



# Trustee Brief

## Healthy Boards, Healthy Governance Practices: Strategies for Success

### *Ideas for Improvement in Eight Critical Board Responsibility Areas*

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This *Trustee Brief* is exclusively devoted to the most critical responsibilities of hospital boards in today's accountability-focused health care environment. Each section includes a brief overview of the board's role, followed by various leadership actions and characteristics a healthy board should exhibit. We hope you will find this to be a useful tool as your board evaluates its greatest needs and opportunities.

Although all boards are ultimately accountable for their organization's performance, hospital trustees bear a unique set of responsibilities. They must not only ensure "business" success, but also ensure that the care provided by the organization is safe and effective, patients' and community needs are met, and overall community health and well-being is improved. This is a tall order. To effectively fulfill these expectations, hospital boards must proactively seek opportunities for board improvement and increased effectiveness. The strategies for success outlined in this newsletter are

divided into eight critical board functions: mission, values and vision; strategic planning; leadership structures and governance processes; quality and patient safety; community relationships; relationship with the CEO; relationship with the medical staff; and community health. Hospital trustees should review the critical components of a healthy board outlined in each section, and consider which areas are most critical to improving leadership success at their organization. The table at the end of each section may be used to check the items on which you believe your board should focus. In addition,

scheduling some time at an upcoming board meeting to discuss ideas about areas of governance improvement is a good way to start the year with a focus on creating meaningful "governance gain."

#### **1. Mission, Values and Vision**

An organization's mission is the fundamental purpose or reason for its existence; it serves as the foundation for strategic thinking and strategic planning. Its values are the principles that guide decision making, and the vision is a projection of the future that describes how the organization will look in the future — it imagines future possibilities, guides strategic choices and provides a long-range focus for near-term and mid-term strategic decision making. A strong and effective vision promotes change, inspires key constituencies, puts

important decision making into context, and provides a way of coalescing the board, medical staff, senior leaders, employees and others around a meaningful, motivating and powerful set of long-term objectives.

### ***Discussion Points: A Healthy Board Should...***

- **Increase diversity.** Foster board diversity to ensure all community viewpoints and perspectives are represented.
- **Strengthen depth of discussion.** Ensure thorough discussion of all potential issues and factors (especially the tough issues) before making decisions.
- **Increase board visibility.** Strengthen awareness and understanding of the board's role throughout the organization, including hospital leaders, members of the medical staff and employees.
- **Maintain a community and hospital-centered focus.** Ensure the board focuses on the best interests of the hospital, rather than individual trustee's personal interests. Recognize that trustees govern as representatives of the community, not their individual professions.
- **Continued consideration of mission and vision.** Continually examine the hospital mission and vision in relation to today's challenges and opportunities, and ensure that each is appropriate

and forceful in driving strategies, objectives, action plans, and opportunities and obligations during the next five to ten years. The mission, values and vision should be prominent elements of decision making at all board meetings. Review all three statements annually at the board retreat, challenging the assumptions in place at the time the mission and vision were conceived, and modify the statements based on the realities of today's environment.

- **Test decisions against the mission and vision.** Test all policy and strategy decisions by asking how/if they will strengthen the hospital's ability to achieve its mission and vision.
- **Review strategic status.** Regularly review the status of strategies and objectives, and ensure fit with the mission and vision. Take corrective action when necessary to ensure the hospital stays on course.
- **Measure progress.** Ensure that a well-defined board-approved system is in place to measure progress toward achieving mission, vision and strategies; take timely corrective action when necessary.
- **Ensure understanding.** Ensure that the mission, values and vision are clearly understood and embraced by the board; use these key statements as tools for policy

and strategic decision making, especially when decisions are controversial and/or risky.

## **2. Strategic Planning**

Hospital boards should lead and govern the strategic plan, not create or manage it. The board has a fiduciary duty of trust to ensure that the hospital is healthy, serves the interests of the stakeholders, and moves in the right future direction. The board is the driver and keeper of the mission, values, vision, goals and strategic development process, but it should not dictate the plans for delivering on those expectations.

As the board strives to lead change, it must be well-prepared to address emerging challenges in a number of key areas, including, but certainly not limited to, the following.

- overcoming competition and strengthening collaboration
- building and maintaining meaningful stakeholder relationships
- continually building a dynamic governance environment
- ensuring appropriate program and service development

### ***Discussion Points: A Healthy Board Should...***

- **Ensure trustee involvement.** Ensure a high level of trustee commitment, involvement and participation in hospital committees and task forces.

