks between a committee meeting and the board meeting at which that committee's recommendations will be considered. This will allow sufficient time for the committee meeting minutes to be approved, an executive summary to be developed, and all of the relevant materials to be included on the board portal at least a week before the board meeting.
- Include a specific date for an annual, multi-day board retreat on strategic issues and/or strategic planning. Committing to a date far in advance increases the likelihood that all board members will be able to attend and that needed resources (e.g., external speakers) will be available. It also allows management and the board sufficient time to plan for a meaningful retreat and requires the board to determine which topics will be addressed at the retreat versus during board meetings. In this way, the board can be sure to have the time needed for comprehensive discussions regarding complex and/or controversial issues.



## Board Packets

Once the agenda is completed and the meeting topics are selected, it is time to figure out what other materials need to be created and gathered. These materials are key for ensuring the board is educated on the topics and ready to meaningfully contribute to discussions.

Below are best practices for board packets:

- **Include only governance-level materials.** Board meeting materials need to be governance-level resources, not operational in nature or what management would normally receive.
- **Have board meeting materials go out at least a week in advance of the meeting.** The materials in the packet should be easily digestible and simple to comprehend so board members don't get lost in the details.
- **Include a well-thought-out, timed agenda.** (See previous section for more detail on agenda preparation.)
- **Keep dashboards concise and visually appealing,** with only a quick snapshot of important indicators or metrics. For example, rather than receiving quality indicators for the hundreds of items that are being measured and monitored at the hospital or health system, provide the board with a dashboard on the board-agreed upon priority quality indicators.
- **Leverage executive summaries for committee requests.** Anytime that a committee is coming to the board with a request, they should provide an executive summary for the board packet. This is a one-page summary that explains the options the committee has considered; its recommendation to the board, and a rationale of that recommendation; and pros and cons to contemplate. At the bottom of the executive summary, the committee should state clearly what it is asking of the board (e.g., input or approval).
- **Set clear expectations around reviewing board packets.** There needs to be an expectation that board members will take the time necessary to thoroughly review the board packet. That expectation should be set when potential board members are being interviewed, and should be re-emphasized during initial board orientation for new directors.
- **Make materials easily accessible, preferably through a board portal.** Having a board portal makes it much simpler for board members to access all the materials they need for the meeting. This can be helpful for distributing the board packet, as well as referencing additional documents. It eliminates the need to add more pages to the board packet; instead detailed notes can be included explaining where to find something on the portal if they want more information. Savvy board members can then look up things on their own when they are working through the packet as well.



## Running Effective Board Meetings

Applying a few useful guidelines can produce effective board meetings that accomplish meaningful results. Below are some dos and don'ts of an effective meeting.



### Do

- ✓ Focus agendas on strategic and policy issues. A good rule of thumb is that 60–80 percent of board meeting time should be devoted to policy and strategy with 20–40 percent devoted to administration or operational matters and education.
- ✓ Distribute board agendas and meeting materials well in advance of each meeting.
- ✓ Look for opportunities to turn meaningful board discussion into policy guidelines. If consensus has been reached, could a policy be established to more quickly resolve similar issues in the future?
- ✓ Have clearly established policies regarding board member attendance.
- ✓ Conduct meetings in which all members are included. Solicit input from particularly quiet or reticent board members.
- ✓ Start and finish meetings on time. If necessary, build a small time buffer into the agenda to avoid running late.
- ✓ Decide which activities do not require the attention of the full board. Delegate to committees and staff.
- ✓ Negotiate to resolution. Once a decision is made, everyone must support the action.
- ✓ Continuously reinforce basic as well as advanced aspects of how to fulfill fiduciary duties and core responsibilities by new and seasoned directors.



### Don't

- ✗ Conduct a retrospective of past actions.
- ✗ Focus on administrative detail or become sidetracked by trivialities.
- ✗ Allow interruptions or domination of the meeting by an individual or two.
- ✗ Expect board members to read and digest large amounts of information just prior to a meeting.
- ✗ Assume board members have endless time to devote to board matters.
- ✗ Waste valuable time bringing board members up to speed because they failed to attend a meeting or review the materials distributed in advance.
- ✗ Dwell on issues that can be tackled by a committee, single board member, or staff.
- ✗ Allow unresolved conflicts to manifest into disruptive dissension.
- ✗ Assume that new board members understand their roles and responsibilities without orientation or a job description.

## Meeting Structure

For meetings to be effective the board will need to have the right meeting structure.

This includes considering two questions:

- How many times does the board meet each year?
- How long do typical board meetings last?

The frequency and duration of board and committee meetings should be determined by the ability of the group to accomplish its role, objectives, and purpose thoroughly and well. The board must balance time invested with value generated, results accomplished, and goals achieved.

