



Setting Strategic Direction

The Key to Board Performance



The Governance Institute

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The Governance Institute

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Introduction

The era of “corporate responsibility” has arrived. Simply put, it is a time when the highest levels of organizational leadership, especially governing boards, are under intense scrutiny, feeling the pressure to be on top of things, and being derided for their poor performance. Board performance has become front-page news and the focus of attention of various regulatory and government agencies, including State Attorneys General. Not-for-profit healthcare boards have not escaped the embarrassment and demand for better performance triggered by highly visible scandals like the meltdown of Allegheny Health and Research Foundation (AHERF) and the alleged financial practices of HealthSouth and Tenet. The relentless, demanding question asked by the press, employees, and injured parties in all of the disasters of the past five years is this: “Where was the board?”

The Key to High Performance

A board’s fiduciary duties and core responsibilities require oversight of a wide range of activities and decisions (see Exhibit 1). However, protecting the organization’s financial health commands the lion’s share of most boards’ time and attention. The financial review is usually the first item on the agenda (after approving the minutes of the previous meeting) and, not surprisingly, often ends up short-changing other matters, especially discussion on longer-range strategic issues. The Governance Institute’s 2002

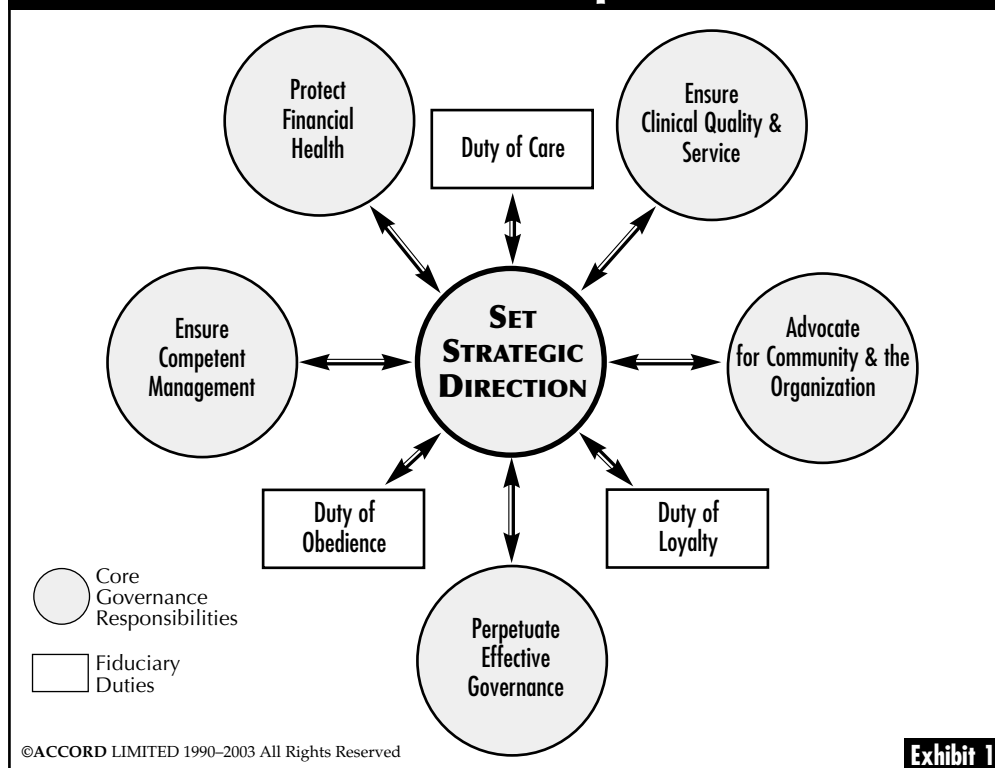
A board that is fully engaged in the process of strategic direction-setting and planning is forced to master the full range of its oversight responsibilities.

The board’s strategic direction-setting responsibility transcends the act of developing a strategic plan. Setting strategic direction includes all longer-range thinking and decision making performed by the board, even if the results are not included in the institution’s strategic plan.

Hospital Board Survey indicates that only 24% of board meeting time is spent discussing strategy (p. 20). Thus, a board’s intense focus on the numbers may prevent it from “seeing the forest for the trees.” On the other hand, spending more time on the responsibility to set strategic direction for the organization often results in a higher-performing board, not only in terms of the direction-setting responsibility but also in all of the other core responsibilities of a board.

Here’s how it works. A board that is fully engaged in the process of strategic direction-setting and planning is forced to master the full range of its oversight responsibilities. Clear strategic direction can be developed only with a thorough understanding of the clinical/service quality, customer needs, and financial dimensions of the organization’s operation. It also requires a reasonably good grasp of the

Board Duties and Responsibilities



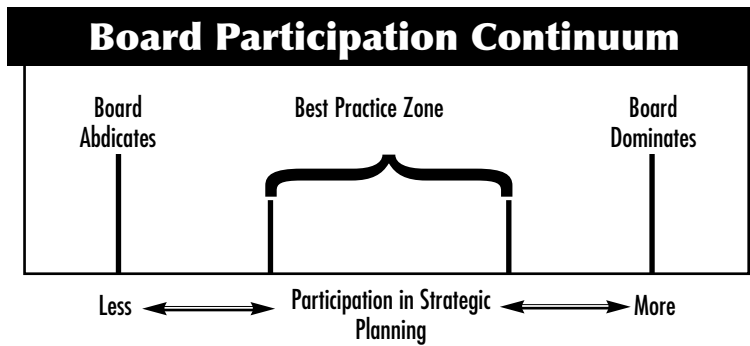
demographic and other environmental forces affecting the organization, which, in turn, stimulates a demand for focused board education and dialogue. Finally, the strategic direction and plans that result from the process provide the board with concrete measures to use to evaluate and reward the performance of management.

These measures also encourage the board to determine its own appropriate goals, which can be used to conduct meaningful self-evaluation of board performance. Thus, accountability becomes naturally embedded in the relationship between the board and management and among board members themselves. An added bonus for meaningful involvement of the board in strategic direction-setting and planning is

that the board members become more effective advocates for addressing the health needs of the communities served and communicating the challenges and needs of the organization to the public and government representatives.

Board Participation

Most boards carry out their strategic direction-setting responsibility by participating in the development of a longer-range strategic plan. The degree of participation in the planning process spans a wide range of alternatives. At one extreme end of the continuum (see Exhibit 2), some boards end up abdicating the direction-setting responsibility to management and simply "rubber stamp"



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Exhibit 2

the vision and strategies laid out for their approval with a minimal amount of understanding and healthy debate. The other extreme is when the board dominates the planning process with only marginal regard for the expertise that management brings to the table. Both extremes present problems and are irresponsible. The board that abdicates its responsibility runs the risk of being held accountable for strategic initiatives that result in the ruin of the organization and breach of its fiduciary duties. The board that dominates the direction-setting process sends a negative message to the management team that their expertise is not valued or trusted and the board frequently ends up dictating strategies that are not well informed.

