Ensuring Board Effectiveness: A Comprehensive Review

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In today’s complex healthcare environment, the difference between an organization’s success and failure may be the effectiveness of the board itself.

Consider the following:

• A health system’s excellent reputation was significantly damaged by the board’s inability to carry through on a proposed affiliation with a hospital.
• A system routinely approved physician contracts that were not compliant with Stark laws because the board relied too heavily on physician board members’ advice.
• A hospital lost multiple opportunities to acquire physician practices because board members did not keep the discussions confidential.

In hindsight, it is easy to see that these boards were guilty of ineffective governance. Those familiar with the above situations said that these boards:

• Did not sufficiently anticipate public reaction to their decision (i.e., lacked strategic thinking and understanding of key constituents’ perspectives)
• Did not discuss all board members’ concerns (i.e., lacked effective decision-making processes and a right-sized board)
• Did not take responsibility for knowing the laws and regulations (i.e., lacked compliance oversight policies, key competencies, an adequate committee structure, and education regarding key topics)
• Depended too much on trusted friends and colleagues (i.e., lacked required governance objectivity and a clear understanding of their legal role/fiduciary duties)
• Did not spend enough time discussing strategic-level issues (i.e., lacked understanding of the distinction between governance and management)
• Did not have sufficient policies and procedures (i.e., lacked updated conflict-of-interest policies)

The answer is to conduct a comprehensive review of the board’s governance practices and structures on a regular basis. Boards that are committed to providing great governance will review their entire governance function every three years, or more often if the need arises (e.g., as a result of an affiliation, when behavioral issues arise, or if the board becomes aware it has been lax in some key area). It is typically the governance committee that would be charged with leading a board enhancement effort.

A board that wants to conduct a rigorous review of its structure and performance should assess itself against advanced governance practices in the following areas:

• Corporate and board structure (number of and necessity for each entity, board and committee)
• Board size
• Board composition/competencies
• Board member job descriptions
• Committee structure
• Committee charters
• Committee size and competencies
• Meeting agendas and minutes
• Board and committee meeting frequency
• Board policies
• Code of conduct
• Board orientation materials and continuing education calendar
• Board self-assessment results (e.g., The Governance Institute’s BoardCompass®)

The Governance Institute’s biennial survey of governance practices is an excellent resource for this review.


2 For a more complete exploration of this issue, see Barry S. Bader, Edward A. Kazemek, Pamela R. Knecht, and Roger W. Witalis, FACHE, “Strategic Planning: Work for the Full Board or a Committee?” BoardRoom Press Advisors’ Corner, The Governance Institute, April 2007.

The survey information should be augmented by other Governance Institute publications that describe the difference between practices that are currently in use by boards and those that are best practice. For instance, knowing that 50 percent of boards currently have strategic planning committees does not answer the question of whether that practice should be utilized by all boards.

Ensuring that the board is utilizing best practices in each of the above categories is the first step in creating a highly effective board.

Much of this analysis can be completed by an interviewer who can learn what issues could arise (e.g., as a result of an affiliation, when behaviorally issues arise, or if the board becomes aware it has been lax in some key area). It is typically the governance committee that would be charged with leading a board enhancement effort.

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