According to The Governance Institute's 2017 Biennial Survey of Hospitals and Healthcare Systems, most boards surveyed (59 percent) meet 10–12 times a year.<sup>1</sup> Fifty-seven (57) percent of responding organizations indicate that board meetings are between two- to four-hours long. The needed frequency and length of meetings will vary from organization to organization. There is a growing argument for fewer, longer meetings. If you do decide to decrease the number of meetings, consider how to keep the board engaged between meetings (see sidebar below).



### Ideas for Keeping Boards Engaged between Meetings

- Hold a phone call for the board to convene at the halfway point between meetings. While action could be taken, it would not be expected that much would be required during these calls.
- CEO provides an update email/letter on items not requiring action and a progress report across a balanced scorecard of performance indicators.
- Hold an executive committee meeting regularly between board meetings. Use this as a vehicle to connect committee work and to gather input on key agenda items for the next meeting. Provide a brief email/letter update to the full board following this session.
- CEO completes one-on-one phone calls with all board members between meetings to obtain feedback and confirm agenda items for the upcoming meeting.

It is important to note that frequent and lengthy meetings can be indicative of inefficiencies, including inappropriate or overly ambitious agenda topics, overly detailed committee reports, and sidetrack discussions that are not focused or drift off topic. To improve board effectiveness in this area and elevate meetings to focus on strategy, consider utilizing the to dos below.

**To Dos:** To keep meetings focused on strategy:

- ✓ Streamline the board meeting process to focus on strategic and policy issues, reduce reporting time by making materials available in advance, and facilitate discussions so they remain informative and additive (i.e., no “piling on”).
- ✓ Create board and committee agendas that are highly focused, narrowly defined, and specific. As a rule, strategic discussions should occupy at least 50 percent of board meeting time.
- ✓ Use consent agendas and streamline committee reports (e.g., recommendation, summary, body, and exhibits).
- ✓ Prioritize discussion over reporting (e.g., assume all have read the board packet and set the expectation that there will be no verbal reports of materials that were provided before the meeting).
- ✓ Trust the work and recommendations of the committees and avoid rehashing previous discussions, details, and decisions that committees have already worked through.
- ✓ If your board and committee meetings are exhausting rather than energizing, examine the demands and commitments for directors and eliminate ineffective meetings.

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<sup>1</sup> Kathryn C. Peisert and Kayla Wagner, *The Governance Evolution: Meeting New Industry Demands*, 2017 Biennial Survey of Hospitals and Healthcare Systems, The Governance Institute.

**Discussion Questions:**

- Are meeting agendas carefully crafted in advance to ensure that agenda items are clear and meeting time is focused on strategic and policy issues? What could we do differently to ensure that strategic discussions occupy at least 50 percent of board meeting time?
- Is the content and purpose of each meeting significant?
- Do board meeting materials go out at least a week in advance of the meeting? Are materials governance-focused, easy to comprehend, and readily accessible? If not, what can be done to make these materials more meaningful?
- How many times does the board meet each year? How long do typical board meetings last? Is this structure efficient for our organization?

**Resource Toolbox:**

[Effective Board Meetings](#), Second Edition (Elements of Governance)

[“Elevating Board Meetings through Intentional Planning and Board Packets”](#)

(Governance Notes article)

[“Worksheet: Keeping Boards Engaged between Meetings”](#)



# Board Self-Assessment

**A** core responsibility of good governance is an annual, *formal* board self-assessment. The board is responsible for its own performance, and even high performers have opportunities to improve. Rather than assuming that good intentions and countless volunteer hours will automatically lead to good results, high-performing boards benchmark their performance against that of their peers and welcome constructive feedback, understanding that this leads to becoming a better board. Below are the steps necessary to effectively complete the assessment process.

**Step 1: Select an assessment tool.** The broad spectrum of assessment tool options include using an external third-party tool, an internal tool, or a combination of both. An external tool is key to ensure a rigorous process, statistical validity, and benchmarking against other organizations, while allowing customization to an individual board's culture, goals, objectives, and performance criteria. An internal tool provides the most degree of customization and could allow the board to benchmark against its own performance over time, but it may not provide any external information as to how the board is evaluated or compared against its own peers in similar organizations. In addition, in order for the assessment process to be unbiased, fair, and statistically valid, the tool needs to be constructed in such a manner that board members are able to understand the questions and answer them truthfully, without being led in any particular direction by the tone or wording of the question. As such, exclusive reliance on an internal tool is not considered best practice. We recommend using a validated third-party tool and customizing it to an appropriate degree to fit your board's needs (see sidebar for more about The Governance Institute's board and committee assessment tools).