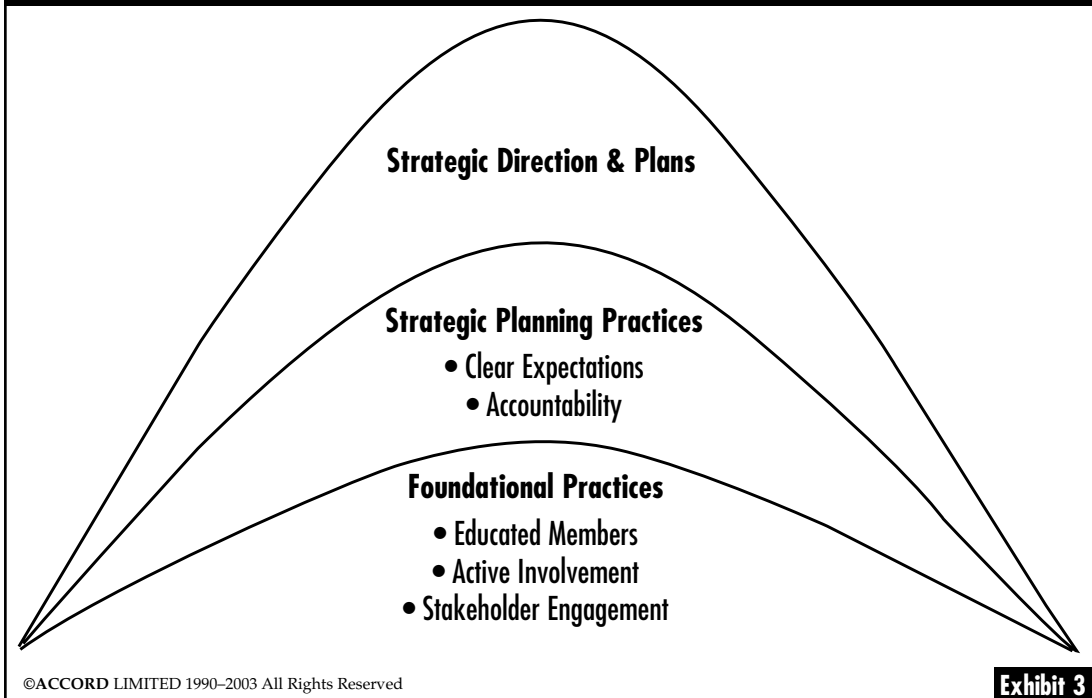
Somewhere between abdication and domination is the “right way” for the board to become engaged in the strategic planning process. Finding that middle ground approach is not easy and does not lend itself to a simple formula or set of rules. In general, the board should position itself as part of a team with other stakeholders (e.g., management, physicians, employees, community) that works together to discuss, debate, and determine the future direction and key

strategies for the organization. The difficult part is engaging the board as the leaders they are while ensuring that the role distinction between board and management is not undermined.

Board Practices

So, what is the best way for a board to carry out its strategic direction-setting responsibility and thereby enhance its overall performance? The answer entails focusing on board practices that make a difference. The remainder of this document describes five practices that are associated with boards that leverage their strategic direction-setting responsibility to ensure overall high performance. These five practices are clustered into two categories: Foundational Practices and Strategic Planning Practices (see Exhibit 3). The first three practices, labeled “foundational,” are pre-requisites for the board to lead the strategic direction-setting efforts within the organization. Whether a board is overseeing the development of the comprehensive strategic plan or plans that are more focused on a specific function or service (e.g. facilities, financial, clinical services), high-performing boards make sure that practices are in place to ensure:

Setting Strategic Direction: A Board Responsibility



1. Educated Board Members
2. Active Board Involvement
3. Stakeholder Engagement

The strategic planning practices, “Clear Expectations” and “Accountability,” describe the board’s expectations of senior management and itself regarding the development, implementation, and monitoring of the overall strategic planning process and outcomes.

Each of the five practices is detailed in the following sections. Practical tips and illustrations that might prove useful for the reader are included in each section. Appendix 1 contains a self-assessment tool for measuring one’s organization against the five practices. It is offered as a discussion starter at a future board

meeting or retreat. A Strategic Planning Fax Poll conducted by The Governance Institute in June 2003 to provide data for this white paper is referred to throughout, and a summary of the results is included in Appendix 2. Appendices 3 through 9 are samples of tools that boards may want to use as they strive to improve their strategic direction-setting.

So, what is the best way for a board to carry out its strategic direction-setting responsibility and thereby enhance its overall performance? The answer entails focusing on board practices that make a difference.

Foundational Practices

Educated Board Members

The board cannot be a valuable member of the strategic direction-setting team if its members are not sufficiently knowledgeable about their organization and the strategic-level issues it is facing. A comprehensive orientation program and continuing education are the principal means of ensuring that board members are capable of setting strategic direction.

Orientation

Recent research of 13 health systems¹ ranging in size from five to 58 acute care facilities showed that *all* of the systems interviewed prioritized investing time and effort into orienting board members on the system's history and components; the organization's mission, vision, and values; board policies; healthcare industry trends and challenges; and the system's strategic plan. Part of the orientation was also dedicated to helping board members understand their core responsibilities (e.g., setting strategic direction), and the system's expectations regarding their participation (e.g., attending the annual board retreat on strategic issues).

A critical component of the board orientation program that helps prepare new members for strategic direction-setting is a comprehensive board manual. High-performing boards assume that their new members need a complete set of relevant documents such as the bylaws for all entities, governance protocols and policies, the current strategic plan, descriptions of all services and locations, and contact information for all board and committee members and senior managers. The manual must be a living

document that is updated on a regular basis for it to be a useful resource.

Continuing Education

High-performing boards also insist that their members receive ongoing education on the strategic and operational issues about which they will need to make decisions. And yet, in The Governance Institute's 2001 Health System Board Survey, systems reported that, on average, board members received only 18 hours per year in formal educational activities (p. 21). Given the complexity and gravity of the issues facing healthcare organizations today, 18 hours hardly seems enough time.

Two techniques for ensuring that boards and their members prioritize continuing education are (1) the development of a Board Member Expectations Agreement, and (2) the creation of a Master Board Education Plan. A Board Member Expectations Agreement is a "contract" that new and continuing board members sign, acknowledging (among other things) that they have agreed to attend a minimum number of hours of educational sessions each year, and that they will participate in the annual board retreat (see Appendix 3).

