

# Board Member Terms: To Limit or Not?

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## ACCORDING TO THE GOVERNANCE

Institute's latest industry survey, the vast majority (90 percent) of hospital and health system boards have established terms for their board members, averaging around 3 years, with 58 percent limiting the number of terms their members can serve. These numbers have changed little over the past several years. Like the Democrats and Republicans in Congress who don't seem to agree on any significant issues, hospital and health system boards remain divided on whether term limits help or hurt effective governance, with little interest in hearing the other side's point of view.

## The Debate

A proposal to limit (or to not limit) board member terms triggers heated debate among board members. The arguments usually go something like this:

**Tom:** "I really believe term limits would be beneficial for our board. Limits would bring new blood into the boardroom—people with fresh perspectives and ideas who are not stuck in doing things as we've always done them."

**Sarah:** "That may be, but term limits would eventually force some of our best members off the board. We'd lose their accumulated knowledge and expertise and have to train new people constantly. I can't imagine a baseball team trading away a star pitcher they brought up through the minor leagues just when he starts winning 20 games a season. It just doesn't make sense to me."

**Tom:** "That could happen, but we could always bring that effective board member back on the board after a one year absence and keep the person engaged on a committee during that time. Besides, term limits also create opportunities to involve other interested community leaders who would love to serve but never get the chance."

**Sarah:** "In theory, you're right. But, as you know, we have had a difficult time finding qualified candidates when we've had turnover in the past. There's a real scarcity of committed and talented people out there, especially in a community the size of ours."

**Tom:** "We'd just have to look harder, seek more diversity on the board, and intensify our efforts to make board service a rewarding and enjoyable experience for people. I don't know how other boards do it, but, from what I hear, some hospitals actually have a waiting list of people who want to serve. Besides, term limits would help us get rid of some of the dead wood on our board and eliminate the problem we have of a few, long-standing members who tend to dominate our decisions because people defer to their longevity on the board."

**Sarah:** "We don't need term limits to get rid of members who don't perform or to modify the behavior of those who dominate our decision making. We just need to make board member evaluation a serious undertaking. And, have the guts to not renew a member's term or ask a member to step down if he or she hasn't performed or has been disruptive."

And so it goes, with neither side budging on their positions.



## Best Practice?

Governance literature tends to reinforce the idea of fixed terms as a "best practice" for not-for-profit boards. And, it's true that most consultants recommend to their clients that they at least consider establishing term limits, even if they stretch them out to as many as 12 years of service. Too often, we have seen the negative consequences of boards that get stuck in their ways, resist changes that could benefit the institutions they govern, and drive away new members because of a power structure that keeps the "old guard" in place with little opportunity for newcomers to play a meaningful role.

Nevertheless, it is useful to keep an open mind on the issue of limiting board member terms. The 42 percent of hospital and health system boards that do not have term limits can't be viewed as ineffective simply because they have decided to not adopt this practice. There are situations where a board without term limits may be better off; e.g., the hospital is dealing with a major crisis that requires board attention; a complex merger is being negotiated with implementation anticipated to be difficult; after exhaustive attempts, a sufficient number of qualified, non-conflicted board candidates cannot be found; and others.

Being dogmatic about governance best practices, especially on an issue like term limits, misses the point. *Governance is a process that boards should constantly improve upon.* For those boards that do not have term limits, we recommend that you take the time every couple of years to discuss the issue with an open mind, weighing the pros and cons, and either reinforce the decision to not have limits or to adopt them. For those boards that may have adopted term limits because everyone else seemed to be doing it, go through the same process of evaluation to make sure that term limits are a true best practice for your board.

For boards with and without term limits, it is equally important to establish specific selection criteria for board membership and to evaluate the board and its members on a regular basis to ensure the board has the right "mix" of people and that they are effective.