The Governance Institute has a suite of assessment tools enabling healthcare directors to review their performance in comparison to similar organizations throughout the United States. Each tool is organized in a format structured in accordance with the way in which boards actually perform their work, with a focus on fiduciary duties and core responsibilities. There are distinct tools for:

- Health system boards (i.e., hospital-based systems with two or more hospitals)
- Subsidiary boards (i.e., fiduciary boards of local/subsidiary hospitals that report to a parent or system board)
- Freestanding hospital boards
- Foundation boards

The Governance Institute also has unique committee assessments for the most commonly occurring committees. Visit [www.governanceinstitute.com/selfassessments](http://www.governanceinstitute.com/selfassessments) to learn more about The Governance Institute's selection of board and committee assessment tools.

**Step 2: Set goals and expectations of the board in advance.** Board evaluation is a good time for the board to look at goals, expectations, and requirements of board service to ensure that board members know in advance what is expected of them. Ideally, such goals and expectations are set at the beginning of the year (or immediately after the previous year's assessment, based on the results and development plan), and then the board has opportunities throughout the year to track progress of those goals. When the time comes to conduct the annual board assessment, the full board should review the agreed upon goals and expectations to determine if modifications are necessary, and be sure the goals and expectations are reflected in the evaluation tool (those essentially become the evaluation metrics).

**Step 3: Customize the tool.** When using an external tool, the board or governance committee should review it in advance to ensure the following:

- Industry terms used are understood and explained to board members prior to completing the survey
- Questions on the tool are applicable to this board
- Addition of questions as needed due to the individual board's goals/needs

Then, prior to distributing the survey, board leaders can take a moment with the board to review the tool and process, which helps make it feel less daunting. Be sure to include that all board members' responses will be kept confidential, and results will be presented in the aggregate. This ensures the most truthful responses and thus accurate results.

**Step 4: Conduct the assessment.** Most third-party assessments can be done online, at the board member's own convenience. It is critical to engage the board support person to help facilitate the assessment, including:

- Distributing the survey and instructions (whether via email or hard copy)
- Setting a timeline for survey completion (usually one or two weeks)
- Sending reminders and tracking completion

It is essential that *all* board members complete the assessment to ensure the results are as valid as possible. (With small boards, one person's responses can change the aggregate scores substantially.) New board members can benefit from taking the assessment as the tool in itself provides education about what responsibilities are required to be performed. But if new board members cannot yet answer many of the questions on the survey, their answers do not need to be included in the results.

Board members must have the opportunity to complete evaluation forms in a place other than the boardroom. Directors need time to reflect and have some privacy to feel more apt to be candid and forthright about themselves, their colleagues, and the board as a whole. (Surveys are kept confidential for this reason.)

**Step 5: Calculate the results.** Usually third-party tools provide an aggregate report of responses, along with instructions for how to interpret the results. The Governance Institute also provides a facilitators' guide and an opportunity to discuss the results with a staff person or Governance Institute advisor, prior to reporting to the full board.

**Step 6: Present the results and create a development plan.** This is the most important step of the entire process and one that should not be done by cutting corners or rushing through. Without this step the assessment process becomes a fruitless task and a waste of board members' time. This can be broken into three main action items (see the list of to dos on page 26 for more detail around what to do post-assessment):

1. During a special board meeting or retreat devoted to this single agenda item, the board chair, chair of the governance committee, or an outside facilitator presents the report to the full board (board members should have access to the report in advance). This can be a valuable time for generative discussion about the results, including both areas of strength and weakness. The full board should be part of the decision-making process about which goals should be set for the following year regarding board performance.
2. The governance committee then finalizes the board development plan by filling in objectives to reach those goals and a timeline for completion.
3. The full board approves the final plan at the next board meeting in the consent agenda.

Some boards may feel it is beneficial to bring in an outside expert to present the results to the board and help facilitate the discussion. This can be helpful if the board has many areas it needs to improve upon or if some board members are hesitant about the assessment purpose and process. Hearing the news from an objective party keeps it in perspective and the focus can stay on constructive, transparent goal setting rather than finger pointing or allowing assumptions of bias or personal relationships among board members to get in the way of objectivity.