A Master Board Education Plan is a formal, systematic approach to learning that includes a series of educational events that are conducted over time, and are designed to achieve specific objectives. The overall purpose of a Master Board Education Plan is to ensure that individual board and committee members have the knowledge required to make wise decisions. The main com-

¹ACCORD LIMITED conducted research in December 2002 on the board orientation and education practices of 13 large health systems.

ponents of a complete Master Board Education Plan are:

- ◆ Agreed-upon principles regarding board education
- ◆ Identification of the various audiences and their needs
- ◆ An orientation program for new board and committee members
- ◆ Individual development plans for board members
- ◆ A continuing education program for the board and committees
- ◆ A master board calendar that shows the timing of meetings, orientation, and educational events over the next 12 months (see Appendix 4)
- ◆ A direct link to the annual board self-evaluation process
- ◆ An annual budget to support the plan

Board education should occur in multiple formats: during board and committee meetings, at dedicated educational events and conferences, during the annual board retreat(s), and through reading materials distributed on an ongoing basis. All of the systems interviewed as a part of the research provided continuing board education at each board and committee meeting. The amount of education in each board meeting ranged from 30 minutes to an hour. The duration of the separate educational sessions was generally one to two hours. All of the systems contacted convened at least one annual retreat for board members, and some offered two retreats each year, one in the spring and one in the fall.

The identification of the educational topics for each venue should be a combined

effort between the board and CEO. At least annually, the board members should be asked to identify topics of interest. This can occur via the annual board self-assessment process. The educational topics to be addressed during board meetings are often determined by the board chair and CEO. They decide what information the board needs to learn before it can make a specific decision, and the appropriate expert is brought into the board meeting to provide the relevant information “just in time.” The topics for dedicated educational sessions and retreats are most often proposed by the CEO, and should always be based on the organization’s current strategic issues and initiatives. At a minimum, boards should know the following:

Board Knowledge Imperatives

- ☞ **Organizational mission and values**
- ☞ **Market demographics and needs**
- ☞ **Current services and locations**
- ☞ **Healthcare industry challenges and trends**
- ☞ **Physician relationships and contracts**
- ☞ **Actual and potential competitors**
- ☞ **Current and projected financial situation**
- ☞ **Clinical quality/safety performance**
- ☞ **Patient/employee/payer satisfaction**

Budget

To provide the appropriate amount of support for board orientation and education, high-performing boards ensure that funds are earmarked for this use. According to The Governance Institute’s 2001 Health System Board Survey (p. 21), only 36% of the systems responding had a specific line item in the budget for governance activities. Of those systems, 68% allocated over \$100,000 annually, and the median amount

allocated was \$184,000. In the ACCORD survey, the reported annual board orientation and education budgets tended to cluster into two groups: \$100–\$150,000 and \$500–\$700,000. There was no correlation between the amount budgeted for board education and the size (number of hospitals) or ownership (religiously sponsored or not) of the system. In the authors’ opinions, a system board that wants to be well prepared for its strategic direction-setting responsibility should devote a minimum of \$150,000 a year to its own development. Smaller organizations should allocate a minimum of \$25,000–\$50,000 per year for orientation, education, and other board-development efforts.

By allocating funds and making sure that board orientation and continuing education programs are mandatory and linked to strategic issues, high-performing systems and hospitals ensure that their board members are well prepared for their strategic direction-setting role.

Unless the board takes the time to engage in deep discussion on the unique strategic issues facing its organization, the time spent on educational activities could be wasted.

Active Board Involvement

High-performing boards are actively involved in multiple strategic-level discussions on an ongoing basis. The boards that do the best job of helping determine future direction use a variety of techniques to stay involved. The three most popular methods (according to The Governance Institute’s Strategic Planning fax poll) for board involvement in strategic planning are:

1. Educational sessions on external, environmental trends
2. Strategic-level discussions during board meetings
3. Large group conferences with key stakeholders (see Exhibit 4)

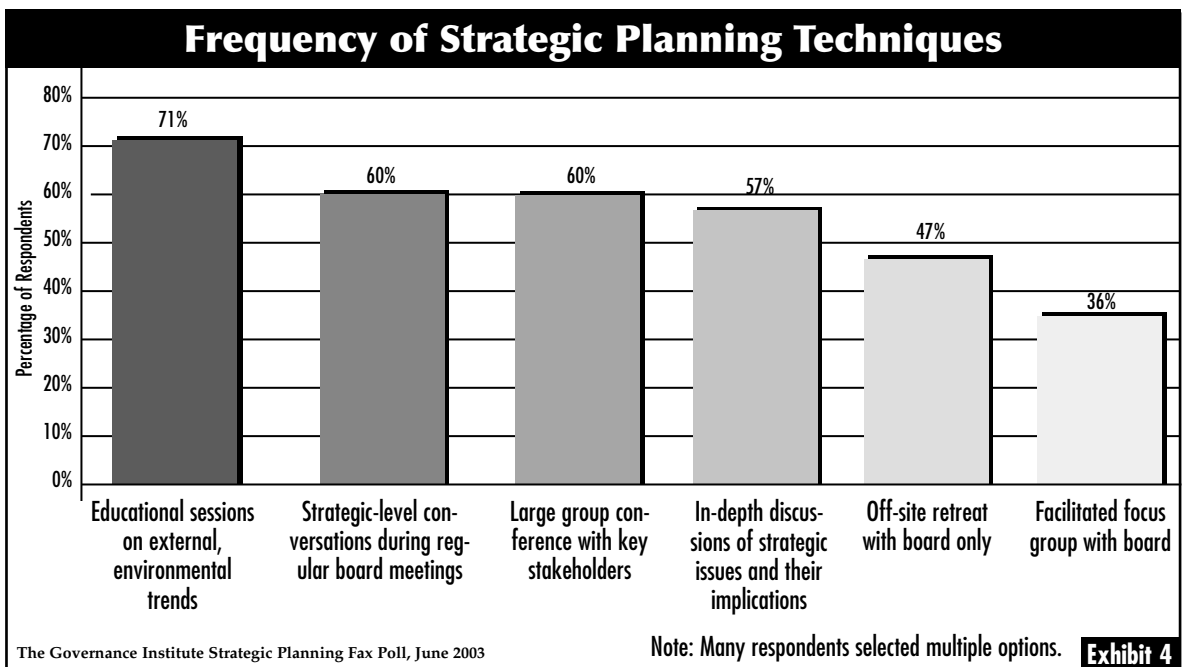


Exhibit 4

Environmental Trends Discussions

As Exhibit 4 indicates, 71% of the fax poll respondents stated that they provide educational sessions on external environmental trends. This finding supports the principle that educating the board is an important foundation for strategic direction-setting. However, Exhibit 4 also indicates that only a little more than half (57%) of the respondents conduct in-depth board discussions on strategic issues and their implications. Unless the board takes the time to engage in deep discussion on the unique strategic issues facing its organization, the time spent on educational activities could be wasted. Educational sessions on external, environmental trends should always include opportunities for the board and senior management to talk about the implications of the trends for their own organization.

Board Meetings

The regularly scheduled board meeting is, perhaps, the most obvious vehicle for engaging the board in strategic-level discussions on a consistent basis. However, the average hospital board meets 6 to 12 times per year for two hours and spends 46% of its meeting time receiving reports from management and board committees (pp. 19–20, *The Governance Institute's 2002 Hospital Board Survey*). That does not leave a sufficient amount of time for conversations about the future direction of the organization. By contrast, many high-performing boards meet at least 10 times a year for 3 hours, or 4 times a year for 1 or 2 days. These boards devote

Sample Consent Agenda Policy

Consent agendas are intended to streamline the process for approval of regular, routine issues that come before the board, based on the assumption they have been dealt with by the appropriate committee in a thorough fashion. Such reliance upon the work of the board committees is provided for in the bylaws and governance policies. There is a presumption that many committee actions will be placed on the consent agenda unless the committee leadership determines that the matter should be reviewed in detail by the full board of directors.

