For many nurses, governance is an unknown. Few nurses, as earlier chapters explored, have experience in governance, and many do not understand what the role of the board is as it interacts with an organization's chief executive officer (CEO) and senior staff. In this chapter, I offer you the inside scoop about board governance.

GOVERNING VERSUS DOING

Boards operate at the highest levels of governance—or they should! As those who have served on boards will tell you, there is a wide range of difference between boards and their focus. At the corporate level, you are most likely to see boards governing at a high strategic level, focused on strategic direction, profits, and the health of the company. In smaller, nonprofit boards (and in
hospital and nursing association boards), it is not uncommon to find the focus on more operational, less strategic issues such as budgets, human resources, and other day-to-day business activities. This is something that I believe needs to change. Governance is about *governing*; it is not about *doing*. Doing is the work of the management team for the organization you serve. Gladys Campbell, CEO of the Northwest Organization of Nurse Executives and chief nurse executive and senior leader for clinical strategy for the Washington State Hospital Association, believes that lesson can be hard to learn, especially because most nurses begin their board experience through small local boards.

When you’re on a board for a small organization that has no staff, you begin your board experience believing that your job as a board member is to do operational work. An early experience like this is hard to shake and prevents some from having an easy shift to a strategic leadership role as a board member.

Campbell also served on some advisory boards that gave her a skewed perspective of “real” board service. “Advisory boards can create confusion,” she says. “You think you’re having a board experience, and you’re really not because the role of an advisory board is not governance.” (See Chapter 1, “Board Basics,” for more exploration of advisory boards.)

It was not until the late 1990s, when Campbell assumed a board role with the American Association of Critical-Care Nurses at the national level, that she says, “The light bulb went on, and it became crystal clear that my board role was not about operations. It was about being a strategic leader!”

Therese Fitzpatrick, the principal clinical strategic consultant for Healthcare Transformation Services within Philips Healthcare, agrees that it’s important for nurses to understand the critical distinction between governance and management. “They are two very different sets of
leadership skills,” she says. “One is, certainly, more about doing; the other is around influencing and advising. As nurses, we tend to get into a ‘Let’s roll up the sleeves and get in there and do it ourselves,’” she notes. “You simply can’t do that at the governance level. That’s often really hard for nurses to understand.”

**BOARDS OPERATE AS A UNIT**

Nurses often are singularly focused on their nursing perspective and background when they are called to serve.

Laurie Benson, a veteran board director, corporate executive, and entrepreneur, notes that boards operate as a unit, which is another concept that can initially be difficult to grasp. “The board’s success is measured by their collective contribution, not that of any individual board member,” she says.

“You need to bring the nursing perspective,” says Susan Hassmiller, senior adviser for nursing for the Robert Wood Johnson Foundation. “You need a larger view of the world outside of nursing. You need to connect the dots.” Too often, she says, she hears concerns about the role that nurses play on the few boards they are involved with. “One of the things I hear is that nurses just want to talk about nursing,” she says.

Daniel Pesut, a professor and experienced board leader, says that it is crucial for board members to be able to “think at different levels of perspective,” something that needs to be fully appreciated.

“All of the time you’re thinking about what’s going on in the meta, macro, and micro environment,” he says. “You need to be able to transcend and include all of those different perspectives to identify and intervene when a discussion in a board is occurring at an inappropriate logical level.”
BOARD MEMBER ACQUISITION PROCESS

The recruitment process for boards varies among nonprofits; for-profits; start-ups; and, often, companies. There are commonalities, though. Understanding the process can help.

Traditional board member recruitment and selection processes seek board members with backgrounds that match the organization’s strategic priorities. Each potential new board member is rated on the skills and attributes that the board needs in order to address the organization’s mission and strategic priorities.

CURRENT NEEDS

The Georgia Center for Nonprofits (GCN) developed three chart templates that should assist directors in identifying strategic needs, inventorying priority skill sets, and recruiting attributes for future board members.

The current board members are analyzed in terms of the new skill sets; if the current board possesses all the skills needed to achieve the organization’s strategic goals, there may be no need to search for new board members. However, if there are needed skills that none of the current board members possess, there should be a search process for new board members. Table 3.1 shows an example of one organization’s strategic needs. Figure 3.1 is the GCN’s template.
ORGANIZATION’S STRATEGIC NEEDS

The strategic needs table (see Table 3.1 and Figure 3.1) indicates that this hospital has four strategic goals: to ensure financial viability under the new healthcare payment policies, implement an EHR across the system, create partnerships with select clinicians and other organizations, and create patient- and family-focused care across the continuum.

After recording the organization’s strategic needs, the board and management identify the *essential skills* that would address their goals. The essential skills vary from information technology (IT), to mergers and acquisitions, to discharge planning and patient education.