### Sample Governance Action Plan

Action Item	Specific Goals	Assigned to	Deadline
Improve/enhance strategic discussion for more effective board meetings	<ul style="list-style-type: none"> <li>• Hold a board education session regarding the difference between operational and strategic discussions</li> <li>• Implement an inverted agenda with strategic discussion taking place first</li> <li>• Review consent agenda procedure to ensure best practice is in place to free up as much meeting time as possible</li> <li>• Increase time for board education during meetings prior to major decisions</li> <li>• Create executive summary of board meeting minutes to include in board packet for review prior to meetings</li> </ul>	Board chair/board support person	Within 3 months
Revamp quality dashboard to include population health and value-based metrics at the right level of information for the board	<ul style="list-style-type: none"> <li>• Work with quality improvement staff to determine which metrics to include that show a big-picture view of quality and value performance over time</li> <li>• Create two-level dashboard with a front-page summary of performance showing major metrics such as mortality rates, bundled quality metrics for major service lines, and costs of care; interior pages with lower level of detail if board wants to dig deeper</li> </ul>	Quality committee	Within 6 months
Develop and implement a succession planning process for board leadership (chair, vice chair, and officers)	<ul style="list-style-type: none"> <li>• Develop a written board leadership succession plan for full board approval. Elements to include:               <ul style="list-style-type: none"> <li>» Clear process for selecting officers</li> <li>» Skills, competencies, and prerequisites for officers</li> </ul> </li> <li>• Educate board members and implement board leadership succession plan</li> </ul>	Governance committee	Within 6–9 months
Ongoing governance education and training plan	<ul style="list-style-type: none"> <li>• Develop annual board education calendar to include education sessions at every board meeting and educational retreats, based on needs from strategic plan</li> <li>• Set goals for board member time commitment to educational activities outside of board education sessions (and specify activities/resources)</li> </ul>	Governance committee	Within 3 months
Additional actions...			

While not covered in this publication, it is important to note that it is beneficial to have board members conduct an individual board member assessment as well. Committees should also regularly assess their performance to ensure they understand their roles and responsibilities and are doing the work necessary to allow for good governance.

**Post-Assessment To Dos:** After taking the self-assessment, it's important that the board has a facilitated discussion, develops an action plan, and follows up. High-performing boards take the following steps:

- ✓ The governance committee and CEO review the results and plan for the full-board discussion. The board chair and others may be involved in this step. (If the board uses The Governance Institute's tool, a one-hour phone call between the governance committee chair or board chair and a Governance Institute representative or advisor to discuss how to interpret the results should take place at the outset of this step.)
- ✓ An inside or outside facilitator (possibly a Governance Institute advisor, if appropriate) is selected to review the results with the full board and facilitate a generative discussion.
- ✓ The assessment results are distributed to all board members.
- ✓ The governance committee or facilitator presents the results to the full board at a special session devoted to the assessment, rather than as part of a regular board meeting. It is important that the presentation of results provides the opportunity for full board discussion and takes place in a timely fashion.
- ✓ The governance committee creates a development plan (which is approved by the full board) to identify opportunities and action steps for performance improvement.
- ✓ The governance committee monitors the development plan to ensure that improvement goals are met and presents progress reports to the full board.

**Discussion Questions:**

- Does the board conduct an annual board self-assessment that is both effective and meaningful? If so, does this process include using an external tool that allows it to compare its performance with its own peers in similar organizations?
- Are board members provided the time and space needed to give candid answers that ensure accurate results?
- What are the board's current goals and expectations? Are we regularly reviewing these goals and tracking progress?
- How are results presented to the full board? Does this result in generative discussion and creation of a development plan that identifies opportunities and action steps for performance improvement?
- What steps can we take to improve our current board self-assessment process?
- Does the board have a process to assess individual board performance as well?
- Do board committees regularly assess their performance?

**Resource Toolbox:**

[Board Self-Assessment: A Core Responsibility](#), Second Edition (Elements of Governance)

[Board Evaluation & Performance](#) (Intentional Governance Guide)

[Individual Board Member Assessment](#), Third Edition (Elements of Governance)

# Board Composition and Recruitment

**G**etting the right directors on the board has become increasingly important as hospitals and health systems face a multitude of challenges in a transforming industry. Here we provide simple steps for board recruitment with the ultimate goal of developing a formal plan for building a competency-based board to address current and future board needs.

## Recruiting the Right Talent

A board is only as good as its directors and the starting point for this is board recruitment. In order to ensure the board has the skills it needs, it's critical to have a plan in place for building a competency-based board. Below are a few steps to help in this process.

**Step 1: Articulate desired future board member competencies.** When planning for future board members, start by considering both the board's needs and the underlying healthcare organization's needs for leadership talent. Then identify a set of competencies that will be critical for the future success of your hospital or health system. During this process, it is important to a) use your strategic plan as the context to identify needed competencies, and b) recognize the future roles and responsibilities of your board.



