

HTNYS



# Governance Insight

*Intelligence for New York hospital governing board leadership effectiveness*

## *What's Your Leadership IQ?*

*Look inside  
for a checklist  
to determine  
your board's  
structure and  
operations  
"leadership IQ."*

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## Board Structure and Operation

An efficient and effective board begins with a well-established structure: clearly defined roles and responsibilities for trustees, the board chair, and the executive team; a trustee job description; written standards of trustee performance; and clear policies about conflict of interest, ethics, and confidentiality. But great boards do not stop once a basic structure is in place. Great boards seek continuing education, closely monitor organizational progress in achieving strategic objectives, ensure highly focused meetings, and prepare for future trustee recruitment.

## Ensuring Effective and Productive Board Meetings

Productive, focused board meetings foster success for the hospital. The hallmarks of a great board meeting include board members doing their homework before arriving so they know the issues they will be discussing and voting upon, and a commitment to deliberating calmly and treating one another in a civil manner. The following recommendations are first steps hospital boards can take to ensure they maximize their time and hold productive meetings:

- *The meeting starts before the meeting!* Prepared trustees read and study their board packet in advance of the meeting and come ready to propose ideas. Too often, board members arrive five minutes early (or late!) and try to speed-read their information packet before discussions begin. That makes it nearly impossible for them to be equipped with the background information needed to discuss agenda items intelligently, and their lack of detailed knowledge can cloud any vote they may cast during the meeting's progress.
- *A great agenda sets the stage.* Sketchy agendas, or agendas with catchall phrases such as "New Business," "Old Business," or "Other Business" do no one any favors. A well-planned, clearly articulated agenda can keep a meeting focused and on time.
- *Treat others as you want to be treated.* Learn to agree—and disagree—courteously. Interrupting others and dominating the discussion is not productive. Do speak up, stating your opinions and ideas concisely. Be willing to listen to others' opinions, and perhaps even change your mind if you hear a reasonable new alternative to a tough issue. Remember your mission to serve the hospital and the community. Although these "rules" may be obvious to some, a tremendous aid to keeping the meeting discussions productive and civil is to develop a clearly defined parliamentary procedure that can be taught to new board members during orientation.
- *Elect an organized and focused leader.* A skillful board chair can bring efficiency and order to even the most chaotic of situations. Trustees should expect to participate equitably in meetings or receive a telephone call from the chair asking them to either tone it down or step it up. Expect the chair to keep discussions on focus and on time, and to help the board remain forward-looking.
- *Know your deliberative and decision-making processes and how they work.* Deliberation is one of the key roles of a governing board; it is where decisions are formed before decisive votes are

This *Governance Insight* is the third of four HTNYS' publications highlighting critical issues and essential information for health care governing boards in New York State. This publication includes an overview of the issue, what hospital governing boards in New York are doing, and a Leadership Quotient Checklist to guide hospital boards in actionable next steps.

The information about New York hospital governing board activities is the result of HTNYS' 2005 Governance Education Needs Assessment. Sixty three hospitals responded to the Web-based survey, providing information about their boards' performance, functions, and operations.

taken. Excellent deliberation always begins with a written definition of the challenge before the group, stated in neutral words, with key points highlighted. The issue or challenge should tie directly back to the hospital's strategic plan and be of importance to the hospital and/or the community.

- *The first five minutes after the meeting count too.* Boards that conduct the most efficient and effective meetings do not always do so from the outset. They fine-tune their meeting work by using individual board meeting evaluations. These evaluations are designed to be completed in five minutes or less, and include yes/no answers with room for suggestions. After the meeting, the board chair and chief executive officer review the anonymous evaluations to fine-tune the board's meeting process.

## Planning Today for Future Trustee Leaders

Governance succession planning is the key to not only filling an empty seat on the board, but to improving board and organizational performance. By regularly assessing the board's leadership strengths and weaknesses and using the hospital's strategic plan to define critical future leadership requirements, your board can identify governance "gaps" that can be closed through targeted trustee recruitment.

A trustee succession plan should be developed to recruit trustees that meet specific governance needs. These "gaps" will be different for each board and organization. While one board may need increased diversity, another may seek greater financial expertise or an improved balance between visionary, "big picture" thinkers and more practical, shorter-term thinkers.

Properly identifying, assessing, and successfully recruiting a new trustee involves several steps. Boards should begin by conducting a comprehensive governance self-assessment to determine where they may have leadership gaps. After identifying specific characteristics and skill sets desired, the board should seek out and talk with a variety of candidates who may meet their board service requirements. Once a new trustee is selected, orientation and ongoing education is critical to ensuring trustee success in providing strong and effective leadership to the hospital on behalf of the community.

## On the Front Line: Board Structure and Operation in New York Hospitals

Ensuring an efficient and effective board structure, operations strategy, and trustee succession plan is critical to hospital boards' ability to meet their organizations' needs and ultimately ensure fulfillment of their community-centered mission. Healthcare Trustees of New York State's (HTNYS) members responding to the 2005 Governance Education Needs Assessment provided insight about their board meetings and terms, policies and procedures, recruitment and succession planning, and board accountability.