<table>
<thead>
<tr>
<th>Goal 1</th>
<th>Goal 2</th>
<th>Goal 3</th>
<th>Goal 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensure financial viability in the new pay-for-performance environment</td>
<td>Implement the appropriate electronic health record (EHR)</td>
<td>Create partnerships with the right physicians, clinics, and other healthcare organizations</td>
<td>Improve quality metrics relative to readmission rates and patient-/family-centered care</td>
</tr>
<tr>
<td>Payor</td>
<td>IT</td>
<td>Contracting</td>
<td>Discharge planning</td>
</tr>
<tr>
<td>Contracting</td>
<td>Training/education</td>
<td>M&amp;A</td>
<td>Ambulatory care</td>
</tr>
<tr>
<td>Bundling</td>
<td>Clinical practice</td>
<td>Ambulatory care</td>
<td>Patient education</td>
</tr>
</tbody>
</table>
Use this **Strategic Needs Table** to list strategic goals and the skill sets needed to execute the strategies involved.

![Strategic Needs Table Template](https://example.com/strategic_needs_table)

**Figure 3.1** Strategic Needs Table Template
CURRENT SKILLS

After assessing board needs, but before searching for new members, the current board inventory (see Table 3.2 and Figure 3.2) is completed. It describes the skills of the current board members. When looking at this organization’s board members and their skills, it is clear that they have adequate skills in contracting, legal, and finance. There appear to be no current board members who are skillful in discharge planning, patient education, and clinical education.

Another approach to completing this current board inventory is to conduct a brief survey of the board members. Ask the board members to rate their skills on each of the essential skills you have identified. They can rate themselves on a 1-5 scale, indicating that they are an expert (5) or a novice (1).

Interviewing members often yields skills that others may not be aware of, helping reveal what skills are needed in new board members.

**TABLE 3.2 CURRENT BOARD INVENTORY EXAMPLE**

<table>
<thead>
<tr>
<th></th>
<th>Contracting</th>
<th>Legal</th>
<th>Finance</th>
<th>Discharge Planning</th>
<th>Patient Education</th>
<th>Clinical Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ms. Jones</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr. Smith</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr. Brown</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr. White</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ms. Nightingale</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

© 2016 Sigma Theta Tau International. All rights reserved. Purchase this book at www.nursingknowledge.org/sttibooks
Use this Current Board Inventory template to list current board members in the left-hand column and the skill sets needed from the Strategic Needs Table across the top.

<table>
<thead>
<tr>
<th>PRIORITY SKILL SETS</th>
<th>SKILL SET 1</th>
<th>SKILL SET 2</th>
<th>SKILL SET 3</th>
<th>SKILL SET 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Member A</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Provided by the Georgia Center for Nonprofits (Beaver, 2014)

**Figure 3.2** Current Board Inventory Template

**RECRUIT SKILLS**

The recruit attributes chart provides an approach to comparing and contrasting the skills and attributes of potential board members. A picture will emerge of the gaps in critical skills based on the organization’s strategy and goals, the board’s assessment of the professional skills of current members, and individual board members’ self-assessments.

These gaps serve as the basis for evaluation to be used in searching and recruiting potential board candidates. After these needs are identified,
board members will often consider who, among their network of contacts, might have the skills needed and then approach these individuals for potential board membership. Candidates are then evaluated based on the desired attributes that have been identified and are shown in Table 3.3 and Figure 3.3.

**TABLE 3.3 RECRUIT ATTRIBUTES CHART EXAMPLE**

<table>
<thead>
<tr>
<th>Candidate</th>
<th>Available Time</th>
<th>Racial Diversity</th>
<th>Geographic Diversity</th>
<th>Contacts with Potential Donors</th>
<th>Assertive/Positive</th>
<th>Aligned with Needed Skills/Mission</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. North, Advance Practice Nurse</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. South, CPA</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. East, College Professor</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D. West, Retired CEO</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Use this Recruit Attributes Chart template to list recruitment possibilities in the left-hand column and desired attributes across the top row. (Desired attributes can be changed and/or added to.)

<table>
<thead>
<tr>
<th>CANDIDATES</th>
<th>HAS TIME</th>
<th>RACIAL DIVERSITY</th>
<th>GEOGRAPHIC REACH</th>
<th>ACCESS TO DONORS</th>
<th>ASSERTIVE/POSITIVE</th>
<th>ATTACHMENT TO MISSION</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Skill: Banking)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Candidate A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Candidate B</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Provided by the Georgia Center for Nonprofits (Beaver, 2014)*

**Figure 3.3** Recruit Attributes Chart Template
Laurie Benson notes that most of her board experiences were driven by referrals. “While I didn’t necessarily know the leadership, I was referred to them,” she says.