## Examples of Second-Curve Board Competencies

Boards need more diverse skills, talents, and perspectives than they may have needed in years past in order to become agile and change in a smart manner to place the organization in a competitive position. Some of the new skillsets cutting-edge boards are recruiting for today include:

- Population health and chronic disease management
- Change management (including Lean/Kaizen-type culture implementation and continuous quality improvement)
- Technology (especially "small" such as e-health and wearables, and social media)
- Innovation (both small company and corporate)
- Banking (change management and strategic cost management; investment bankers with healthcare expertise)
- National healthcare experts (vision and expertise on a national scale)
- Corporate governance (national expertise in for-profit corporations)
- Systems management: experts on systems of care and reliability processes, and people who can move and change systems quickly
- Strategy and strategic planning (healthcare and national)
- Actuaries/risk-management
- Healthcare entrepreneurs
- Visionaries
- Medication management
- Team builders: people who can build board and management teams

Once you have a long list of needed competencies, start refining it by the skills and experience that is most important to the success of the organization. See the following page for a sample list of competencies and qualifications to help guide you in these efforts.

## Sample Governing Board Member Competencies and Qualifications

**Recommendation:** Your board would create its own “starting” list of future competencies, using this list as a starting point for setting priorities and honing the list down to a manageable number relevant to your needs.

Knowledge & Expertise (“hard skill”)
<ul style="list-style-type: none"><li>• Healthcare industry knowledge</li><li>• Understanding of the entire delivery system</li><li>• Governance/management distinction awareness</li><li>• Business/financial knowledge</li><li>• Human resources/organizational development knowledge</li><li>• Change management/innovation and transformation expertise</li><li>• Knowledge of reliability science for improving quality and patient safety</li><li>• Knowledge of customer service process improvement</li><li>• Expertise in public policy or community health planning</li></ul>
Personal/Professional Experience
<ul style="list-style-type: none"><li>• Service on board of large organization</li><li>• Experience in managing complexity or governing in a complex organization</li><li>• Experience in successfully navigating an organization during a period of rapid change</li></ul>
Personal Attributes (behaviors, “core competencies”)
<ul style="list-style-type: none"><li>• Integrity</li><li>• Analytical thinking</li><li>• Strategic thinking</li><li>• Collaborative leadership style</li><li>• Ability to promote teamwork and build consensus</li><li>• Good listening and communication skills</li><li>• Ability to influence others</li><li>• Appreciation for perspectives of all stakeholders</li><li>• Appreciation for benefits from diversity on the board</li><li>• Ability to hold self and others accountable for achieving goals</li><li>• Interest in continuous learning/curiosity</li></ul>

Adapted by M. Jennings Consulting from *Planning for Future Board Leadership*, Elements of Governance, The Governance Institute, 2011.



**Step 2: Identify the “competency gaps.”** Compare your desired competencies with the skillsets and expertise currently on the board (see Sample Board Skills Matrix below). If more details are needed around the competencies demonstrated by current board members, the nominating or governance committee can help develop a survey around the board-approved competencies created in the step above. Then have each board member complete the assessment of whether/how well he or she demonstrates each competency. This can also include a confidential peer review where each board member answers the same questions about every other board member.

**Sample Board Skills Matrix**

<b>Board’s Strategic Imperatives</b> <i>(edit as needed)</i>	<b>Current Need</b>	<b>Future Need</b>	<b>Current/Ongoing Need</b>	<b>Skills Currently Provided by:</b> <i>(skills not exclusive to directors listed)</i>	<b>Examples of Individuals Who Bring This Skill</b>
Advocacy					Legislator; lawyer; public or elected official; marketing, media, or philanthropy expert
Construction/Real Estate					Architect; engineer; realty executive; developer
Governance Effectiveness					Lawyer; chief executive or consultant
Investment					Investment analyst/broker; banker
Finance/Accounting/Compliance					Finance or accounting officer; controller; banker; lawyer
Marketing/Communications					Market research or media executive
Healthcare Quality and Safety					Physician, nurse, or other health-care professional; industry expert
Social Services/Community Outreach					Social service or public health professional; clergy; civic volunteer leader; media executive
Revenue Streams					Health insurance payer/HMO executive; foundation executive
Strategy/Planning					Chief executive; planning/policy expert
Technology					Executive-level specialist from academia, business, healthcare
Workforce Development					Educator; HR professional; consultant; major employer

**Step 3: Develop a multi-year board recruitment and development plan.** Board recruitment and development should be an ongoing process. Creating a board talent management matrix is a great way to ensure that the board will have the competencies it needs going forward. This matrix can be the basis of any board recruitment and development plan.