- **Strengthen lay trustee understanding of health care issues.** Provide a comprehensive new trustee orientation and ongoing trustee education to increase non-physician trustees' understanding of the hospital's functions and policies.
- **Ensure a continual flow of information.** Ensure that a continual flow of new information and assumptions are presented at board meetings, and that trustees use the information to modify strategic direction as necessary.
- **Scan the environment.** Continually scan the environment for meaningful change critical to hospital success; and present findings to keep the board focused on issues and priorities vital to organizational success.
- **Develop a responsive strategic planning process.** Ensure that the hospital's strategic planning process is flexible, fluid and responsive to evolving organizational and community needs, and to changes in the local, regional and national health care environment.
- **Focus on strategic thinking.** Focus board energy and time on strategic thinking versus operational issues.
- **Regularly report progress.** Ensure that the board receives regular reports of progress toward the achievement of key strategic objectives, using board-approved key

performance indicators that together define hospital success.

- **Maximize board meeting time.** Ensure maximum time during board meetings for dialogue on important strategic issues, minimizing the amount of discussion time spent on committee reports and other routine items.
- **Engage the medical staff.** Ensure that the medical staff is meaningfully and actively engaged in all facets of the hospital's strategic planning process.

### 3. Leadership Structure and Governance Processes

To create the foundation for spirited board dialogue, it is important to not only develop trustee understanding of critical issues, but also to build the “emotional intelligence” of the board. An emotionally intelligent board is one whose trustees are willing to openly grapple with difficult issues and work constructively in uncomfortable situations. Emotionally intelligent boards recognize and value individual differences, and their trustees are able to confront one another constructively to enrich knowledge and ensure that decisions are fully debated and well-thought out.

Good board dialogue is characterized by an avoidance of “group think,” and a willingness to challenge traditional assumptions and beliefs. Lively give-and-take has precedence over mundane reporting. And

a willingness to openly air the conflicts that would otherwise remain below the surface makes way for real consensus.

### *Discussion Points: A Healthy Board Should...*

- **Have a trustee education plan.** Ensure that the board has an education development plan that assures trustee understanding of all aspects of issues essential to effective governance. This includes offering a comprehensive new trustee orientation, education at the annual board retreat, and trustee education at every board meeting.
- **Ensure trustees share an understanding of the current environment.** Use meeting materials, ongoing education, and special educational programs to develop a clear and comprehensive governance understanding of the changing health care environment, and its effects on the hospital.
- **Require board chair orientation and preparation for leadership.** Ensure thorough training for the board chair, including clear communication of the chair's roles and responsibilities. Equip the board chair with the tools necessary to be effective, such as leadership training, agenda development and meeting management skills to maximize constructive dialogue.

- **Ensure vibrant, probing, insightful dialogue prior to decision-making.** Prior to making decisions, the entire board should engage in active dialogue about issues, discussing impact on the organization, pros and cons, and role in helping the hospital fulfill its mission and vision. Trustees should be encouraged to ask probing questions and challenge the status quo, creating insightful, thoughtful decisions rather than “rubber stamped,” pre-determined decisions.
- **Understand that governance development is a process, not an end result.** Trustees should view governance development as an ongoing process that involves regularly identifying emerging governance issues; determining trustee knowledge-building needs; and overseeing the board self-assessment process, outcomes and next steps.
- **Develop and clearly communicate board policies and procedures.** Develop a comprehensive and usable set of governance policies and procedures; clearly communicate the policies and procedures to trustees to ensure understanding; and review practices, bylaws and other structural factors on an annual basis.
- **Establish decision protocols.** Establish clearly-articulated decision protocols and procedures and communicate the protocols to the entire board; follow them

consistently at every board meeting to create stability and predictability.

- **Conduct a regular environmental assessment.** Conduct an environmental assessment regularly, and ensure board understanding of the changes taking place in the health care environment, and their implications on the system, its physicians, and local health care consumers.
- **Provide meaningful meeting materials.** Ensure that trustees are provided with concise, timely, relevant, easy-to-understand, actionable background information and resources prior to each board meeting. The materials should be sent in advance to ensure trustees have time to review them before the meeting and prepare questions. The goal of pre-meeting materials should be to prepare trustees for active participation in board dialogue and fact-based decision-making.
- **Ensure agendas match strategic priorities.** Ensure that all meeting agendas match hospital strategic issues and priorities, and focus on specific outcomes the board seeks to achieve at each meeting.
- **Allow time for discussion.** Define the appropriate level of discussion for each meeting agenda item. Allow adequate time on agendas for discussing significant issues impacting the hospital’s progress in each area, and for items requiring board action.