1. All consent agenda items must be clearly identified and included in board pre-mailing.
2. The consent agenda should state at the top of the printed sheet: "Any director may request that any item be removed from this consent agenda and moved to the regular agenda by request of the chair."
3. If one matter in a committee report does not qualify as "consent agenda" item, that matter shall be moved to the regular agenda. The rest of the matters will be passed upon the motion of the chair to approve the consent agenda.
4. The consent agenda will be reviewed after the minutes of the previous board meeting are approved. Matters to be removed will be inserted into the regular agenda at the appropriate reporting position.
5. All committee minutes are to include consent agenda items from that session and a one-page summary as a top sheet to the minutes.
6. Board members should thoroughly review the consent agenda items and other pre-mailing materials prior to the meeting.

approximately 60% of their board meeting time to strategic-level conversations.

One technique used to make time for strategic discussions is to implement a consent agenda. In this way, boards ensure that enough time is available for full conversations about strategic issues. In addition, the focus of the meetings shifts from reporting to discussion. (See the box on page 8 for a Sample Consent Agenda Policy.)

Another method for increasing the amount of time available for strategic conversations is to insist that management and committee reports be included in the board packets that are distributed prior to the meeting. If this is done, the board meeting agenda should not include time for verbal reports of the material that was handed out ahead of time. Instead, the agenda should indicate that the majority of the meeting time will be dedicated to strategic and policy issues. During the board meeting, the board chair uses effective facilitation skills to ensure that the discussion follows the agenda and stays at the strategic and policy levels (see Appendix 5 for a Sample Board Meeting Agenda).

Board Retreats

An effective forum for engaging board members in conversations about the future direction of the organization is an annual, off-site retreat or conference. And yet, 40% of hospital boards do *not* have a regularly scheduled board retreat (see Exhibit 5; source: The Governance Institute's 2002 Hospital Board Survey, p. 17).

System boards seem to place greater importance on annual board retreats. According to The Governance Institute's 2001 Health System Board Survey (p. 24), 80% of systems responding reported that they held a regularly scheduled retreat for the system board. Among these systems,

“We'll be fighting the wrong war if we simply tighten procedural rules for boards and ignore their more pressing need—to be strong, high-functioning work groups whose members trust and challenge one another and engage directly with senior managers on critical issues.”—Jeffrey Sonnenfeld, “What Makes Great Boards Great,” *Harvard Business Review* (pp. 106–112, September 2002).

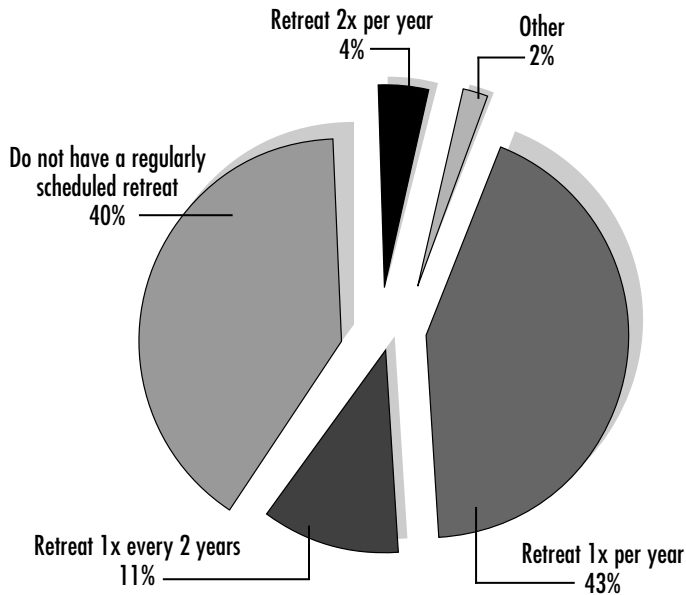
40% reported that the retreat lasted less than 2 days, 45% reported that it lasted 2–2½ days, and 14% reported that it lasted longer than 2½ days.

A well-designed board retreat provides the time needed for the board to learn about and discuss critical strategic issues. The retreat should be held off site, to help board members think “out of the box,” and its duration should be at least one full day. External or internal experts are brought in to present information on key internal and/or external issues, and then the board discusses the implications of the information. The board's insights can then feed directly into the strategic planning process.

Board Culture and Dynamics

Boards can meet every month, attend regular education sessions and hold an annual retreat, and still not be actively involved in setting strategic direction for the organization. Too many board members come to these events, eat a nice meal, listen to senior management's dog-and-pony-show, and go home.

Hospital Board Retreat Frequency



©The Governance Institute's 2002 Biennial Survey of Hospital Boards

Exhibit 5

The key to true board involvement is a board that is a well-functioning work group, with a culture of trust and accountability. In effective boards, the norm is to be honest, ask difficult questions, and engage in full discussion with each other and senior management about the critical issues facing the organization.

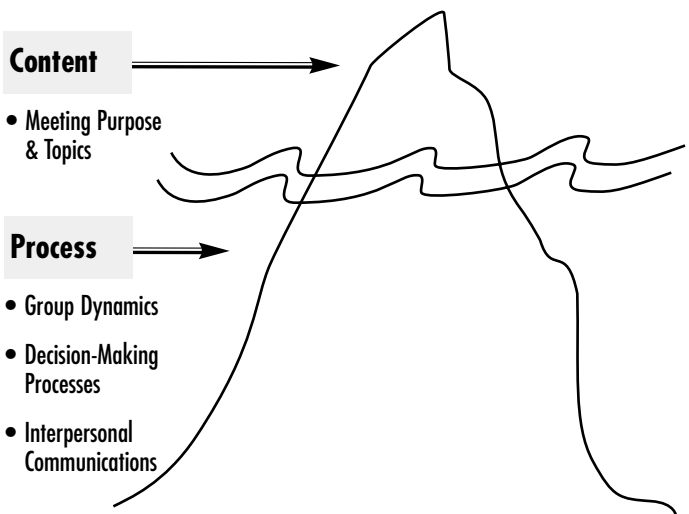
Healthy boards pay attention to *both* the “tip of the work group functioning iceberg” (the content of their meetings) and what is “under the water line” (the processes they use to make their decisions) (see Exhibit 6). They set group guidelines regarding how they will work together—their interpersonal communications, group dynamics, and decision-making processes. These guidelines include the expectation that their fellow board members will be honest, encourage and respect all opinions, and keep all conversations

Sample Group Guidelines

- ☞ “Lower the water line”
- ☞ Be honest and kind
- ☞ Encourage full participation
- ☞ Use good listening skills
- ☞ Respect all opinions
- ☞ Challenge Assumptions
- ☞ Avoid side conversations
- ☞ Keep all conversations confidential
- ☞ Use consensus decision making
- ☞ Summarize all decisions reached

confidential. Keeping what is said in the room is important because the fiduciary duty of loyalty requires that board members not disclose information externally that could put the organization in jeopardy.