## Board Meetings

Respondents' board meeting times and frequencies vary widely. Approximately two-thirds of the respondents' boards meet ten to 12 times annually, while another 11% meet seven to nine times each year. Nearly one-quarter of the respondents' boards meet four to six times annually. None of the respondents' boards meet fewer than four times each year.

Mornings are the least common time for board meetings. Four in ten respondents report board meetings held in the late afternoon, while another one in five report board meetings held either in the afternoon or evening.

The focus of discussion at board meetings also varies widely. Half of respondents report their boards spend half of their time discussing operating issues and half of their time discussing strategic issues (*see Board Discussion Focus chart*). Forty percent report spending three-quarters of their time on operating discussions and one-quarter on strategic discussions. Three percent of the respondents' boards spend all of their time discussing operational issues, while the remaining 6% of the respondents' boards spend 75% of their time discussing strategic issues. No boards reported spending 100% of their time on strategic discussions.

## Board Terms

Nearly six in ten survey respondents serve a three-year board term. About 13% of boards have no limit on their board terms and the remainder are divided between one, two, four, or five years or more. The majority of the organizations responding do not have a maximum consecutive term limit, nor do they have a limit on the maximum number of terms board officers may serve.

## Board Discussion Focus

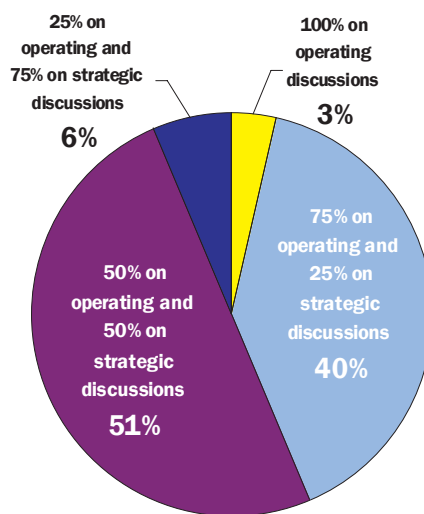


Figure 1: Most Commonly Reviewed Information by the Board

	Yes	No
Liability insurance for board members	95%	5%
Clearly delineated roles and responsibilities for the board and executive management	85%	15%
Trustee job description	61%	39%
Written standards of performance for trustees to remain on the board	35%	65%

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Of those that do limit the number of consecutive terms allowed, the limit is generally two, three, or four terms. Respondents with limits on the number of terms officers may serve also tend to be either two or three terms, with a few respondents' boards limiting officers' terms to one, four or five or more terms. Nearly all responding organizations permit re-appointment of former board members after a period of inactivity.

## Board Policies and Procedures

Nearly all responding organizations offer liability insurance for their board members (see Figure 1). The majority of respondents' liability insurance coverage is between \$1 million and \$3 million; approximately 14% have insurance coverage of \$3 million to \$5 million, and 13% offer coverage of \$5 million to \$10 million. Nearly two in ten responding organizations offer liability insurance coverage in excess of \$10 million. No organizations that provide liability insurance have coverage of less than \$1 million.

A significant majority of the survey respondents have clearly delineated roles and responsibilities for the board and executive management. Just over six in ten respondents have a trustee job description; however, the majority of respondents do not have written standards of performance for trustees to remain on the board.

Nearly all respondents' boards (62 out of 63) have a conflict-of-interest policy. A majority of the respondents also have confidentiality policies, corporate compliance policies, and attendance/participation requirements. In contrast, only two in ten responding organizations have trustee educational requirements; less than 15% of boards require trustees to make charitable contributions.

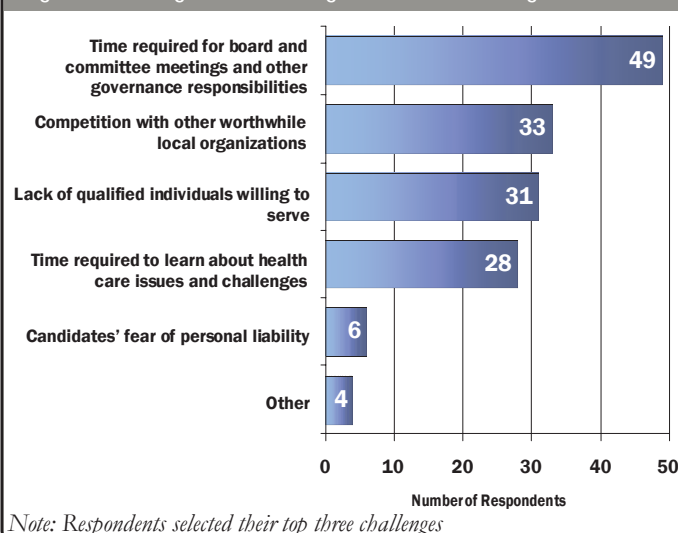
## Trustee Recruitment and Succession Planning

Fewer than 40% of the responding organizations engage in a formal, planned succession process for board members. Respondents indicate that the time required for board meetings, committee meetings, and other governance responsibilities is their largest challenge (see Figure 2). Respondents also believe that competition with other worthwhile local organizations, a lack of qualified individuals willing to serve, and the time required to learn about health care issues and challenges are barriers in recruiting new trustees. A small number of respondents believe that candidates' fear of personal liability presents a challenge when recruiting new board members.