Boards often use a matrix or profile of needed skills and expertise to understand their current composition and then seek new members to fill gaps. Competency-based selection adds a behavioral dimension and seeks trustees with the knowledge, skills, and personal behaviors that can lead to a high-performing board and organization.

Today it is becoming increasingly likely that boards will be seeking “out-of-community” trustees. It’s a topic that James Gauss covered in an article for the Center for Healthcare Governance: “Recruiting the Right Mix” (Gauss, Valentine, 2013). In it, he and coauthor Steven T. Valentine provide both pros and cons of casting a wider net.

The pros include the ability to:

- Enhance existing skill sets, knowledge base, and talents
- Bring new ideas and perspectives to the board and executive leadership
- Deal with difficult or sensitive situations in fresh, innovative ways
- Add strong professional and personal reputations to attract additional talent over time
- Bring on greater fundraising capability

There are drawbacks, however. Those potential members may:

- Lack specific experience with the communities served
- Lack local contacts
NURSE ON BOARD

• Struggle with the time commitment and geographic location
• Micromanage or forget to focus on the board

Each board will have to grapple with these issues and make decisions based on their own unique position in the community; the stakeholders they serve; and their mission, vision, and strategic priorities.

Using a competency-based approach to selecting board members requires new tools and practices. Competency-focused interview tools, for example, focus on how candidates have used needed competencies in other settings and how they might apply them to issues facing the hospital. These tools enable boards not only to identify people with needed backgrounds and skills, but also to distinguish, from among several good candidates, the one that best meets the board’s needs.

What kinds of questions might you be asked?

• When were you involved in leading a group or organization through significant change? Briefly describe the change and how you provided leadership in moving change initiatives forward.
• How did you maintain a focus on strategies and values during the change?
• How did you guide the group or organization to stay the course throughout the change process?
• How did you help overcome obstacles or resistance to change?

As you are being considered for a board position, it is highly likely that you will go through an interview process similar to the one used in traditional job recruitment.

The interview process is a great opportunity for board members and the potential new board member to learn more about each other.
• After the change process was completed, how did you help the group or organization envision the next wave of change?

ORIENTATION

Boards are only as strong as their weakest member, and effective boards understand that good governance begins with the individual board member. Even those who have served on other boards, or who have extensive board experience, need to learn about this new organization they will be governing and the environment in which it operates.

Nonprofit organizations are among the most complex of organizations. So to be effective individually, and as part of the team, new board members need an orientation, ideally prior to coming onto the board or within the first few months of joining.

Orientation to board service should be a structured process rather than a one-time event—and, in the case of a hospital or healthcare organization, should review the healthcare environment, both national and local, including the hospital’s competitors. Boards in other industries should do the same sort of orientation. Orientation should also cover information about the organization’s structure, including programs, services, and senior executives, as well as its key stakeholders and their needs and expectations. New board members also need to understand the organization’s strategic framework, which includes its vision, mission, values, goals, and strategies.

A discussion of key organizational partners is important. Hospital board members, for instance, should be educated about the organization’s relationship with the medical staff and with other groups and organizations that are the hospital’s strategic partners. In the case of universities, issues
related to the faculty, alumni, and the board are key relationships that need to be described and discussed.

Board orientation should clarify the board’s roles; responsibilities; structure, including board leaders and committees; and governance infrastructure, such as policies, procedures, key board practices, supporting staff, meetings, and other expectations and requirements that are often detailed in board and board member job descriptions. Orientation should also clarify board culture to help new members understand how the board works together and with key organizational leaders.

Finally, new board members need information about individual responsibilities regarding issues such as conflict of interest and confidentiality. Furthermore, new board members should review the organization’s directors and officer’s liability insurance policy and what it covers. Best practices include having the organization’s general counsel provide an orientation session on the board members’ legal and ethical responsibilities.

Effective orientation processes also include:

- Time with board leaders, the CEO, and other senior leaders—for instance, the chief nurse in a hospital setting
- A tour of the organization and all its facilities
- Supporting materials, such as an orientation handbook and board policies and procedures manual
- Information about other educational resources available to the board and how to take advantage of them

A seasoned board member who serves as a mentor for the first year of service can help a new board member get up to speed more quickly by answering questions and clarifying board practices and culture. It is
common to encourage new board members to participate in an education process that provides knowledge related to trustee core competencies.

**BOARD EDUCATION AND DEVELOPMENT**

Board education should focus on improving knowledge and skills of the board and on overall board performance.

Many boards ensure that at least some of their education sessions involve board members, executives, and clinical leaders in learning together and discussing applications to the organization. This frequently happens at board and leadership retreats.

