

This newsletter is designed specifically for governance support professionals with information and expert opinions in the area of hospital and health system governance.

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"Good to Great" Governance Support: 2019 Areas for Focus

By Marian C. Jennings, President, M. Jennings Consulting

Jim Collins, the well-known author of the iconic management study *Good to Great*, uncovered the key to highly successful companies:

*"There was no miracle moment. Instead, a down-to-earth, pragmatic, committed-to-excellence process—a framework—kept each company, its leaders, and its people on track for the long haul. In each case, it was the victory of steadfast discipline over the quick fixes."*¹

The same holds true for what differentiates great governance from that which is merely "good." And governance support professionals can and should be a key force driving this "steadfast discipline."

While there are many potential changes in board structures or processes that could strengthen your organization's governance, this article provides three key areas for focus in 2019:

- Intentionally increase the amount of **board meeting time devoted to strategic discussions** and policy.
- Maximize the **effectiveness of your committees**.
- Implement a more strategic, **long-range plan for board recruiting**.

"Is My Organization Ready for Greatness? Am I Ready to Lead the Charge?"

Readiness to change is everything. Where should your focus be in 2019? Consider the following:

- Is the board not satisfied with being a good board: does it aspire to be great?
- Are the CEO and board leaders willing to invest the time and energy required of them to achieve high-performing governance—and to let you take the lead in many areas?
- Are you willing to invest the time and energy required of you to combat the obstacles to high-performing governance?
- If you had a magic wand and could enhance only one or two areas of your governance by the end of 2019, what would they be? These should be your focus areas for 2019.

Focus Area 1: More Time for Strategic Discussions/Less Reporting

According to The Governance Institute's 2017 Biennial Survey of Hospital and Healthcare Systems,² only an average of 24 percent of board meeting time is devoted to discussing strategic issues/policy—despite longstanding expert opinion that the board should be spending *at least* half of its meeting time on such discussions. Why is this? Because management/committee reports take up two-thirds of the meeting, crowding out more meaningful, generative discussions.

¹ Jim Collins, *"Good to Great," Fast Company*, October 2001.

² Kathryn Peisert and Kayla Wagner, *The Governance Evolution: Meeting New Industry Demands, 2017 Biennial Survey of Hospitals and Healthcare Systems*, The Governance Institute.

What can governance support professionals do to address this? We suggest the following:

- Reorder the board agenda to tee up strategic issues/topics early, followed by more routine discussions/reporting.
- Develop board leader/executive team consensus of what kind and how much pre-meeting material the board wants and needs. Ideas to increase the quality and reduce the quantity of information include:
 - › Require a one-page-or-less executive summary at the outset of each report.
 - › **Caution! Although board portals are a wonderful tool, they make it all too easy for management to upload long, overly detailed reports that do not meet the needs of board members.** To avoid misusing portals, consider a page limit on the total board packet. How? Once the board agenda is finalized, determine the maximum length of each component of background information and stick to it. The CEO must reinforce with his/her executive team the importance of concise, meaningful information to support policy-setting and oversight.
 - › Develop a board-level dashboard that spans the board's fiduciary responsibilities (e.g., quality/safety, patient experience, financial performance, compliance, community health, etc.). Then, use visual dashboard information rather than wordy descriptions of performance wherever possible; focus on addressing unfavorable performance not rehashing every indicator.
 - › Keep committee minutes concise and clearly identify actions taken.
 - › Distribute board materials at least a week in advance. Allow only rare exceptions.
 - › Include "discussion

questions" in pre-meeting materials for board members to consider in advance (and let them know they need to come prepared to discuss these).

- Ensure that the board chair sets a clear expectation that every board member will have read the board packet ahead of time, every time.
 - › Reduce to an absolute minimum any management presentations of information provided in advance.
 - › Encourage the board and/or governance committee chairs to counsel any member who regularly attends meetings unprepared.
- Convene executive leads of committees/senior managers to distinguish between the information needs of the board versus those of management—and to agree on a common approach/format for packaging and presenting information to the board and/or committees. Work collaboratively with the staff supporting these executives to ensure that they also are in the loop and consistently use common approaches.