- **Utilize a consent agenda.** Save critical time for important discussions by using a consent agenda covering the routine actions that require board approval.
- **Apply the 25/75 rule.** Ensure that the board spends no more than 25 percent of its time monitoring past events, and at least 75 percent of its time on long-range thinking, setting policy and making future-focused decisions.
- **Evaluate meeting frequency and content.** Examine the frequency and content of board meetings to ensure that the most significant and meaningful issues are being effectively addressed, that trustees’ time is respected and used efficiently, and that trustee involvement and participation are enhanced as a result.
- **Strengthen problem-solving skills.** Develop the board’s problem-solving skills through education, scenario planning, case studies and other methods that build teamwork, collegiality and compromise.

#### 4. Quality and Patient Safety

The board of trustees should focus on patient safety for moral, ethical, legal and financial reasons. Board members must understand that they are liable for the care provided at the hospital; that medical errors significantly impact health care costs; and that patient safety is a key component of “staying on top” in a highly competitive environment.

The board should ensure that quality is a paramount priority in every decision and action made on behalf of the organization. The National Quality Forum recommends the following key board actions to fulfill its quality improvement role.

- Trustees should proactively monitor and enhance patient safety and health care outcomes and establish governance practices that support a system of quality improvement;
- Trustees should assess their own performance in monitoring and improving the hospital's quality by determining the degree to which their own governance oversight and leadership has impacted quality and safety;
- Trustees should encourage policy-making organizations responsible for establishing standards and/or regulations for quality improvement to examine their standards to ensure currency;
- Consumers — both individually and in organized forums — should expect the hospital's board of trustees to represent their interests in overseeing quality of care;
- Purchasers should consider the hospital board's role in quality improvement, including public accountability, in their contracting and purchasing arrangements;
- The hospital board should develop a "quality literacy"

regarding patient safety and health care outcomes; and

- The organization's board should monitor its participation and performance in national quality improvement efforts.

### ***Discussion Points: A Healthy Board Should...***

- **Define a quality improvement plan.** Ensure that the hospital has an effective, coordinated and organization-wide quality improvement plan that has been carefully reviewed and is well-understood by the board.
- **Implement a quality improvement process.** Ensure that the hospital has a fully-functioning quality improvement process that continuously defines, measures and improves quality at all levels, including clinical, service and organizational development.
- **Regularly review quality indicators.** Ensure that the board uses clearly defined quality indicators to measure hospital success in meeting the board's quality objectives, and that progress in meeting quality goals is regularly reported to the board.
- **Tie quality indicators to the CEO's annual performance review.** In addition to reporting quality indicators to the board regularly, the pre-determined indicators should be tied to the CEO's annual performance review.

## **5. Community Relationships**

The hospital board has a unique opportunity to ensure that the organization consistently engages in meaningful ways with a broad range of community stakeholders. Although a lack of trust in America's hospitals and health care providers in some areas may be primarily attributed to wrongdoing by a few organizations, the problem is compounded by a lack of effective action and community engagement.

Hospital boards of trustees must not ignore this growing community trust challenge. Most people don't understand how health care organizations are organized and managed, while even fewer understand and appreciate the many challenging forces that are impacting local hospitals and medical centers today. Instead, they tend to rely on personal experiences, and the opinions and beliefs of the media, friends and associates to shape their viewpoints about the hospital. Trustees should engage in community dialogue that promotes the hospital's efforts and demonstrate the organization's genuine interest in the health care needs and challenges of the community.

### ***Discussion Points: A Healthy Board Should...***

- **Implement a process to ensure adequate community representation.** Clearly define criteria for new board members to ensure diverse

community representation on the board.

- **Ensure trustee community involvement.** Define important community constituencies, and design a plan for trustee involvement that advances the hospital image, reputation and market awareness.
- **Understand community health needs.** Ensure that the board has a clear and consensus-driven understanding of the most important community health needs and issues. This may include the results of patient surveys and/or conducting a community health needs assessment.
- **Measure the public's perception.** Regularly measure the public's perceptions of the hospital's programs and services, community contribution, perceived trust, economic impact and overall value as a community health asset.
- **Interact with the public.** Create opportunities for trustees to interact with the public on local health care issues, and demonstrate strong, competent leadership, serving as well-informed "ambassadors" or spokespersons on behalf of the hospital.
- **Invite community input.** Establish a process for eliciting community input and viewpoints about the value and appropriateness of current services, and future service needs and opportunities.

Solicit community ideas for ways that the hospital can best achieve its mission and vision.