A comprehensive board development program also includes succession plans for board leaders, including board officers and committee chairs. Succession should build leadership continuity and provide opportunities for candidates to acquire or further develop needed competencies. Performance evaluation for the full board, individual members, and board leaders is an important step in fostering continuous governance improvement and is discussed later in this chapter.

Assessments are often done via survey, interview, and discussion among stakeholder representatives, the board, and hospital leadership.
NURSE ON BOARD

After stakeholder feedback is gathered and analyzed, the board and leaders prioritize stakeholder needs and expectations. Establishing priorities is necessary to provide a clear framework for board and organizational decision-making.

BOARD/CEO INTERACTION

The difference between the roles of governance and management has long been a topic of debate. Some have the impression that a solid immutable line exists between these roles that should never be crossed. However, nothing could be further from the truth or from actual practice.

Boards and management will define their roles and responsibilities differently, depending on situations or characteristics that are unique to different organizations. The common practice is that the board provides oversight and the management team executes organizational operations, but this can vary depending on the situation. One example of this occurs when organizations are in crisis. In a hospital that is in need of a performance turnaround or that has experienced an abrupt departure of its CEO, the board may appropriately step in to oversee daily operations until the organization is back on track.

Boards and executives may also define their roles and responsibilities differently across different areas, depending on each party’s level of expertise and understanding. Boards with members who have strong backgrounds in quality and patient safety, for example, may take a larger role in overseeing this area than they would in other areas where the board may have less expertise. It is also likely that the relative roles of the board and management may shift over time as board composition changes, the needs of the organization change, or the CEO leaves or retires.
Some level of difference among board and CEO roles in organizations is therefore appropriate. However, these roles should be explicitly determined and periodically reviewed by each board/CEO team to achieve the necessary balance. Boards must govern—not manage. Management is the CEO’s job.

HEALTHCARE TRENDS

Making sure that relative roles are clear and agreed upon is becoming more important as market and regulatory forces are compelling boards to govern at levels of detail that once would have been considered micromanagement, but are now required and necessary in the current environment of heightened governance accountability.

One important point to make is that the CEO is typically the only member of the organization that reports to the board. All other staff members report up through the organization to the CEO. That relationship is depicted in Figure 3.4.

![Organizational Chart](image-url)
However, as the board’s direct report, the CEO also has the responsibility to help the board do its job well. The CEO is responsible for leading the organization and managing the executive team while executing the board policies and decisions. When it comes to working with the board, the CEO is responsible for identifying issues requiring board focus; putting them into context; and providing the board with information, recommendations, and alternative courses of action to make good decisions. Boards should have the expectation that their CEOs will provide them with the information that they need well enough in advance of board meetings to allow for thoughtful preparation.

Of course, a successful board/CEO partnership is a two-way street. This means that boards should meet expectations that CEOs have as well. Expectations that CEOs should have of their boards include:

- Coming to meetings prepared and ready to raise questions and discuss issues
- Acting at all times in the best interests of the organization’s stakeholders
- Drawing key issues to the CEO’s attention and discussing them with the CEO
- Maintaining an open, honest, collaborative relationship
- Setting clear performance goals and providing feedback in a meaningful and timely way
- Disclosing and dealing appropriately with all conflicts of interest

Most relationships function best when both parties keep each other informed of important issues and potential concerns. The board/CEO relationship is no exception.
• Keeping board business confidential
• Allowing management to run the organization
• Preventing others from circumventing the CEO to get to the board
• Being committed to board and governance effectiveness

As previously mentioned, the CEO is typically the only executive who reports to the board. All other executives report to the CEO or chief operating officer (COO). Board members must remember that it is their role to communicate their concerns to the CEO and not the individual members of the executive team. The board enables the CEO to do his or her job, and the CEO enables the board to do its job.

SUCCESSION PLANNING

Routine succession planning ideally starts 2 to 3 years in advance to give most boards the time needed to conduct a careful, thorough process.

Succession planning increases the availability of experienced and capable people who are ready to assume new roles as they become available. A formalized succession planning process benefits employees. Candidates see the critical career paths and core competencies that the organization desires. They can then consider their own competencies and areas of opportunity for development and, in concert with their managers, find ways to develop needed skills. If an employee wants to become the VP of Human Resources some day, for instance, that employee can find out what is needed to move into this role and then work with his or her manager to identify

Succession planning is the process for identifying and developing internal people who have the potential to fill key business leadership positions, including the top position—the CEO.
gaps and critical learning experiences. This same process can be cascaded down through the organization as it considers its vice president, director, and management levels.