Focus Area 2: Use Committees More Effectively

Board committees are the backbone of effective governance. Too often, there is variability not only in the effectiveness of individual committees but also in how each committee relates to the board as a whole. What can governance support professionals do to help make committee work more effective? We suggest the following:

- Require every committee to organize its work around a formal annual work plan directly tied to its charter responsibilities, using a common format/approach across committees.
- Require that each committee perform an annual self-assessment: reassessing its value to the board as a whole,

updating its charter as needed, and identifying areas for improvement for the upcoming year.

- Assist the board and committee chairs in actively discouraging the replication of committees' work at the board meeting. Provide these leaders with process tools to respectfully move the conversation forward while ensuring that concerns are addressed in a more appropriate forum (e.g., a one-on-one conversation between the board member and a committee chair or its executive lead).
- Avoid siloed behavior. At least quarterly, convene by phone the board chair, CEO, and committee chairs to share the work of their committees, agree on what is most important for the board to understand/discuss, and coordinate efforts across committees. Similarly, routinely convene the executive leads for all committees to share their approaches to committee effectiveness and the issues/topics they are bringing forth to their committees.
- Use a one-page reporting form to support five-minute verbal committee updates at the board meeting, when warranted.

Download Template:

- [Five-Minute Committee Update](#)

Focus Area 3: Plan Long Term for Future Recruitment Needs

All too often, the need to recruit new board members is identified only as a board member is rolling off. Recruiting the right people with the right backgrounds and competencies is essential for high performance and should be structured around a multi-year, intentional process.

What can governance support professionals do to address this? We suggest the following:

- Work directly with the governance or nominating committee to create a multi-

Additional Governance Institute Resources

1. More Time for Strategic Discussions:

- [“Making Time for Strategic Discussions”](#) (*BoardRoom Press* Article)
- [“Elevating Board Meetings through Intentional Planning and Board Packets”](#) (Governance Notes Article)

2. Use Committees More Effectively:

- [Board Committees, Second Edition](#) (Elements of Governance)
- [Worksheet: Committee Meetings](#) (System Resource)
- [Worksheet: Keeping Boards Engaged between Meetings](#) (System Resource)

3. Plan Long Term for Future Recruitment Needs:

- [“Competency-Based Board Recruitment: How to Get the Right People on the Board”](#) (Governance Notes Article)
- [Board Recruitment](#) (Online Toolbook)
- [Board Recruitment and Retention: Building Better Boards, Now...And for Our Future](#) (White Paper)
- [“The New Healthcare Shortage: Recruiting Human Capital to Serve on the Board”](#) (*BoardRoom Press* Special Section)

dimensional, multi-year board recruitment plan.

- If you have not already done so, engage the full board in clearly articulating the most important attributes and competencies (skills, expertise, and experience) needed on the future board,³ along with your “gaps” for the next three to five years, taking into account expected board turnover.
- Actively cultivate a pipeline of future board members. Remember, some of the best candidates for your board also are highly sought after by other organizations—often they cannot accept a position immediately but may be able to do so in two to three years. Where possible, find ways to engage these individuals,

such as by having them serve on a committee that allows non-board members to participate or attend sponsored events as an invited guest.

- Evaluate the pros and cons of adding board member(s) who bring a unique, valued competency but reside outside of your market. Do not underestimate the interest of some terrific, knowledgeable people to serve on your board!
- Create a culture where “automatic reappointment” is not assumed but earned through performance. This requires a rigorous board member assessment process. Encourage the board chair and CEO to conduct one-on-one interviews annually with each board member about his/her performance and to agree on the member’s future roles/development as a board member.
- Establish a rigorous annual board

3 Marian Jennings, [“Competency-Based Board Recruitment: How to Get the Right People on the Board.”](#) *Governance Notes*, The Governance Institute, February 2015.

recruiting calendar that is used each year, even when the board is not specifically looking to recruit a new member. Conduct a needs identification in the first quarter of the year; source candidates in the second quarter; compile a short list, interview, reference check, and select in the third quarter; and recommend/nominate in the fourth quarter.