Work Group Functioning "Iceberg"



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Exhibit 6

Duty of Loyalty

Requires board members to discharge their duties unselfishly, in a manner designed to benefit only the corporate enterprise and not the board members personally. It incorporates the duty to disclose situations that may present a potential for conflict with the corporation's mission, as well as a duty to avoid competition with the corporation and keep matters confidential.

The other reason for the board's deliberations to remain confidential is that it creates an environment that is more conducive to open discussions. Board members will feel more comfortable being direct with their opinions and questions about possible strategic initiatives if they are assured that what they said will not be shared outside the boardroom.

Public hospitals and health systems have additional challenges when they want to have confidential conversations, because their discussions are often open to the public. However, most states with "Sunshine Laws" do allow for boards to convene closed sessions to discuss strategic level issues that, if publicly known, could put the organization at a competitive disadvantage.

In short, board members will be actively engaged and effective in setting strategic direction when the board chair, CEO, and other board members foster a climate of trust and candor.

Stakeholder Engagement

The third foundational practice associated with the board's responsibility for setting strategic direction is engaging the organization's key stakeholders. To determine the appropriate future direction for the hospital or system, boards must understand the needs of all stakeholders they serve, and maintain ongoing communication with them to ensure that updated plans remain relevant.

The duty of obedience requires that boards adhere to the mission of the organization they govern. Most healthcare organizations state that their fundamental mission is to improve the community's health. Therefore, the board must ensure that it documents and understands the health needs of the communities they serve. Since 31% of the strategic planning fax poll respondents indicated that they did *not* use an organized effort to understand and document the needs of the hospital's or

Healthcare Stakeholders

External

- ▼ Patients and their families
- ▼ Community residents
- ▼ Community, business, political and religious leaders
- ▼ Healthcare providers
- ▼ Social service agencies

Internal

- ▼ Sponsors
- ▼ Board members
- ▼ Other volunteers
- ▼ Physicians
- ▼ Other caregivers
- ▼ Managers
- ▼ Employees

system's key stakeholders prior to updating their strategic plans, this is clearly an improvement opportunity for many boards.

Board members themselves are one source of information on community health needs (assuming they are residents of the community served by the hospital or system). However, for a board to more fully understand the health needs of the communities served, the board itself needs to be diverse. The board, as a whole, should reflect the major perspectives in the community, including those of females and younger individuals. Well-performing boards take the time to determine the skills, knowledge, and perspectives they need to understand the community's needs and to make good decisions on behalf of all its residents. This information serves as the basis for board member selection criteria. These criteria can be inserted into a matrix that includes the names of current board

Duty of Obedience

Ensure the organization is obedient to its central purposes as described in the articles of incorporation and its mission.

members. In this way, the board can easily identify the gaps in its composition, and recruit individuals with the needed knowledge, skills, and perspectives (see Appendix 6).

Three other techniques that high-performing boards use to understand the needs of the community for strategic direction-setting purposes include:

1. Conducting a formal health needs assessment survey periodically, or using one conducted by the State or local units of government.

Well-performing boards take the time to determine the skills, knowledge, and perspectives they need to understand the community's needs and to make good decisions on behalf of all its residents.

Sample Community Accountability Committee Responsibilities

Sample Stakeholder Questions

- ▼ What are the most pressing healthcare needs in this community?
- ▼ What is the community's current perception of us?
- ▼ What are the most critical strategic issues facing our organization in the next 3–5 years?
- ▼ What organizations should we partner with to address the community's health needs?

2. Securing input via focus groups, written or e-mail surveys, or individual interviews with physicians, employees, community leaders, and other key groups. In some cases, board members actually conduct the interviews, using scripts provided by management. This helps board members develop a deeper appreciation of the issues facing the stakeholders.
3. Creating a standing committee of the board that is dedicated to this purpose. The establishment of a "community accountability" committee ensures that ongoing communication with the community remains a priority for the board.

Many high-performing boards use a similar technique to ensure that the needs of another key stakeholder group are considered when making strategic decisions. They have established a

- ▼ Engage the community in two-way communication.
- ▼ Review specific health needs within the community.
- ▼ Advise management on how to meet present and future community health needs.
- ▼ Review and approve medical staff and/or caregiver development plans to ensure that the appropriate complement of providers are available to serve community needs.
- ▼ Provide guidance and advice around workforce strategy and issues of recruitment and retention of key staff.
- ▼ Monitor customer satisfaction performance for the organization.

physician relations committee of the board that includes board members and physicians. Most boards already have physicians who serve as voting board members. (According to The Governance Institute's 2002 Hospital Board Survey, p. 9, 64% of boards have one to three physicians serving on their board.) The physician relations committee simply provides another vehicle for the board to engage physicians in strategic-level decisions.

Boards that do an effective job of engaging their organizations' key stakeholders make sure that it is a

High-performing boards insist on a comprehensive stakeholder communications strategy.

two-way street. The board secures relevant input prior to making strategic-level decisions and then communicates its decisions back to the stakeholders. Therefore, high-performing boards insist on a comprehensive stakeholder communications strategy. One component of the strategy is a plan for communicating the content of the strategic plan (see Appendix 7). Through its approval of the communication plan, the board plays an important role in helping management to determine what messages should be conveyed to which groups, how, and when.

Strategic Planning Practices

The board's strategic direction-setting responsibility transcends the act of developing a strategic plan. Setting strategic direction includes all longer-range thinking and decision making performed by the board, even if the results are not included in the institution's strategic plan. However, almost all hospitals and health systems develop a strategic plan and many treat that plan as the principal expression of the organization's overall strategic direction. Therefore, this section zeroes in on the role the board should play in developing the strategic plan. It is not meant as a primer on how to do strategic planning and it assumes that the "Foundational Practices" discussed in the previous section are accepted and used by the board.

Clear Expectations

The board has two critical responsibilities in the organization's strategic planning process. The first is to set clear expectations/policies regarding the process and its outcomes, and the second is to hold senior management and itself accountable for the implementation of the strategic plan.

Policies and Procedures

Boards can begin by developing clear policies and procedures regarding how the plan is to be developed, who is involved, and what will be the conceptual framework, timing, and end products (see Appendix 8). Although it makes sense for boards to set clear expectations in this area, 68% of boards do *not* have written policies and procedures regarding the strategic planning cycle, timing, and process (according to The Governance Institute's strategic planning fax poll results).

It is important to ensure that the strategic planning cycle and calendar are included in the written policy, but it is critical that the board insists on rigorous adherence to the updating cycle.