Hiring from within has three positive effects. First, internal succession has a positive impact on others in the organization. When your strong internal staff members see internal candidates being promoted, they feel confident that they might have these opportunities themselves. They are less likely, therefore, to seek positions with other organizations. Second, developing leadership from within results in savings realized from not having to invest in search firms, marketing, and advertising for open positions. Third, there is much literature to suggest that promoting internal candidates into leadership positions leads to a more successful outcome than hiring candidates from outside the organization. Internal candidates tend to be more successful, so boards are taking the succession of internal candidates more seriously.

Internal candidates succeed for a variety of reasons. Most notably, they understand the culture. They have built relationships and have a network within the organization. They come with a level of experience that external candidates simply can’t match. They don’t have to learn the business from the base: They already know it.

At one organization that I am familiar with, management bonuses are tied directly to staff development. Regardless of what area of the organization they manage, they are expected to develop their staff so that 20% of their staff, annually, moves into more responsible roles. So, individual bonuses are directly tied to talent development. That sends a strong message—and it drives results.

Another organization that I work with requires that the chief human
resource officer make an annual presentation to the board on the succession planning process and program. Essentially, this consists of what you see in Figure 3.5: a set of charts that show the current CEO, with that person’s picture, three or four other photos under that with a list of strengths, and a list of development opportunities. Year to year, these photos change as successors are developed and moved into roles that become open. The process provides an opportunity to be proactive in terms of identifying the strengths that will be needed—and the individuals within the organization who have those strengths or who could develop them.

![Figure 3.5 Senior Leadership Team Changes](image)

As these individuals are identified, they are targeted for development.
Some people continue on the list as high potentials, while others drop off because they are no longer progressing toward a particular role. Individual assessments allow the organization to evaluate this potential over time. Some will rise in the list, and some will come off the list over time.

An annual review is a nice way of gaining a visual sense of the talent bench—who is on the bench, how diverse the bench is, and where they are moving on and off the bench. This annual review also provides some insight into the managers within the organization. Some are skilled in getting their staff members the kind of critical developmental experiences they need, but others are not. That tells you something. Those managers who are not able to effectively develop high-potential staff may have hit their career ceiling themselves.

A form like the one in Figure 3.6 provides a tangible way of conducting and tracking this analysis.

If something happens to the CEO, and no succession plan is in place, the board—and you—will be held accountable. Succession planning for the CEO position is a very important board responsibility.

Development might involve attaining an advanced degree, getting experience in some other aspect of the business, or perhaps getting global experience.

Unfortunately, in many cases, the CEO does not readily welcome board discussions about his or her own successors. Even though these interactions can be sensitive, they are necessary.
In addition to a well-organized succession planning process, boards will often have an emergency succession plan at the CEO level of the organization in the event of some unforeseen incident—say, the CEO is hit by a beer truck or wins the lottery. Such things have happened!

Thus, take time to consider, in the event of such a crisis, what the board would do.

- Who would immediately move into that role as an interim CEO to help get through the crisis?
- What information would be released to the community and external environment through a news release?
- Who else would need to be contacted?
- How would these contacts take place?
NURSE ON BOARD

Boards should always have CEO succession on their agenda. The CEO should be involved in emergency succession planning, which should take place at least once yearly. The board, or a committee of the board, should sit down with the CEO and the head of HR to have the emergency succession discussion.

Sometimes the discussion is straightforward and clear cut; in other cases, it may not be. Perhaps the CEO feels that Christine should be the successor, but the board feels that Kelly would be a better choice. This is an opportunity not only for resolution, but also for learning. The board could learn what it is that the CEO sees in Christine that makes him feel that she would be the best choice to inherit the position. The board could then share with the CEO why it feels that Kelly would be the better choice: What skills/competencies does Kelly have that the board feels are important for future growth and success?

MISCONCEPTIONS

Because the CEO succession process is complicated, boards may hold some erroneous thoughts.

**Save money.** Boards should take on parts of the process to save costs. CEO succession usually requires the assistance of a professional search firm.

**Find a similar replacement.** A second error is assuming the new CEO should be like the existing one. This assumption is based on the belief that the future will look like the past—which is almost never true. Many boards are more comfortable with and favor candidates that have been CEOs in the past. Looking only at people with prior CEO experience will cause some boards to overlook candidates who have reported directly to a CEO and who have characteristics and experience suited to taking the next step. Delegating the entire succession process should go
to the existing CEO or to outside professionals. That is an abdication of the board’s responsibility. When a CEO fails, one of the most important steps for the board is to look in the mirror and commit to the rigorous due diligence needed to avoid future mistakes.

Plans, Goldsmith suggests, do not develop anyone—only developmental experiences develop people. Further, he suggests, organizations (and, by default, boards) should measure the outcomes of these efforts rather than the process itself. These metrics might include things such as the percentage of executive level vacancies that have been filled with internal candidates compared with external hires; the percentage of promotions that have come from the pool of high-potential internal candidates; and employee turnover, at all levels of the organization.