### Board Talent Management Matrix

<b>Board Talent Risk Assessment</b>	# Vacancies: _____ Skills lost: 1. _____ 2. _____ 3. _____ 4. _____	Satisfaction Survey: _____% directors satisfied _____% directors agree board is effective	Problems identified in one-on-one meetings with board chair: 1. _____ 2. _____ 3. _____ 4. _____	Employ search firm? Pros: _____ Cons: _____	Actions/deadlines: 1. _____ 2. _____ 3. _____ 4. _____
	<b>Talent Needs Based on Strategic Plan</b>	Mission statement (updated?): _____ _____ _____	Strategic goals (short term): 1. _____ 2. _____ 3. _____	Strategic goals (long term): 1. _____ 2. _____ 3. _____	
<b>Board Member Competencies &amp; Gaps</b>	Skills needed based on strategic plan: 1. _____ 2. _____ 3. _____ 4. _____	Other/new skills/attributes needed: 1. _____ 2. _____ 3. _____ 4. _____	# of current directors with strategic skills: 1. _____ 2. _____ 3. _____ 4. _____	# of current directors with other/new skills: 1. _____ 2. _____ 3. _____ 4. _____	Talent gaps: 1. _____ 2. _____ 3. _____
	<b>Talent Pool</b>	# of directors needed for immediate gaps: 1. _____ 2. _____ 3. _____ 4. _____	Names/skills in current candidate pool (if applicable): 1. Name: _____ Skills: 1. _____ 2. _____ 3. _____ 2. Name: _____ Skills: 1. _____ 2. _____ 3. _____ 3. Name: _____ Skills: 1. _____ 2. _____ 3. _____	Decisions to make: How many people do we need to add to the candidate pool?  What skills are missing in the pool?  Where/how to find candidates?	<b>Plan Implementation:</b> Actions/deadlines: 1. _____ 2. _____ 3. _____ 4. _____ 5. _____ 6. _____

*Note:* To receive a copy of this matrix in spreadsheet format, please download it at [www.governanceinstitute.com/templates](http://www.governanceinstitute.com/templates), or contact The Governance Institute at [info@governanceinstitute.com](mailto:info@governanceinstitute.com) or (877) 712-8778.

For recruitment to be successful in closing the competency gaps, the organization must carefully review each board member at the end of his or her term to determine whether and how that individual contributes to the desired mix of board competencies. This may require making difficult decisions about individuals who have been “good” board members but whose competencies either are duplicated by others on the board or are not those needed for the future. Unless you are able to take this courageous step, you may need five or more years even to begin to see your desired board mix of competencies emerge—and given the dynamic changes in the industry, waiting this long is not an option.

It is also critical that the plan looks beyond board recruitment to focus on engaging and retaining board members through:

- **Board satisfaction:** Some boards are working with consultants to construct specially designed “board satisfaction surveys” (including individual director interviews) to help board leaders and the CEO get a better sense of the board’s strengths and weaknesses, including director satisfaction. Most boards that go through this exercise not only learn

a lot about their boards and governance responsibilities, but also find it helpful for the governing board to then build a multi-year board education and development plan. Further, this is an important tool to help preempt dissatisfied directors and implement changes that can make meetings more valuable and engaging.

- **Education:** High-performing governing boards are continually learning, asking questions, and obtaining information not merely on their own organization, but also on industry trends and developments. To do this successfully requires having formalized board education and development programs/processes, as well as personal development plans for each board member.



### Responding to the Demand for Board Talent

If your organization is experiencing a “board talent shortage,” below are a few examples of how other organizations are responding:

- **Create a board talent pool:** Many healthcare organizations are generating “board talent pools,” often in the form of advisory boards, and also populating board committees with non-board members. This can be a source to develop talent—the organization benefits from their talent and skills and the non-director becomes familiar with the organization and how it conducts business. Some healthcare organizations invite advisory board members to attend certain board meetings (sometimes on a monthly rotating basis). Some also encourage former board members (some of whom had to leave due to term limits) to stay on the advisory board so that the organization can continue to keep seasoned, valuable former board members engaged. Finally, a board talent pool may provide another important valuable benefit: to act as a “community bridge” as hospitals and health systems shift focus to value-based, patient-centered care across the population.
- **Look beyond traditional borders:** Several organizations are now more actively going outside and beyond their “traditional service areas” to recruit talent. Almost 30 percent of healthcare boards are going, or are planning to go, outside their service area to recruit new board talent. Just like recruiting for executive management, it can be beneficial to look beyond the local region to find the best directors. Another perspective is to look beyond top-tier professionals to those in the mid-tier who are on their way up. Nurse leaders in your organization might make great board members, for example.
- **Seek professional help:** Another trend is for hospitals and health systems to engage professional search firms to vet candidates and recruit people with the board’s needed skills and competencies.
- **Compensate directors:** Another slow but consistent trend is director compensation. Once almost unheard of, more organizations today are able to make the argument that the combined shortage of directors and increased demands on the board (legal and otherwise) help justify the decision to compensate hospital and health system board members for their time and efforts. (Note: hospitals and health systems that are considering board compensation should work with trained consultants and legal counsel to remain legally compliant.)