A comprehensive strategic planning policy includes a clearly defined planning cycle and calendar that describe the frequency and timing for updating each component of the strategic plan. For instance, organizations with a three-year vision normally include in their strategic planning policy an expectation that they will update their entire strategic plan annually. (Over 73% of fax poll respondents indicated that they update their strategic plans annually. A much smaller percentage update their plans every three years (13%) or every two years (7%).) It is important to ensure that the strategic planning cycle and calendar are included in the written policy, but it is critical that the board insists on rigorous adherence to the updating cycle.

Strategic planning policies and procedures often describe when and how each of the key stakeholder groups will be involved (e.g., physicians, employees, and community leaders), and include the board's expectations about the timing and level of its own involvement. High-performing boards ensure that they are engaged throughout the strategic planning process, start to finish, without usurping management's planning role.

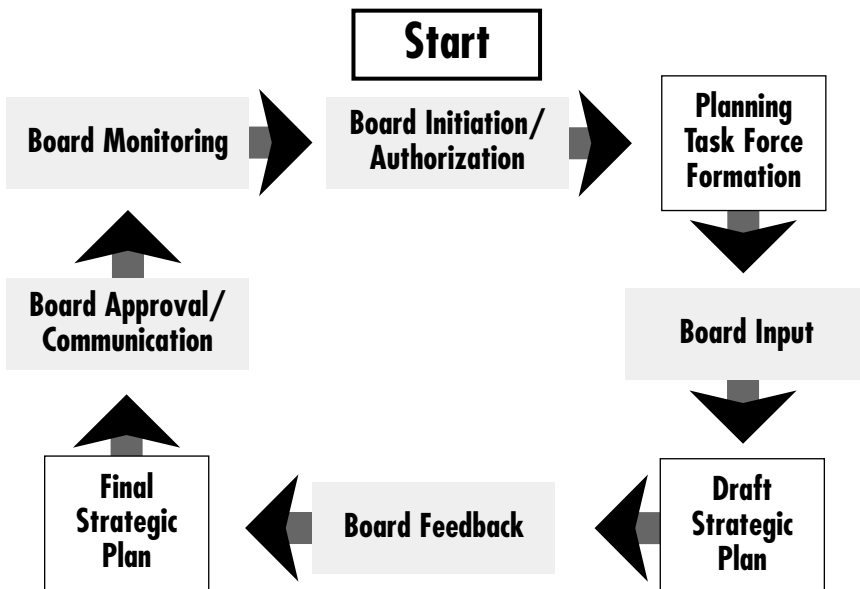
Eighty-six percent (86%) of the strategic planning fax poll respondents stated that their full board is actively involved in developing or reacting to the strategic plan. However, some of those same respondents wrote in the comments section that their boards are primarily reacting to plans that were created by management. "Reacting to" is not the same as being involved in the development of the strategic plan. Given a choice, most board members want to have meaningful input into the strategic direction-setting process at the outset. They do not like it when management feeds them a "baked cake" strategic plan or asks for final approval of a complex strategic decision without sufficient education and discussion of the pros and cons of the options that were considered. It is difficult for a board to assure the community that it is fulfilling its fiduciary duty of care if it has not been part of the decision-making process early in the game.

Fiduciary Duty of Care

Requires board members to have knowledge of all reasonably available and pertinent information before taking action. The board member must act in good faith with the care of an ordinarily prudent business person in similar circumstances, and in a manner he or she reasonably believes to be in the best interest of the organization.

CEOs of high-performing hospitals and systems view the board as an essential partner in the strategic planning process, so they look for opportunities to engage the board at multiple points in the process (see Exhibit 7). The boards in

Board Involvement in Strategic Planning



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Exhibit 7

these organizations:

- ◆ Initiate the strategic planning process.
- ◆ Authorize members of the strategic planning task force or committee.
- ◆ Participate in educational sessions about internal and external trends.
- ◆ Share their opinions about the critical strategic issues facing the organization.
- ◆ Provide feedback on the draft strategic plan.
- ◆ Approve the final strategic plan.
- ◆ Help communicate the plan to key stakeholders.
- ◆ Monitor progress toward the plan on a regular basis.
- ◆ Authorize updating of the plan.

Once the board approves the strategic plan framework, the terms and time frame should not be changed.

A little more than half of the fax poll respondents (54%) indicated that they have a standing committee of the board that “tees up” issues for the full board to consider. However, many boards consider strategic planning to be important work for the whole board, not just a committee. Accordingly, they create a planning task force that includes board members,

physician leaders, and senior administration. The task force works for a defined period of time to bring strategic direction recommendations to the full board for its debate and consideration. This practice ensures that the board views strategic direction-setting as work for the entire board.

Strategic Plan Framework

Another element of the strategic planning policy is the board’s expectation that there is a clear, shared conceptual framework for the strategic plan. An effective framework contains all the necessary components of a strategic plan with the planning terms

clearly defined and understood by all stakeholders. One example of a strategic plan framework is included in the box below.

For a framework to be complete, it must include and be faithful to the organization’s stated mission and values. There must be a component (usually the vision) that provides clear direction for the future, and there must be longer-range and short-term goals and objectives. The time horizon of the strategic plan needs to be long enough to provide a stretch, but not so long that the

Sample Strategic Plan Framework

Mission	Fundamental reason for existence
Values	Profound beliefs and guidelines for behavior
Vision	Word picture of specific, desired end result after 5 years
Goals	Major areas of focus/priority for next 2 years; include success indicators
Objectives	Short-term (1–2 year) initiatives; include accountability, time frame, resources

future is hazy. According to the fax poll, a three-year strategic plan is most common (54%), but over one-third (36%) of responding organizations have a five-year strategic plan. Once the board approves the strategic plan framework, the terms and time frame should not be changed. Ideally, a common strategic planning language is used among all stakeholders when discussing the organization's future or current status.

Creating the organization's mission, values, vision, and goals is work that the board and senior management must do together. These components set the direction for the future. They answer the question, "What are we striving for?" However, the shorter-term objectives describing how the vision and goals will be accomplished are management's work (see Exhibit 8).

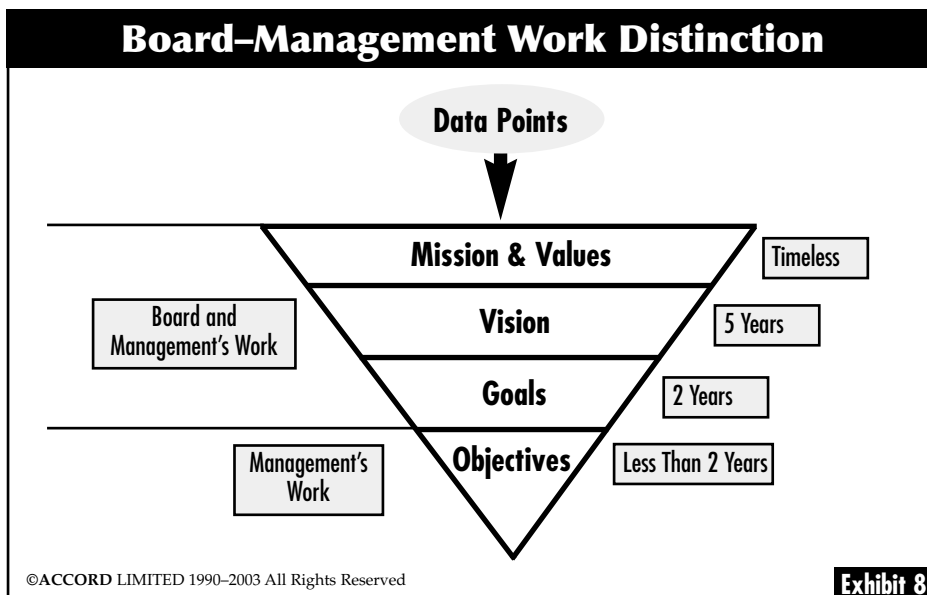
This distinction is supported by the results from the fax poll. Eighty-three percent (83%) of the respondents indicated that their boards actively helped draft the mission, and 85% assisted in creating the vision.