Download Templates:

- [Board Talent Management Matrix](#)
- [Sample Competency-Based Selection Guidelines for Boards of Directors](#)
- [Board Skills Matrix](#)

Conclusion

Remember Jim Collins’ advice: it is steadfast discipline that differentiates great from good. The key to keeping your governance on track for the long haul is such steadfast discipline. Rather than trying to address all aspects of your governance model simultaneously, we recommend that you develop your own 2019 work plan—and, once it is approved, relentlessly pursue those priorities.

The three recommended areas identified in this article represent the most common issues/questions we hear from those in governance support. Your issues may differ, but you can adopt a similar approach. Focus on tangible outcomes. Use key action verbs as we have done here: “require,” “expect,” “actively cultivate,” and “ensure”—rather than “assist,” “support,” or “plan to.” Recognize that changing well-established habits can be difficult. Spend the required time to generate support for your approaches from board leaders, the CEO, and the executives who interact most with the board. Remain focused. Be steadfast.

The Governance Institute thanks Marian C. Jennings, President, M. Jennings Consulting, for contributing this article. She can be reached at mjennings@mjenningsconsulting.com.



Age Diversity: Developing a Strategy to Recruit (and Retain) Younger Directors

By Lauren J. Schantz, J.D., Governance Secretary, Carilion Clinic

Like many other industries, healthcare is experiencing an era of rapid growth, innovation, and disruption. Yet despite these seismic changes, the leaders at the helms of many healthcare organizations have remained largely the same: white male baby boomers with significant board and/or C-suite experience. While operational expertise and institutional wisdom are valuable director attributes, a board that includes younger directors with specialized skill sets is better equipped to navigate the healthcare industry's rapid changes successfully. Forward-thinking boards should develop a robust recruitment and retention strategy for younger directors.

How Younger Directors Add Value to the Board

Younger directors, which include both Generation X and millennial directors, have the potential to add significant value to the board, including:

- **New skill sets.** Younger directors can bring crucial skill sets to the board in this era of unprecedented industry change and disruption. The talent pool of younger directors is a good source for skills such as business model transformation, talent recruitment and retention, data analytics, customer experience, social media management,

Key Takeaways

As boards and governance support professionals work together to include new, younger members on the board, they should:

- Recruit diverse mid-level professionals with specialized skill sets.
- Clearly articulate time commitments and tenure expectations.
- Provide in-person and experiential orientation opportunities.
- Utilize technology such as electronic board portals, email, and texting.

digital marketing, e-commerce, and cybersecurity. But beware: not all younger directors fit the “tech-savvy” stereotype, and a candidate who specializes in e-commerce may not have the cybersecurity expertise a board needs. When recruiting for specialized skill sets, make sure to clearly articulate the capabilities a prospective director should possess.

- **Fresh perspectives.** Directors who have served on the same board for a decade or more have acquired significant institutional knowledge and likely enjoy a collegial relationship with each other and management. Although institutional knowledge and strong working relationships are essential aspects of a healthy board culture, high-performing boards recognize the importance of balancing these qualities with the fresh perspectives of younger directors to avoid the risk of “group think,” in which directors are either unable or unwilling to challenge management proposals. As millennials are poised to become the largest healthcare consumer group in the nation—with expectations and spending habits that significantly differ from those of their

predecessors—younger directors have the ability to share different perspectives through a new generational lens that can drive needed changes in operations and strategy.

- **Greater diversity.** Throughout all industries, there is a lack of age, gender, racial, and many other types of diversity in corporate boardrooms. The mere presence of younger directors in the boardroom automatically results in more age diversity. And because most younger directors have not yet reached the apex of their careers, boards can avoid the homogeneity of the C-suite and choose potential directors from a much more diverse candidate pool. Consequently, electing younger directors to the board can have the added benefit of achieving greater overall board diversity, which, in turn, leads to greater diversity of thought and better oversight.

How to Recruit and Retain Younger Directors

Below are a few steps to take that will help with recruiting younger board members and keeping them engaged:

- **Expand the talent pool.** Many boards require prospective

Forward-thinking boards should develop a robust recruitment and retention strategy for younger directors.

directors to have previous board and/or C-suite experience, but adherence to these antiquated requirements hinders efforts to recruit the right candidates. First, there is the age-old question of the chicken and the egg: how does a candidate get board experience without serving on a board? In addition, the pool of C-suite executives is finite, which means that a board may have to settle for a candidate who has C-suite experience but does not possess other needed skill sets. However, if boards are willing to expand their recruitment efforts to include mid-career professionals located a level or two below the C-suite, they will find a much broader, more diverse talent pool of evolving leaders who possess the specific qualifications boards need to meet the demands of the changing healthcare industry. Tap into local young professionals networking groups, local philanthropic organizations, and business or trade journals that profile up-and-coming professionals to identify individuals who might make excellent younger director candidates.