In a 2009 article in Harvard Business Review, Marshall Goldsmith suggested that the name of the process be changed from succession planning to succession development (2009).

Nurse managers and executives have valuable experience in the areas of employee recruitment and retention, which are great board assets.

CEO EVALUATION AND COMPENSATION

As a board member, you will evaluate the organization’s or corporation’s CEO. Therese Fitzpatrick says nurses, “need to understand what that role is about and how to set expectations with other executives. That was always an eye-opening experience for me—realizing that I was in a position where I potentially had to coach and counsel and provide performance feedback to an executive. I think that CEO evaluation and CEO executive planning, succession planning are real shockers,” she says. “You just don’t think that that’s part of your job and what a big part of the job it is.”
HEALTHCARE TRENDS

CEO evaluation and compensation remain a focus of the healthcare media. The August 11, 2014 cover of Modern Healthcare has the headline “CEO Pay Still Soaring” (Landen). The article states that the average 2012 cash compensation for CEOs was $2.2 million. Modern Healthcare states that the average CEO received a 7.4% increase between 2011 and 2012, while the average hospital employee received a 2% salary increase. Board members are responsible for CEO compensation and are the focus of inquiry and criticism for excessive salaries. Compensation consultants can provide the data and expertise that board members need to make sound compensation decisions.

EVALUATION

Effective CEO evaluation processes share several common characteristics:

• **Collaborative:** The board and CEO work together and view performance management as an ongoing process rather than a one-time event. This view supports a mutual commitment to “no surprises” and enables the board to provide feedback as needed, rather than waiting until the annual evaluation, when it’s too late for the CEO to address board concerns.

• **Formal:** This means following steps that are explicit and routinely followed.

• **Goal- and outcome-based:** Expectations and goals also provide a trigger for both parties to raise and discuss unforeseen issues that could have an impact on performance outcomes.

• **Conducted regularly:** Boards and CEOs that work together each year to set clear expectations and goals have a touchstone for periodic performance check-ins as well as the year-end assessment.
The board’s responsibilities in CEO performance management and compensation include:

- **Setting performance goals and expectations**
  Although most CEOs are self-motivated and would need to be to rise to the position, the board needs to make sure the CEO knows what the board’s expectations are and what the board cares most about. Providing ongoing feedback can help ensure that everyone is aligned.

- **Coaching and motivating the CEO**

- **Monitoring and evaluating performance**

- **Establishing compensation**
  This is done in conjunction with the board’s Compensation committee, establishing the CEO’s compensation. Bonuses are becoming a more common part of executive compensation. In the corporate world, executives receive a salary, an opportunity of an annual bonus, and long-term compensation incentives. Bonuses are an effective way of incenting executives toward goal achievement.

**COMPENSATION AND BONUS**

Compensation programs are a key board responsibility and usually require the assistance of a compensation consultant.

When the board and executive team have clearly defined operational goals, these goals become the basis of the bonus program. In the
corporate world, the opportunity to earn bonuses for extraordinary performance is routine. Depending on the level of the employee, the bonus may be cash or cash and stock.

HEALTHCARE TRENDS

More nonprofit organizations are incorporating bonuses into their compensation strategy. In one of the hospitals where I was a board member, the executive team had the opportunity to increase compensation by 30% annually through a bonus system. The bonuses were tied to achieving very specific goals at a very specific level. If patient satisfaction increased by 3%, the executives might get a 10% bonus but would receive a 25% bonus for a 10% increase in patient satisfaction.

Most healthcare organizations have goals related to patient outcomes, patient satisfaction, and financial performance. Superb performance is dependent on all of the employees understanding these goals and working toward their achievement. Healthcare delivery is a team activity, and when the entire team is aligned, there is rapid progress on goal attainment. When I was on the board of Silver Cross Hospital, all of the employees were engaged in the organization’s focus on achieving Solucient Top 100 status (http://100tophospitals.com/). When that goal was achieved, all of the employees were given bonuses and rewarded with a celebration.

BOARD DEVELOPMENT AND EVALUATION

Over the years, the concept of board evaluation has expanded beyond the full board to include board leaders, committees, and members. The board’s Governance committee usually oversees the process.
Healthcare organization boards have conducted board evaluations for more than 20 years. Spurred by The Joint Commission (TJC) standard requiring boards to evaluate their own performance, the process allows boards to look back and plan ahead, thus fostering the evaluation of strengths, weaknesses, and accomplishments while promoting action planning for continuous performance improvement.

Jim Gauss, of Witt/Kieffer, provides some perspective on the attributes of each of these types of boards. His insights are summarized in Table 3.4.