The somewhat surprising finding concerning plan alignment...was that although few organizations could achieve *complete* plan alignment, just *attempting* to align plans in an organization greatly increased the likelihood of success.

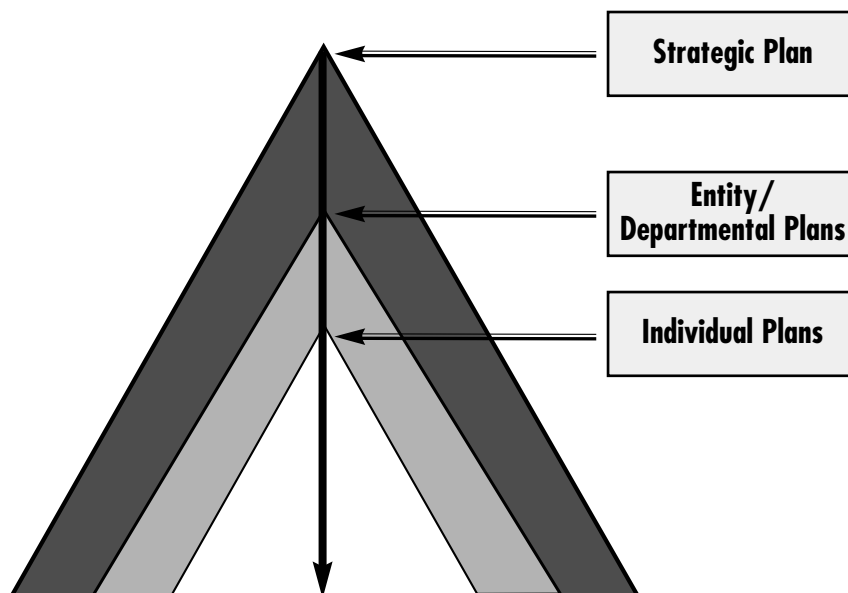
Plan Alignment

Another important expectation for the board to set relates to the alignment among different plans in the organization. The plan-alignment policy clearly articulates the board's expectation that all plans in the organization will be aligned and supportive of the strategic plan (see Exhibit 9).

Over the past 30 years, a number of proprietary studies have been conducted by large consulting and accounting organizations on how to ensure that a strategic plan is implemented and that it results in a positive, intended impact on an organization. Plan alignment surfaced as either the most-important or second-



Plan Alignment



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Exhibit 9

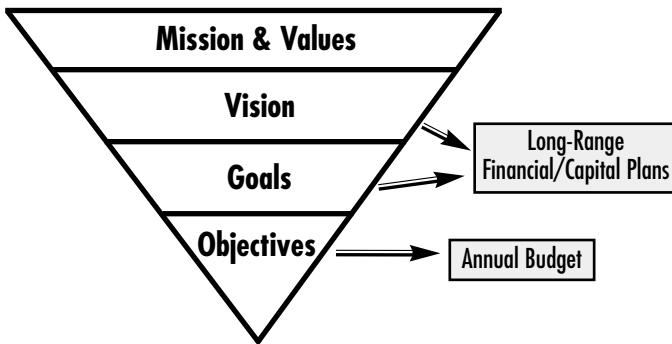
High-performing boards test each component of the strategic plan to confirm that it is specific and measurable and insist on clarity regarding the desired end results.

most-important variable contributing to a successful end result. The somewhat surprising finding concerning plan alignment, however, was that although few organizations could achieve *complete* plan alignment, just *attempting* to align plans in an organization greatly increased the likelihood of success.

Accountability

Accountability starts with the board. The board must create and reinforce an organizational culture where everyone knows that “we keep our commitments and do what we say we will do.” Unfortunately, accountability is often associated with a negative, less-caring approach to leadership and management. In reality, an organization that values accountability often is more successful, and so it becomes attractive to excellent performers. Ultimately, it is the board’s responsibility to hold management and itself accountable for implementation of the strategic plan. To do otherwise would be irresponsible.

Financial Planning Link



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Exhibit 10

Specific and Measurable Components

A “plan to plan” is inconsistent with a culture of discipline and accountability.

It is easier for the board to hold itself and management accountable for plan implementation if the plan is replete with very specific and/or measurable goals and objectives as opposed to vague or grandiose statements that are open to interpretation. High-performing boards test each component of the strategic plan to confirm that it is specific and measurable and insist on clarity regarding the desired end results. The other feature that astute boards look for in a strategic plan is the assignment of lead responsibility for completing an objective and the specific date by which the objective must be completed.

A common pitfall to be avoided by the board is approving a strategic plan that primarily spawns additional plans as opposed to articulating “where we are going and what must be accomplished to get there.” A “plan to plan” is inconsistent with a culture of discipline and accountability.

Investment Evaluation Criteria

Another method boards use for ensuring accountability is to adopt criteria for evaluating new program and service initiatives. These criteria include the key factors that the board will use to assess whether senior management has done sufficient due diligence regarding possible business ventures. The criteria include financial feasibility, return on investment, market potential, impact on quality and patient safety, and ramifications for the community.

Financial Plan Linkage

Given the challenging state of healthcare finance and reimbursement uncertainties, high-performing boards ensure that the strategic plan and initiatives are grounded in reality. The heightened sensitivity around boards’ fiduciary duty of care, stimulated by the recent scandals in both the for-profit and not-for-profit sectors, have prompted boards to demand that management “show me the money” before approving costly initiatives and capital projects. Furthermore, the board must be able to see how the strategic plan goals and objectives drive the organization’s annual budgeting process and long-range financial/capital plans (see Exhibit 10).

Not surprisingly, most hospitals and health systems seem to have this practice down pat. According to the fax poll respondents, over 96% indicate that their annual budgets are linked to the shorter-term, tactical elements of their strategic plans, and a little more than 92% indicate that their long-range capital plans are linked directly to the longer-term strategic plan initiatives.

Senior Management Goals, Evaluation, and Compensation

A measurable strategic plan provides a sound basis for establishing performance targets for the senior management team. Seventy-five percent (75%) of the strategic planning fax poll respondents indicated that they use the strategic plan to set performance targets for the CEO and they evaluate the CEO against those targets annually.