- **Set clear expectations.** Younger directors are busy. They are in the middle of demanding careers and often have young children at home. So be upfront regarding time commitments: how often the board meets, how long meetings last, how much time

Younger directors can also serve as reverse mentors to older directors, providing insights on how to use technology to make board service more efficient.

it takes to prepare for meetings, whether committee service is expected and associated time commitments, and whether attendance at corporate events is expected and how often those occur. Also be clear about board tenure. While baby boomers may have viewed board service as a lifetime appointment, many younger directors are likely to want to serve for a defined number of years and then move on to something new.

- **Revamp the onboarding process.** Most new directors, and especially younger directors, do not have time to read through hundreds of pages of background information. While a board manual can still be provided (or, better yet, regularly updated on a board portal), consider holding one or more in-person orientation sessions that highlight key topics in a format that appeals to both audio and visual learners. Ensure new directors have time to meet with more seasoned directors, speak to key members of management, and go on a tour of the facility. If possible, have all new directors spend a day working with or shadowing frontline staff. There is no substitute for personal experience. In addition, pair younger directors with senior directors who can serve as guides

to the more intangible aspects of board service, such as navigating director and management team personalities and understanding the mechanics of the boardroom. Younger directors can also serve as reverse mentors to older directors, providing insights on how to use technology to make board service more efficient.

- **Embrace technology.** Once again: younger directors are busy. Make board service as easy as possible by utilizing the technology that most younger directors take for granted. Use board portal software so that directors can access meeting materials and other company information anytime, anywhere. Communicate via text message (though confidential or sensitive matters should still be handled via phone call or secure email messaging). Provide conference call and/or video conference call capabilities to allow directors to attend meetings remotely.

By implementing a clearly defined recruitment and retention strategy for younger directors, forward-thinking boards can begin to refresh their ranks with younger directors who possess the cutting-edge skills and fresh perspectives that healthcare organizations need to challenge industry norms and capitalize on disruptive innovations.

The Governance Institute thanks Lauren J. Schantz, J.D., Governance Secretary, Carilion Clinic, for contributing this article. She can be reached at lschantz@carilionclinic.org.



Teaming with the General Counsel to Increase Information Flow Efficiency and Reduce Board Liability Exposure

By Brad Dennis, Associate, and Megan Rooney, Partner, McDermott Will & Emery LLP

Preparing and delivering board materials to a hospital or health system's governing body is an important—yet often overlooked—opportunity for governance support professionals (GSP) to make a significant impact on board efficiency and reduce legal exposure. As healthcare boards come under increased scrutiny from both regulators and the public, effective board practices, including information sharing and review, are playing an increasingly important role in protecting the organization and board from potential exposure. Accordingly, effective governance support programs must go beyond just acting as a conduit for passing information from management to the board. Instead, an effective governance support program should aim to identify the information the board needs to fulfill its fiduciary and oversight duties, and to distill such information into meaningful content presented to the board through agendas and board packets. In doing so, the GSP should partner with the organization's general counsel (GC) to ensure effective use of legal privilege; thus, reducing liability exposure for the board and the organization.

Communicating the Right Information to the Board

Board members must have the information necessary to have proper oversight and to make informed decisions. In determining what relevant materials to supply to the board, the GSP should balance the temptation to produce everything available, with the urge to provide the board with only high-level overviews. Depending on the composition and sophistication

Key Takeaways

Boards are coming under increased scrutiny by regulators and the public, therefore the importance of fulfilling and documenting the board's fulfillment of its fiduciary duty is ever increasing. To help in these efforts GSPs should:

- Work, in coordination with the GC, to ensure board communication efficiency and effectiveness.
- Make sure that the board is receiving the correct format, amount, and source of information that it needs to make effective decisions.
- Use a variety of tools to increase communication with the board, including agendas and procedural mechanisms.
- Team up with the GC and pay special attention to using and maintaining legal privilege.

of the board, the correct type and amount of information that is supplied is probably somewhere between the two extremes, where the board has enough of the underlying information to form its own conclusions, but not so much that directors get lost in the information or do not even bother reviewing it all.

