

The Impact of Board Size on Strategic Governance

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The challenges of the current healthcare environment have led to significant introspection in many boardrooms. Boards are recognizing that “business as usual” is not an effective governance strategy in a post-pandemic world in which providing healthcare services has become even more difficult and complex. Many boards and their governance committees are reexamining their governance practices and processes with the goal of achieving deeper director engagement and more strategic-level governance. This is a worthy goal as The Governance Institute’s 2023 biennial survey reports that only 5 percent of boards spend half or more of their meeting time in active discussion of strategic priorities.¹ Board size is a critical element that should be considered by all boards seeking to boost board performance and strategic governance.

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Purposeful Board Size

When considering the ideal number of board members to achieve strategic governance effectiveness, there is not a one-size-fits-all number. Each board must consider its own organizational history and unique set of circumstances. Bylaws often provide a wide range of acceptable numbers of board members. However, in the author’s experience, larger boards with 12 or more voting members struggle more with director engagement and strategic focus than smaller boards.

The biennial survey reveals a slight increase since 2021 in the average number of voting board members for system, independent, and subsidiary boards, with government-sponsored hospitals experiencing a slight decrease (see **Exhibit 1**).² Of particular concern are the survey results for organizations with more than 2,000 beds and those with 500–999 beds—reporting

Exhibit 1: Average Number of Voting Board Members

	Average (2021/2023)	Median (2021/2023)
Health Systems	15.3/16.8	15/16
Independent Hospitals	11.2/11.3	10/10
Subsidiary Hospitals	13.8/14.0	14/12
Government Hospitals	8.3/8.0	7/7

an average of 22 and 18 voting board members respectively.

The purpose of this article is to suggest that boards (or governance committees) should periodically discuss optimal board size. Board size should not be on autopilot but should instead be an intentional governance decision. The observations and insights noted below can be used to frame this discussion.

Larger Board Size Considerations

- With a larger board, efforts to ensure that board composition encompasses a diversity of thought, background, and experiences can be accelerated due to a larger number of board seats turning over each year.
- Facilitating discussion is more difficult in a large group (especially if some or all members are participating virtually). Directors often find themselves competing for airtime during group discussions.
- When robust participation is limited due to many people around the table, director disengagement may result. Lack of participation opportunity may lead to turnover when a director is disappointed with limited time to contribute at board meetings.
- Cliques and sub-groups may naturally develop, which is antithetical to governing as a team.
- The executive committee may absorb a disproportionate level of responsibility and decision making. This can result in disengagement from directors who are not executive committee members.

KEY BOARD TAKEAWAYS

- ✓ Optimal board size should be discussed and actively determined by the board.
- ✓ Size is a factor in a board’s ability to conduct effective strategic discussions at board meetings.
- ✓ Boards that are too large for all members to speak and participate at each meeting risk director disengagement and turnover.
- ✓ Top director prospects will prioritize boards where they can fully participate and their time will have the most impact.
- ✓ Smaller boards must be intentional in maintaining a diverse board composition.
- ✓ Board size can be reduced gradually rather than abruptly.

Smaller Board Size Considerations

- Smaller boards may be disadvantaged by a lack of diversity of thought, background, and experiences. To overcome this potential negative, smaller boards must be very intentional about board composition and board recruitment.
- Term limits are important to ensure that governance is periodically refreshed.
- Successful recruitment of top board talent is often facilitated by a smaller board. Potential board members are very busy with competing demands on their time. Top prospects are more likely to join boards that are structured for full inclusion and participation—so their time investment has more potential to make a difference. For example, a director serving on a board of 10 versus a board of 20 has a more impactful voice and vote on the smaller board.
- Pre-meeting preparation requirements are usually well-respected by members of smaller boards; directors generally feel significant responsibility to “carry their own weight” at board meetings.
- Attendance is generally strong among smaller boards; directors recognize the importance of attendance by every member of a smaller group.

¹ Kathryn Peisert and Kayla Wagner, *Think Bold: Looking Forward with a Fresh Governance Mindset*, The Governance Institute’s 2023 Biennial Survey of Hospitals and Healthcare Systems.

² *Ibid.*

- The above factors often result in deeper board engagement and impactful strategic discussion.

Rightsizing the Board

Board leaders and CEOs with overly large boards may be reluctant to change the board's size due to potentially negative reactions from current board members. In most situations, reducing board size over time rather than all at once is advisable. Term limits are also an important tool to manage the size of the board.

Options for gradually reducing board size include:

- Consider reducing or eliminating board seats for all internal executives—other than the CEO—who are serving as voting board members. There are other methods for the board to have contact with and receive input from internal executives.
- Don't automatically advance a director to an additional term at the conclusion

of the current term. Instead, establish a standard practice of having a personal conversation with each director to assess the interest level and willingness to commit to the requirements of board service for another term. Directors appreciate the opportunity to specifically decide "yes or no" on an additional term.

- When a board seat opens due to attrition or term limits, don't automatically fill the open seat. Use the occasion to spur a discussion about board size.
- Don't ignore any director with an attendance record that does not comply with bylaws requirements. Schedule a private conversation between the board chair and the director to learn the root cause of the director's poor attendance record. Hopefully the director will reengage with the board. Alternatively, a director may choose to step off the board if unable to commit to future meeting attendance.

Final Thoughts

Boards need to allocate significantly more time to strategic conversation. A deeper level of strategic dialogue is more likely to occur in a smaller group. Board size is a worthy consideration for boards that are seeking more strategic engagement in the boardroom. As in other aspects of governance, decisions about board size must be balanced with board composition that provides a diversity of background, experiences, and perspectives.

The Governance Institute thanks Kimberly A. Russel, FACHE, Chief Executive Officer of Russel Advisors and Governance Institute Advisor, for contributing this article. She can be reached at russelmha@yahoo.com.