**Discussion Questions:**

- Do we have a comprehensive, multi-year board recruitment and development plan? Does it need updating?
- What competencies are missing on the board that are needed to successfully carry out the strategic plan?
- Do we have the board talent necessary to compete with others that are entering or already in the population health market?
- Are there members with diverse community representation on the board?
- Is there a shortage of people willing to serve on the board in our area? If so, what needs to be done to get the right board talent?
- What are we doing to ensure board members are satisfied with their role and receiving the education needed to enhance their performance?

**Resource Toolbox:**

[Board Recruitment](#) (Intentional Governance Guide)

[Board Recruitment and Retention: Building Better Boards, Now...and for Our Future](#) (White Paper)

["Competency-Based Board Recruitment: How to Get the Right People on the Board"](#) (Governance Notes article)



# Accomplishing Board Goals

## Setting Board Goals

Goal setting is of vital importance because it facilitates the board in focusing its efforts in a specified direction. The purpose for establishing clear goals is so each person on the board can give a similar answer to the question: *What are we trying to achieve?*

Goals that produce a high level of performance are often difficult. Commonly referred to as SMART goals, below is a description of the five goal characteristics:

- **Specific:** Goals should be straightforward and emphasize what you want to happen. Specifics help the board to focus its efforts and clearly define what is going to get done. “Specific” encompasses the what, why, and how—what are you going to do, why is this important to do at this time, and how are you going to do it?
- **Measurable:** Goals that cannot be measured are difficult to manage. In the broadest sense, the goal statement is a measure for the project; if the goal is accomplished, then it is a success. However, it is important to establish concrete criteria for measuring progress toward the attainment of each goal you set. Short-term or small measurements built into the overall goal along with measurable progress and target dates will allow the board to see the change occur or, conversely, not occur.
- **Aligned:** The board should be continually connecting its efforts directly and precisely with the goals of the organization. Goal alignment focuses everyone on maintaining the core mission of the organization and moving toward the same vision of success. Goals should be integrated with the organization’s strategic plan.
- **Realistic:** It is important that the board remains realistic during the initial goal-setting process; in other words, realistic means “doable.” It means the learning curve is not a vertical slope and adequate resources, knowledge, and time are available to do the work.
- **Time-bound:** Set a timeframe for the goal, while ensuring enough time for achievement of the goal but also ensuring that the goal is met in a timely manner considering other goals and events the board and organization may be dealing with. Goals must have starting points, ending points, and fixed durations. Goals without deadlines or schedules for completion tend to be overtaken by the day-to-day crises that invariably arise in an organization.

The board develops its own goals that are separate from the organization’s goals outlined on its strategic plan. However, the board’s goals should help further the organization’s goals—the primary difference being that the board must focus on its own responsibilities and oversight, not delve into operations and management issues; and the board’s goals should be considered in light of its own effectiveness in leading the organization, including goals to improve areas of weakness in board function.

Organizational goals are:	Board goals are:
<ul style="list-style-type: none"> <li>• Tied to the vision and strategic direction/plan of the organization</li> <li>• Few in number and succinctly stated</li> <li>• A foundation for the CEO’s and organizational performance objectives</li> <li>• Realistically achievable</li> <li>• Quantifiable</li> <li>• Time-specific and established annually</li> <li>• Aligned with each other</li> <li>• Benchmarked for monitoring CEO and organizational performance</li> </ul>	<ul style="list-style-type: none"> <li>• Annual expectations established by the board for its own priorities and performance</li> <li>• Specific actions the board can/must do to ensure its own effectiveness, and contribute to the achievement of organizational goals and strategic direction</li> <li>• Focused on work, time, attention, and structure of the board</li> <li>• A method of facilitating proactive rather than reactive board behavior</li> <li>• The basis for an annual board work plan and agendas</li> <li>• Benchmarks for annual evaluation of board performance</li> </ul>

## Developing the Board's Work Plan

Once the board has established its goals, it should then create a work plan that captures the various duties and responsibilities of the board and illustrates how the board will meet its goals.<sup>2</sup> The plan should allow the board to ensure that it is fulfilling its fiduciary responsibilities and meeting its obligations under the law and under its own policies. It should be an annual planning tool that assists the board and staff in identifying reporting deadlines, distribution of workload, and planned board meetings and committee work.

This work plan is intended to collect and simplify information from various sources (e.g., board committees and staff). A simple checklist can be created for board members to quickly see which tasks are being done. The governance or board development committee is usually responsible for monitoring the overall work plan and a copy of the updated work plan should be included in the board packets for each meeting.