- **Share hospital goals with the community.** Develop a strategy to ensure that the hospital's objectives, priorities, and challenges are successfully shared with the community, engaging leaders and residents and building hospital advocates.
- **Develop collaborative partnerships.** Work with others in the community to develop collaborative partnerships for building a healthier community.

## 6. Relationship With the CEO

The board/CEO relationship should be a trusting partnership, where both trustees and the CEO understand their respective roles and work together as a team to achieve the highest level of organizational success. The relationship can be enhanced through a collective understanding of one another's needs, clear communication, shared goals and objectives, structured meetings and meaningful sharing of information. The CEO's relationship with the board also will strengthen as the CEO spends more time in dialogue and discussion with individual board members and builds a strong rapport with the board chair.

## *Discussion Points: A Healthy Board Should...*

- **Ensure a well-coordinated board/CEO communication process.** Ensure an organized process to establish meaningful CEO/trustee communication between board meetings, enabling the CEO to notify the board immediately of critical or emerging issues.
- **Define board and management roles.** Clearly define respective board and management roles by clarifying strategic/policy functions versus operational functions, and ensuring that the board remains focused on policy, strategies and community ambassadorship.
- **Regularly review reports on performance.** Review timely reports from the CEO frequently to gauge how well the organization is meeting its planned objectives.
- **Foster trust, respect and support.** Foster a climate of mutual trust, respect and support between the board and the CEO.
- **Regularly review CEO performance based on pre-determined measurements.** Ensure clear board and CEO understanding of CEO performance expectations and targets pre-established by the board, and provide regular feedback to the CEO about performance based on these predetermined measurements.

## 7. Relationship With the Medical Staff

To ensure hospital achievement of its strategic objectives, medical staff leaders must be firmly committed to the organization's direction, and closely aligned with the strategies and objectives for achieving it. Achieving medical staff alignment with the organization's vision and strategic direction should be one of the board's most important strategic imperatives. And while building strong and lasting relationships with physicians can be a challenge due to sometimes conflicting priorities and viewpoints, there are several common sense approaches that the board can take to assure success in this vitally important area.

### *Discussion Points: A Healthy Board Should...*

- **Review medical staff organization and bylaws.** Establish a formal process for review of the medical staff organization and bylaws, and staff appointments/reappointments. Regularly review the process to ensure effectiveness.
- **Effective physician communication.** Create an effective method for communicating, in a timely manner, board decisions that impact physicians, their practices and their patients.
- **Physician understanding and commitment.** Strengthen physician understanding and commitment to the hospital's mission, values and vision.

- **Physician leader participation and input.** Ensure that physician leaders participate actively in decision-making processes, and that the board involves physician leaders in important hospital decisions; develop avenues for increased physician input into the long-range planning process.
- **Build and enhance physician trust.** Build and enhance physician trust by involving the medical staff in all phases of hospital strategic development, creating open and honest relationships between the medical staff and the board.
- **Assessment of attitudes and needs.** Conduct a regular assessment of physician attitudes and needs, utilizing the information to inform strategic decisions and long-term organizational direction.

## 8. Community Health

Strengthening community relationships and implementing initiatives to improve the community's health is the right thing to do for the hospital's patients, families and communities. In addition to helping the organization fulfill its community-focused mission and vision, community health initiatives provide several significant business-strengthening benefits, including:

- Credibility and leverage in representation and advocacy;
- The potential to increase market share;

- Development of allies to address common challenges;
- Creation of new partnership opportunities;
- Strengthened support for and public trust in the hospital and its efforts; and
- Increased awareness of hospital challenges, and understanding of the organization's commitment to addressing community needs.

### *Discussion Points: A Healthy Board Should...*

- **Define the community health mission and vision.** Clearly articulate and define the hospital's mission and vision for building a healthy community.
- **Define the desired community health outcomes.** Identify the desired outcomes resulting from the hospital's healthy community initiatives, and regularly measure initiative effectiveness to determine if projected outcomes are being achieved.
- **Conduct a community needs assessment.** Conduct a broad-based community needs assessment, preferably in conjunction with other community partners that share the system's commitment to building a healthy community.
- **Dedicate financial resources.** Dedicate adequate financial resources specifically devoted to healthy community initiatives.

- **Identify opportunities to improve community health.** Develop specific, focused opportunities for improving community health, define the existing status/situation, and project a quantifiable, reportable desired future.
- **Build trustee understanding.** Ensure trustee understanding of the importance of a healthy community strategic focus and fit with the hospital mission and vision.



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