**TABLE 3.4 CHARACTERISTICS OF HIGH-PERFORMING BOARDS**

<table>
<thead>
<tr>
<th>Type of Board</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-performing boards</td>
<td>• An engaged and educated board chair&lt;br&gt;• Careful succession planning&lt;br&gt;• Clarity around mission and key organization strategies&lt;br&gt;• Strong partnership with the CEO&lt;br&gt;• Proactive about recruitment&lt;br&gt;• Best practices utilization&lt;br&gt;• Willing to challenge the status quo</td>
</tr>
<tr>
<td>Mid-range–performing boards</td>
<td>• Recognition of the importance of governance&lt;br&gt;• CEO allowance to do his/her job&lt;br&gt;• Striving to become better through best practice governance</td>
</tr>
<tr>
<td>Poorly performing boards</td>
<td>• Weak leadership&lt;br&gt;• Lack of focus on the future&lt;br&gt;• Limited time on strategy&lt;br&gt;• Haphazard board member recruitment&lt;br&gt;• Generally stuck in the past</td>
</tr>
</tbody>
</table>

*Courtesy Jim Gauss*
Ongoing evaluation of the board as a whole, as well as of individual board members, committees, and processes, can help boards become high performing and minimize the risk of losing their high performance over time.

**INDIVIDUAL BOARD MEMBER EVALUATION**

Individual board members should receive feedback on their performance. This process should be conducted, at a minimum, once every 2 years. This is typically done through a several-step process that includes:

- Confidential written member questionnaire
- Aggregate results tabulated and reported
- Board meeting in a retreat to discuss results
- Identification of performance strengths and weaknesses
- Development of a performance improvement action plan
- Regular monitoring of plan progress

The questionnaire identifies individual development needs and reaffirms the members’ further commitment to board service. The questionnaire that is initially completed by board members should focus on how well the members understand and perform their key roles and responsibilities. The assessment of individual board member performance is designed to evaluate each trustee’s knowledge of board roles and responsibilities and expectations of board members. Board member evaluations are usually based on assessing how well the individual complies with expectations and requirements that the board has established for its members.
Examples of these expectations can include attendance at board and committee meetings; participation in board discussion and debate; decision-making that reflects the organization’s mission and vision; and adherence to board conflict-of-interest and confidentiality policies.

Most nonprofit boards that do conduct evaluations also look at the financial contributions of the board member. Nonprofit boards should assess individual board member performance as well, but many don’t. In fact, there is only one nonprofit board that I have served on that had a quantitative approach to evaluating the contributions of board members.

DePaul University uses what it calls a Trustee Engagement Report (Holtschneider, 2013) to assess board member performance on an annual basis. This metric-based approach to evaluation is based on a set of criteria initially developed by the DePaul University board of trustees. DePaul is the only nonprofit organization that I am aware of that has developed such a thorough and constructive approach to board evaluation. DePaul shared the information and its process to include in this book.

Three broad categories are assessed:

- **Philanthropy**: A weighted combination of giving over the course of a capital campaign with points for other activities during the academic year in support of the campaign. In 2010, the philanthropy score was weighted at 70% giving and 30% activity points.
NURSE ON BOARD

- **Board participation**: An average of attendance percentage at board and committee meetings in the past academic year and points for committees served on, committees led, and committee meetings attending.

- **Other university involvement**: Points are given for participation in other university activities, such as serving on an advisory board, attending events, and other trustee activities outside meetings.

Under each of these broad categories, specific items are rated. Figure 3.7 shows what the final matrix looks like with the U.S. presidents’ names used as placeholders.

Based on the individual scores and the frequency applied for each item, total scores are assigned in each category, and a final score is calculated. This chart shows the list of “board members” in order from highest to lowest score. Board members receive both a personal one-sheet overview of their performance as well as an indication of how they rank compared with the other board members. A mock individual evaluation sheet on Abraham Lincoln is shown in Figure 3.8.

This analysis is valuable to the board when considering reappointing board members; it may even result in people being dropped from the board if their performance is not deemed to be adequate. For board members, the assessment also indicates how they are doing relative to other board members and both areas of strength and opportunities for improvement.

Similar to a job description, such an assessment can provide you with a clear picture of performance expectations. The DePaul tool assists in strengthening the individual board members and the board as a whole.