Like any planning tool, it is in constant evolution. Although the board approves the plan once per year, it should be modified throughout the year in order to incorporate new activities or incorporate decisions the board makes and policies it may adopt throughout the year.

Below is a list of considerations when generating a work plan for the board and/or committees:

- **Who?** Who are the key groups and/or individuals that need to be involved? What is the best way to involve them? Who are the groups and/or individuals that will benefit from the proposed activities? Who will be involved in the various stages of putting the plan into action? What is their specific role?
- **What?** What resources do you require to put your plan into action?
- **When?** When do you start? Are your timelines achievable? Have you considered other initiatives that are occurring simultaneously?
- **How?** How will you put your plan into action? List the major steps or milestones that need to take place. Identify obstacles you may encounter and how they will be managed.

Once the work plan is created, the next step is identifying indicators for success. Stop and ask:

- How will you know if your program is a success?
- What indicators will tell you whether or not you have met your goals and objectives?

The board should also review the previous year's work plan accomplishments. Smart probing and analysis of your organization's past goals and the work to achieve them—whether successful or not—can provide valuable insight that can shape future outcomes:

- Validation of past successes and identification of issues that inhibit success
- Opportunities and challenges not considered during the goal-setting process
- Stakeholder goals not considered during the goal-setting process
- Communication—what worked, what didn't, and where is improvement needed?
- Were there any breakdowns between expectations and performance? Or, if alignment was maintained, what did it take to achieve it?

### Work Plan To Dos:

- ✓ Create a work plan that includes the board's various duties and responsibilities and shows how the board will meet its goals. When appropriate, integrate the board's development plan/goals from its self-assessment into this plan.
- ✓ Have the governance or board development committee be responsible for monitoring the overall work plan.
- ✓ Include a copy of the updated work plan in the board packets for each meeting.
- ✓ Continually modify the plan throughout the year, as needed, to ensure it is up-to-date.
- ✓ Identify indicators for success.

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<sup>2</sup> For a downloadable copy of a Sample Board Work and Education template go to [www.governanceinstitute.com/templates](http://www.governanceinstitute.com/templates), or contact The Governance Institute at [info@governanceinstitute.com](mailto:info@governanceinstitute.com) or (877) 712-8778.

### **Committee Work Plans**

One of the best ways to ensure effective board committees is through use of a committee work plan. Like the board's work plan, this plan specifies goals for the committee, strategies to meet those goals, and timelines for completion of the goals. The goals of the committee should be closely aligned with the strategic goals determined during strategic planning, and should support the board's goals and work plan. Each board committee and relevant staff members reference their committee work plan to guide completion of their portion of the organization's strategic plan (e.g., the finance committee works from the finance work plan, the marketing committee from a marketing work plan, and so forth). The plan references the related goal(s) from the strategic plan. Work plans include objectives that, in total, implement the respective strategy.

#### **Discussion Questions:**

- Are board goals SMART (specific, measurable, aligned, realistic, and time-bound)?
- How are board goals working to further organizational goals?
- Does the board have a work plan that effectively illustrates how the board will meet its goals?
- What are our indicators for success?
- Do committee goals support the board's goals and work plan?

#### **Resource Toolbox:**

[Board Education, Goal Setting, & Work Plans](#) (Elements of Governance)

# Conclusion

With a strong knowledge of the basics, boards will have a solid foundation for governance success. Having these skills in place allows the board to better lead the organization in achieving its mission, vision, and strategic direction. Below we leave you with a list of to dos for ensuring your board is building off of these basic fundamentals and working towards performing at the highest level.

## To Dos:

- ✓ Ensure the board clearly understands its roles and responsibilities. If there is *any* uncertainty, schedule an education session to discuss responsibilities and address areas of confusion.
- ✓ If you haven't done so already, put checkpoints in place to ensure the line between management and governance doesn't become blurred.
- ✓ Develop (or update, as needed) a formal board education plan that focuses on specific areas of needed improvement and identifies timelines for meeting objectives. Remember to continually measure the degree to which the board's education goals are actually achieved.
- ✓ Assess the effectiveness of board meetings. (Are meeting focused on strategy rather than hearing reports? Do members come prepared and ready to participate in generative discussions? Are the length and number of meetings appropriate for the organization?)
- ✓ Perform an annual, formal board self-assessment. Then use the results of the assessment to create a well-thought-out development plan that identifies opportunities and action steps for performance improvement.
- ✓ Think through what competencies the board needs now and in the future to effectively lead the organization.
- ✓ Revisit the board's work plan to ensure it is a useful tool in assisting the board. (Was is developed thoughtfully and framed by realistic goals and targets, or does it need to be revised?)