Finding and delivering the correct balance requires the GSP to actively engage the board to determine what type of information works best for its needs. If information is provided to the board through a portal, the GSP may also be able to confirm to what extent board members are downloading the materials and whether there are any trends in the type of information downloaded. Finding the correct balance also requires that the GSP similarly engage with management and other key stakeholders to communicate corresponding guidelines to be used when they collect and provide information to the GSP for inclusion in the packets. The GC can contribute to this process by helping the GSP identify the guidelines necessary for

the board to fulfill its fiduciary duty for each matter under board review, as well as help communicate these guidelines to management and the various stakeholders.

Practical Tip: It is safe to assume that if the GSP has the ability to check whether board members are downloading materials from a board portal, third parties, such as government authorities, could just as easily use the same information to evaluate whether board members are exercising proper oversight and making informed decisions.

Communicating with the Board through Agendas and Procedures

Although often overlooked as communication tools, the GSP, working with the GC, can use board meeting agendas and procedural mechanisms to increase communication efficiency. A well-planned meeting agenda, provided to board members in advance of the meeting and prepared with input from the chair and CEO, can provide an introduction to the issues

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to be discussed at the meeting, cross-reference information being produced for the board's advanced review, and allow board members an opportunity to seek follow-up information when needed. Further, the meeting agenda provides an opportunity to categorize matters as either informational items or action items, therefore allowing the board to focus its review and come prepared for the meeting.

Practical Tip: In connection with the GC, make sure agenda items include enough detail to communicate the item to be discussed. For example, listing "Evaluate whether to limit board members to three consecutive terms" will result in members being more prepared to discuss the item than would simply listing "Term Limits" on the agenda.

Similarly, procedural mechanisms such as consent agendas, action by informed written consent, and proxies and voting agreements can be used to efficiently work through matters before the board that require varying degrees of board oversight and decision making. GSPs should work closely with the GC to understand when these mechanisms are allowed under applicable law

and governing documents, whether any notice or advance distribution of information is required, and how the mechanisms should be documented. By incorporating these mechanisms into the board's tool belt, the GSP and GC can help the board focus its efforts in the correct areas.

Teaming with the GC to Preserve Privilege

Boards frequently review presentations and documentation subject to legal privilege, such as attorney-client privilege. The GSP and the GC play a crucial role in ensuring that board processes are properly structured and managed to preserve the privilege when intended to apply to presentations and supporting documents.

The GSP should coordinate closely with their GC to ensure that applicable privilege is correctly recognized and maintained. The GC can review communications and supplemental information to help confirm that it is correctly identified as privileged, the control group is accurately identified and maintained, privilege is not inadvertently waived, and privileged documents are correctly labeled and maintained.

The GC can also help the GSP consider when and how separate documents should be used to record and preserve privileged portions of board meetings. In general, board meetings and communication are not privileged simply because the GC attended the meeting or because the communication was marked as privileged. Rather, the meeting or communication must involve the seeking or conveyance of legal advice. Although the GSP should be sensitized to privilege issues, the GSP should always feel comfortable consulting their GC any time a privilege question arises. It is better to be safe than sorry.

Practical Tip: Be careful when using email to distribute privileged materials to board members given the ease at which materials can be forwarded and risk of inadvertent waiver of the privilege. Consider using a board portal or handouts to distribute privileged materials.

GSPs should aim to identify and distill the information the board needs to fulfill its fiduciary and oversight duties, and partner with the organization's GC to ensure effective use of legal privilege. By taking a few simple steps to effectively prepare and deliver board materials, GSPs can help protect the organization and board from potential exposure.

The Governance Institute thanks Brad Dennis, Associate, and Megan R. Rooney, Partner, McDermott Will & Emery LLP, for contributing this article. They can be reached at bdennis@mwe.com and mrooney@mwe.com.