Knowing about such an assessment before accepting a board position can also be helpful in terms of deciding whether you are willing to commit to the expectations the board will have of you.
<table>
<thead>
<tr>
<th>NAME</th>
<th>Philanthropy</th>
<th>Board and Committee Participation</th>
<th>Univ. Involvement</th>
<th>Weighted Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lincoln</td>
<td>900,000</td>
<td>8</td>
<td>8</td>
<td>88</td>
</tr>
<tr>
<td>Obama</td>
<td>1,250,000</td>
<td>9</td>
<td>3</td>
<td>7.50</td>
</tr>
<tr>
<td>Truman</td>
<td>2,400,000</td>
<td>9</td>
<td>7</td>
<td>8.70</td>
</tr>
<tr>
<td>Cleveland</td>
<td>800,000</td>
<td>8</td>
<td>8</td>
<td>8.30</td>
</tr>
<tr>
<td>Van Buren</td>
<td>4,000,000</td>
<td>10</td>
<td>8</td>
<td>9.10</td>
</tr>
<tr>
<td>Tyler</td>
<td>450,000</td>
<td>6</td>
<td>3</td>
<td>5.40</td>
</tr>
<tr>
<td>Taft</td>
<td>5,000,000</td>
<td>10</td>
<td>2</td>
<td>7.90</td>
</tr>
<tr>
<td>Grant</td>
<td>2,500,000</td>
<td>10</td>
<td>7</td>
<td>9.10</td>
</tr>
<tr>
<td>Harding</td>
<td>900,000</td>
<td>8</td>
<td>9</td>
<td>8.60</td>
</tr>
<tr>
<td>Monroe</td>
<td>715,000</td>
<td>7</td>
<td>8</td>
<td>7.30</td>
</tr>
<tr>
<td>Washington</td>
<td>3,800,000</td>
<td>10</td>
<td>4</td>
<td>8.50</td>
</tr>
<tr>
<td>Clinton</td>
<td>800,000</td>
<td>8</td>
<td>6</td>
<td>7.70</td>
</tr>
<tr>
<td>Harrison (W)</td>
<td>650,000</td>
<td>7</td>
<td>9</td>
<td>7.90</td>
</tr>
<tr>
<td>Reagan</td>
<td>90,000</td>
<td>4</td>
<td>2</td>
<td>3.40</td>
</tr>
<tr>
<td>Pierce</td>
<td>20,000</td>
<td>1</td>
<td>3</td>
<td>1.90</td>
</tr>
<tr>
<td>Roosevelt (T)</td>
<td>450,000</td>
<td>6</td>
<td>3</td>
<td>5.10</td>
</tr>
</tbody>
</table>

(1) Weighted at 70% of the Giving Frequency Score and 30% of Campaign Points Frequency Score
(2) Weighted 50% of Attendance Percentage Frequency Score and 50% of Committee Service Frequency Score
(3) Weighted at 40% of Philanthropy Engagement Score, 50% of Participation Engagement Score, and 10% of University Involvement Engagement Score

**Figure 3.7** Board Member Evaluation Matrix
EVALUATION OF BOARD MEETING EFFECTIVENESS

Because full board and board member performance assessments are typically conducted only once every few years, it may take quite a while before performance problems are identified and resolved. Therefore, boards are taking the opportunity to do more frequent performance check-ins by conducting evaluations of board and committee meetings.

88
These assessments are designed to be completed in a few minutes and generally focus on whether the meeting was effective and productive. Board leaders work with the CEO to evaluate the results of these quick assessments and bring the results, along with ideas for improvements, to the next meeting. Ideas can then be tested at subsequent meetings, and those that are effective can be adopted.

Evaluating board meetings has several benefits. First, it provides immediate feedback that can be acted on quickly to improve meeting value. It also reinforces that improving performance is part of the board’s ongoing responsibilities and helps build momentum for continuous improvement. Finally, it shows board members that their input is important and is acted upon quickly by board leaders.

Evaluation of board and committee meetings should focus on both meeting process and outcome. Sample questions to assess meeting effectiveness include:

- Were there specific objectives for the meeting, and did the agenda support them?
- Were the most important items at the front of the agenda?
- Did the meeting start and end on time?
- Were all members encouraged to participate?
NURSE ON BOARD

• Was material distributed enough in advance to allow for thoughtful review and preparation?

• Did the board spend more time dealing with the future than the past?

FINANCIAL CONTRIBUTIONS

It is often said that nonprofit board members are expected to contribute time, treasure, and talents. “Nurses need to know—particularly when serving on nonprofit boards—that they will be expected to contribute not only through their time but also through financial support of the organization,” said Daniel Pesut, who was surprised by the expectation when he first sat on a nonprofit board. “We don’t talk about it much. It’s more tacit instead of explicit.”

I guess I was pretty naïve about the whole notion of philanthropic contributions to a board, until I got on the Sigma board. It’s not just a service that you give, but it’s the financial commitment and an expectation about your philanthropic activity in terms of sustainability of the organization that becomes important.

The phrase “give or get” is often applied to this financial contribution. The board member can either give their own money or help get money from other sources to meet their financial obligations.

REFERENCES


