

## A Roadmap to Becoming a Competency-Based Board

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**B**oard members consistently tell us that the breadth of topics they need to understand at a high level has increased dramatically in the last decade.

A board member who brought an ideal mix of skills when he or she joined the board might find that skill set to be inadequate after serving two or three terms. This is not to say that any particular areas of expertise will become obsolete; the needs for financial acumen and philanthropy are not going anywhere. Rather, these important areas of expertise are now supplemented by *additional* areas that board members need to understand in order to govern effectively.

As a result, traditional approaches to filling board seats (e.g., a lawyer cycles off the board, another lawyer comes onto the board) are no longer sufficient. Many health systems have recognized the need to recruit for a broader set of competencies than ever before, and they are overwhelmed by the challenge.

“There are not enough qualified people in our community to fill the seats on our board!” Two different CEOs said this to me. One was the CEO of a rural community hospital; the other was the CEO of a health system in a metropolitan area of almost two million people! How could a community that large

not have enough qualified board members?

The answer lies in recognizing that the bigger and more complex the health system, the broader the array of competencies we expect our board members to bring. And as we compete with both corporations and high-profile non-profit organizations for directors, it is no surprise that even urban health system boards believe they do not have all the competencies they need.

For these boards, the call to action is clear. But what about the boards that are not feeling that pain currently—the boards that are satisfied with the mix of individuals in the room? Even those boards need to look ahead and assess whether their

competency strategy is adequate.

A good question that any board can ask is: What are we doing to ensure that our board will be composed of the right people for the challenges of 2029 (the year that most boards will have an entirely new set of board members)?

The first step to ensuring a sustainable, competency-based board is to establish a baseline of the competencies currently represented. A thorough inventory of board members includes the following:

- **Demographic information:** This includes looking at gender, ethnicity, age, etc. Also consider collecting more specific information (e.g., area of residence) that could be

### Key Board Takeaways

To effectively govern, health system boards need a dynamic mix of members with a wide array of competencies. Boards should look ahead and ensure that they have a strategy in place to build a competency-based board—now and in the future. Steps to achieve this goal include:

1. Take inventory of the competencies currently represented on the board (including demographics, areas of expertise, and abilities and interests).
2. Identify the gaps and what it will take to fill those gaps, whether that is a new board member, an outside subject matter expert, or if simply providing education to the full board would suffice.
3. Execute on your plan and remember that building a competency-based board is a continuous process. Therefore, it will require keeping a constant eye on the knowledge and expertise currently on the board, having a running list of potential board member candidates, and ensuring ongoing board education is a priority.

helpful in determining if the board reflects the geographic and economic diversity of the populations you serve.

- **Areas of expertise:** As a start, make sure you know the profession of each board member. But make sure you ask board members about other areas where they bring expertise as well. Board members may have gained knowledge from business partners, family relations, or service on other boards that you wouldn't expect based on their professions alone. For example, one forward-thinking board decided their most valued competency was experience in an industry that had undergone transformational change—regardless of what the industry was.
- **Abilities/interests:** In addition to knowing what your board members *know*, know what your board members *are good at*, or ways they would be interested in helping. For example, some board members might have an aptitude for public speaking; some might have talents that would lend themselves well to serving as a committee chair or board officer.

Once you have gathered information about your board, ask these questions to help determine a course of action.

**What are the gaps?** In other words, in what areas is the board's expertise farthest from what you need? When you look at the gaps, recognize that not all areas of expertise, and therefore, not all gaps, are of equal importance. When The Governance Institute helps health systems conduct competency

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inventories, consumerism and population health are often two of the lower-scoring areas. While these are often not the only low-scoring areas, their importance jumps out when you consider the pressures health systems face: consumers armed with more information than ever before, and expectations from patients and payers to manage more than isolated episodes of care. Filling these "second curve" gaps then becomes a much higher priority than filling other gaps.

### What do we need to fill the gap?

Sometimes you need to recruit an individual who brings the knowledge you are looking for. Other times you may not need one true expert, but you will need to provide general education to the whole board to raise everyone's base level of knowledge. And don't rule out the possibility that not all competencies need to be represented among the board members themselves. Consider bringing in an outside subject matter expert, consultant, or member of the management team to supplement the board's knowledge. Just keep in mind the biases an outside person might bring, and that they do not owe a fiduciary duty to the mission like board members do.

**How will we get there?** Once you know what you are looking for, you need to execute on a plan to get there. Many boards try to execute by identifying the perfect person, but they neglect an important earlier step: maintaining a diverse pool of potential candidates. Boards

should keep a list of potential board members at all times—not just when they have board seats opening up. The list, often maintained by the governance committee, should be updated regularly and contain more than double the number of seats on the board. Not double the number of open seats; double the number of *total seats* on the board. Only by having a large list can you ensure that your pool contains the diversity needed to select the right person at the right time. If a current board member unexpectedly steps down or a new competitor suddenly changes the market landscape, a quick reevaluation may be needed of who should fill an open board seat. It thus becomes clear that success is not about having the best individual candidate; it's about having the best overall pool to draw from.

Becoming a competency-based board is not something boards do one time. Rather, it is something that boards are constantly working on. In addition to bringing on new competencies, a parallel effort in importance is building deeper knowledge on some of these issues via ongoing board education. Even the best boards are always in the process of becoming the type of board they need to be in the future. This is a reality of governing in a complex, ever-changing industry like healthcare. Is this reality challenging? Without question. But the challenge is an exciting and inspiring one for boards that want to create a bright future for their organization and community.

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