In addition to identifying the greatest challenges boards face when recruiting new trustees, other challenges identified by respondents include:

- political appointment rather than a selection process that broadly takes into account the overall needs and diversity of the board with respect to trustee recruitment;
- identifying and recruiting qualified candidates that bring diversity to the board;
- lack of willingness to participate in development efforts; and
- time commitment, including travel time to board meetings and time for board activities.

Figure 2: Most Significant Challenges Faced in Recruiting New Trustees

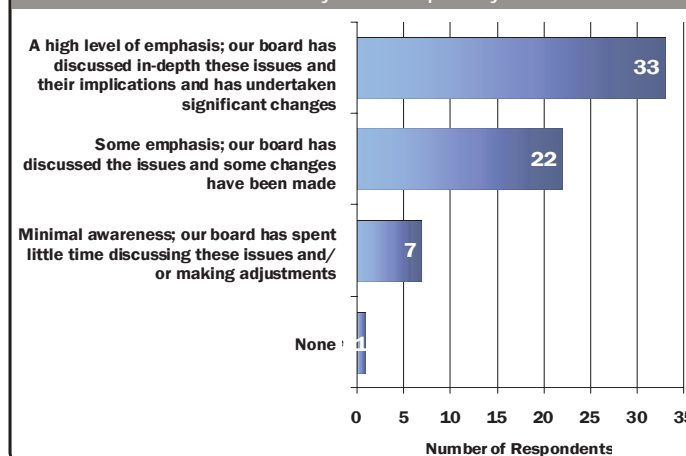


## Board Accountability

Three-quarters of the survey respondents report using “dashboard” performance indicators as a way of determining strategic progress. Nearly 20% do not use dashboard performance indicators to track strategic progress, and 6% of the respondents reported not knowing what a dashboard performance indicator is.

Respondents were also asked what emphasis they place on governance changes designed to respond to recent federal and state demands for increased governance accountability and transparency. Just over half of the respondents indicated that they place high emphasis on governance changes and that their board has discussed the issues and their implications in-depth and undertaken significant changes (see Figure 3). Just over one-third of the respondents indicate that their boards have placed some emphasis on responding to recent federal and state demands for increased governance accountability and transparency, and just one in ten respondents report that their boards have placed minimal emphasis on discussing these issues and/or making adjustments.

Figure 3: Emphasis Placed on Governance Changes to Increase Accountability and Transparency



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# What's Your Leadership IQ?

Test your board's structure and operations "leadership IQ" using the checklist below. Mark the level that best fits your board's understanding in each area, using the following scale:

- **Level 5:** I *strongly agree* with this statement. We *always* practice this as a part of our governance. Our performance in this area is *outstanding*.
- **Level 4:** I *generally agree* with this statement. We *usually* practice this as a part of our governance, but not always. We perform *well* in this area.
- **Level 3:** I *somewhat agree* with this statement. We *often* practice this in our governance, but we are not consistent. We perform *fairly well* in this area.
- **Level 2:** I *somewhat disagree* with this statement. We *inconsistently* practice this as a part of our governance. We *do not perform well* in this area.
- **Level 1:** I *disagree* with this statement. We *never* practice this as a part of our governance. We perform *very poorly* in this area.

## Leadership Quotient Checklist

Does Our Board...	Level 1	Level 2	Level 3	Level 4	Level 5
Develop a comprehensive and usable set of governance policies and procedures, and review practices, bylaws, and other structural factors on an annual basis?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Establish decision protocols and procedures, and follow them consistently to create governance stability and predictability?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Examine board composition, and match present skills against current and emerging trends, challenges, and issues, ensuring that skills are/will be in place to successfully deal with the future?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ensure that agendas match board strategic issues and priorities, and focus around specific outcomes the board wants to achieve at the meeting?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Indicate the appropriate level of discussion of each agenda item, allowing adequate time in agendas for discussing significant issues impacting the hospital's progress and requiring board action?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Adhere to the established agenda, with the board chair keeping a rein on digressions, members' side discussions, and issues that have already been addressed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Save critical time for important discussions by using a consent agenda covering the routine actions that require approval?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ensure that the board spend no more than 25% of its time monitoring past events, and at least 75% of its time on long-range planning, setting policy and making future-focused decisions?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Develop problem-solving skills through education, scenario planning, case studies and other methods that build teamwork, collegiality and compromise?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assess the ratio of time spent discussing issues and opportunities vs. time spent on approval of minutes, committee reports, and other more procedural issues, and make discussion of strategic issues the centerpiece of every board meeting?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Source: Healthcare Trustees of New York State, 2006