

Assessing and Renewing Board Governance

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A recent report from the National Association of Corporate Directors (NACD) argues that “the pace and scale of change require a *different modus operandi* from the board governance model prevalent for the last 100 years, a new approach involving greater speed of decision making, proactive behaviors, adaptability, and innovation.”¹ Its authors also state that “boards must approach their own renewal through the lens of shifting strategic needs to ensure long-term competitive advantage.”

Although this report was developed primarily for corporate boards, its findings are just as relevant for not-for-profit healthcare boards that are helping their organizations transition from volume to value. Healthcare boards should revisit their governance models to ensure they are strategic, proactive, innovative, and able to make decisions quickly in the changing environment. And yet, according to The Governance Institute, only 58 percent of boards use the results from a formal self-assessment process to establish board performance improvement goals at least every two years.² The AHA’s 2019 governance survey found that almost one-third of boards have *not*

conducted *any* type of board assessment in the last three years.³

Rationale for Board Assessment

In addition to the rationale described above, there are other reasons for healthcare boards to assess their governance models now. Governance assessments can help assure external regulators such as the IRS and state attorneys general that the board is appropriately overseeing the community’s assets. Issues of concern include executive compensation oversight, regulatory compliance, and conflict-of-interest management. Boards that routinely assess their practices are more often perceived by regulators and legislators to be performing their roles appropriately.

A board assessment can also be a powerful tool for assuring internal stakeholders such as executives, physicians, and directors themselves that the board is doing its job well. A governance assessment can uncover issues impacting the board’s effectiveness and efficiency in each of its fiduciary duties and core responsibilities. Those issues may be task-related, such as whether the capital plan was sufficiently analyzed, or cultural, such as whether the board engages in robust conversations with management while respecting the governance-management distinction.

A board with a reputation for continuously assessing and renewing itself is also more attractive to current and potential board members. Therefore, a board assessment can be a powerful tool for recruiting and retaining highly qualified directors.

Determine Which Population(s) to Assess

The first step in board renewal is to determine which population(s) to assess: the full board, committees, chairs, or individual directors. The Governance

Key Board Takeaways

- Assess the board’s governance model to ensure it focuses on strategic issues and acts with appropriate speed.
- Carefully consider the various options for board assessment.
- Determine which population(s) to survey: full board, committees, chairs, and/or individuals.
- Decide on the appropriate scope of the assessment: targeted or comprehensive.
- Choose the best approach: document-based, survey-based, observation-based, interview-based, or a combination.
- Create a board development action plan.

Institute provides tools for assessing each of these populations.

The most common group to assess is the full board, but boards intent on becoming great also conduct other types of assessments. For instance, asking each finance committee member whether they are receiving needed information in a timely manner can help management better support that committee’s review of the annual budget. In turn, the finance committee will be more comfortable providing its recommendations to the full board.

Another group to evaluate is the board’s leaders. A chair can substantially impact the effectiveness of the board or committee, both positively and negatively. At one health system, the board chair was so concerned with keeping things “under control and on time” that he routinely cut off important discussions. After a while, board members stopped asking questions or offering suggestions, and it became an ineffective, rubber-stamp board. A chair assessment helped identify these and other issues that were creating a sub-optimal board. As a result, the chair requested individual coaching, which improved his ability to facilitate robust discussions with his peers.

Individual board member assessment is a best practice, but it is not often done. Only 28 percent of boards surveyed by The Governance Institute assess the performance of individual directors. This type of assessment can be very helpful, but it should be pursued carefully so



1 *The Report of the NACD Blue Ribbon Commission, Fit for the Future: An Urgent Imperative for Board Leadership*, 2019.

2 Kathryn C. Peisert and Kayla Wagner, *Transform Governance to Transform Healthcare: Boards Need to Move Faster to Facilitate Change*, 2019 Biennial Survey of Hospitals and Healthcare Systems, The Governance Institute.

3 American Hospital Association, *2019 National Health Care Governance Survey Report*.

that directors feel supported, not critiqued. The most successful individual assessment processes are undertaken by boards with healthy cultures that are looking to “up their game” regarding performance improvement.

Decide on the Scope and Scale

The next decision is the scope and scale of the assessment. A typical full board self-assessment instrument is comprehensive; it includes 70–80 questions covering all three fiduciary duties and six core responsibilities of boards. There are also specific questions to ascertain how well the board is functioning. These comprehensive assessments create baselines for measuring the board’s performance over time.

By contrast, some boards choose a highly targeted approach. For instance, the governance committee for a new health system board carefully selected 12 questions to help them assess whether directors felt the new board had made progress on its priorities over



the first year. This focused assessment had multiple benefits: less board member time was required to complete the assessment and leadership received specific feedback on key issues.

Choose the Appropriate Approach(es)

Choosing the correct assessment approach is critical, and yet, this step is often neglected. There are four different methods for assessing a board: document-based, survey-based, observation-based, or interview-based.

In a document-based approach, the bylaws, charters, and policies are compared to best practices. If the observation approach is used, someone attends a board or committee meeting, silently taking notes on the board’s effectiveness (e.g., amount of discussion, agenda adherence, etc.). The survey-based approach uses a written instrument that is most likely administered electronically. An interview-based approach usually entails one-on-one discussions with directors

using a common questionnaire.

The correct approach to use is dependent on many factors, such as the desire for national benchmarking, the need to identify cultural issues, the availability of governance expertise, and time. Since each assessment approach has its advantages and disadvantages, the governance committee should carefully choose the one(s) that best meet their board’s needs at this time. It may be helpful to utilize more than one approach (e.g., if the challenges the board is facing are difficult to identify).

Exhibit 1 includes some of the pros and cons of the four approaches.

Exhibit 1: Pros and Cons of Each Survey Approach

Evaluation Approach	Pros	Cons
Document-Based	<ul style="list-style-type: none"> Least amount of board time More objective 	<ul style="list-style-type: none"> May not provide whole picture May focus too much on documents Requires governance expertise
Observation-Based	<ul style="list-style-type: none"> Identifies cultural issues Requires little to no board time 	<ul style="list-style-type: none"> Requires governance expertise
Survey-Based	<ul style="list-style-type: none"> Allows more board involvement Enables benchmarking 	<ul style="list-style-type: none"> Takes more board time Requires survey expertise (not necessarily governance expertise)
Interview-Based	<ul style="list-style-type: none"> Provides opportunities to better understand the real issues Engages board members in issue identification and problem-solving 	<ul style="list-style-type: none"> Most amount of board time Requires governance expertise More subjective

Prioritize Board Development Action Planning

Regardless of the population, scope, or approach selected, the assessment will only lead to board renewal if it results in a board development plan. The governance committee should ensure that a written action plan is created with a limited number of agreed-upon priority actions, lead responsibility, and due dates, and that the plan is implemented.

By using a disciplined approach to assessing and then renewing its own board governance model, the board can ensure the long-term success of the organization it is responsible for overseeing.

The Governance Institute thanks Pamela R. Knecht, President and CEO, ACCORD LIMITED, for contributing this article. She can be reached at pknecht@accordlimited.com.