The performance targets for the rest of the senior management team and related evaluations conducted by the CEO should also be tied to the achievement of the strategic plan objectives. Boards that also link the incentive and bonus plans for the entire executive team to the strategic plan reinforce the principle of accountability and instill the belief that the strategic plan really matters.

Board Goals and Self-Evaluation

High-performing boards recognize the need for their work to support the strategic plan and set annual goals for themselves.

Although a high percentage of boards set annual goals for their CEOs, 74% of the strategic planning fax poll respondents do *not* set annual board goals that are tied to

Sample Board Goals

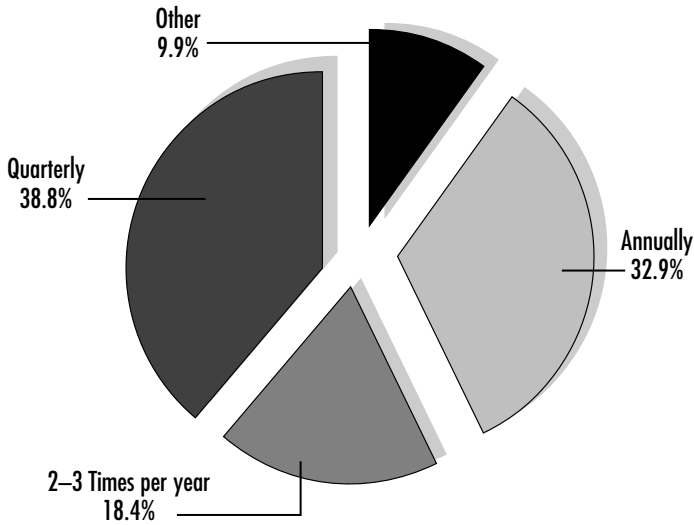
1. Play a more active role in providing an “external voice” for the mission and activities of the organization, especially with state legislators.
2. Intensify the board’s focus on ensuring the quality of care provided by the organization.
3. Determine the appropriate size and composition of the board.

the strategic plan. This is an area where the board can provide better focus for itself and reinforce the importance of the strategic plan. High-performing boards recognize the need for their work to support the strategic plan so they set annual goals for themselves. The goals are determined as a result of the board’s annual self-evaluation process and the strategic plan. Each year, these boards take the time to discuss the results of their self-evaluation and their performance against board goals. In this way, the board holds itself accountable.

Monitoring the Strategic Plan

Boards that value accountability ensure that they monitor progress on plan implementation on a regular basis. Currently most boards monitor implementation progress quarterly or annually (see Exhibit 11). The boards that seem to do the best job in this area review the strategic plan results *at least* quarterly, or more frequently. Some boards have the strategic plan as a standing item on all board meeting agendas to keep focused on strategic matters and not get overwhelmed by day-to-day issues. The strategic planning fax poll indicates that

Strategic Plan Monitoring Frequency



The Governance Institute's Strategic Planning Fax Poll, June, 2003

Exhibit 11

79% of boards receive verbal reports from management regarding the status of the strategic plan and 71% of CEOs provide written status reports.

One of the most efficient and effective means of depicting plan implementation progress is to use a brief dashboard report that includes the key measures associated with each of the strategic goal areas in the plan (see Appendix 9). Management may also develop dashboards for specific service lines, quality issues, or other functional and operational matters. (See The Governance Institute's white paper, *Board Information Systems and Dashboard Reporting*, Spring 1999, or *The Board's Role*

Setting strategic direction is as much an art form as it is science.

in Monitoring Quality (CD-ROM/White Paper, 2000, for other examples of dashboard reports.)

Boards that set clear expectations, ensure

accountability, and are disciplined in the implementation of their strategic plans, greatly increase the likelihood that they will fulfill their strategic direction-setting responsibility and perform all of their duties and responsibilities at a high level.

Closing Thoughts

Strategic direction-setting should be a never-ending process that keeps the board engaged, focused, and accountable for all of its duties and responsibilities.

Setting strategic direction is the only board responsibility that requires effective performance of all of the board's core responsibilities and fiduciary duties. The vast majority of hospitals and health systems (97%, according to the fax poll) have formal strategic plans and agree that the board's involvement in the strategic planning process enables the board to better perform its oversight responsibilities. However, many board members are uneasy or dissatisfied with the role they play in the process. Furthermore, treating the annual or biennial strategic planning process as being synonymous with the board's strategic direction-setting responsibility is limiting and can have the effect of the board not carrying out this key responsibility fully.

Setting strategic direction is as much an art form as it is science. It must be based on intuition and experience as well as quantitative factors. Each board must find its own unique way to perform this critical responsibility. Paying attention to the practices described in this white paper should help. Some final "rules of the road," gleaned from the authors' experiences working with numerous hospitals and health systems, include the following:

- ◆ Board members must get in the game and be active partners in the process of setting strategic direction and plans.
- ◆ Clarifying or updating the organization's mission, values, and long-range vision requires board leadership, not just participation.
- ◆ "Strategic" means thinking longer range and at a higher level so the board can see the forest for the trees.
- ◆ Be mindful of but do not be swayed by what others are doing. Avoid the "me-too" mentality of the healthcare industry.
- ◆ While strategic direction-setting is an ongoing effort, make the development of the strategic plan a sprint, not a marathon.
- ◆ Involving key stakeholders (i.e., community, physicians, management, employees, etc.) pays dividends in the quality and implementation of decisions. Process matters.
- ◆ Strategic direction must be crystal clear and measurable where possible. There is no excuse for not having highly focused, quantifiable goals in the strategic plan.
- ◆ All plans in the organization, especially financial, must align with the strategic direction and plans.
- ◆ Strategic plans should be "living documents" subject to ongoing review and updating versus becoming straightjackets that limit flexibility.

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Appendix I

Strategic Direction-Setting Self-Assessment Tool

This tool has been created to help the board determine how well it is performing one of its most important responsibilities: setting strategic direction. It can be used as a discussion starter during a board meeting or as part of the self-assessment process used by the board to evaluate its performance over a specific period of time. Finally, it can also be incorporated into the educational materials provided to new and current board members.

For each of the following practices, please assess the degree of acceptance and implementation of the practice. Use a 10-point scale with “1” being “never” and “10” being “100% of the time.”

1. The board is **actively involved** in establishing the organization’s strategic direction, including setting longer-range priorities and developing the strategic plan.
2. The board is **engaged on an ongoing basis in education** and discussion about external and internal strategic issues and determines implications for the hospital or health system.
3. The board **understands the needs of all key stakeholders** served by the institution when setting the long-range direction for the organization.
4. The board has adopted **policies and procedures** that define how strategic plans are developed and updated (e.g., who is to be involved, time frames, role of the board, management, physicians, and staff).
5. The board has adopted **criteria for evaluating proposed new programs and services** (e.g., financial feasibility and return on investment, market potential, impact on quality and patient safety, etc.).
6. Before approving the strategic plan or a major strategic project, the board requires that **plans are specific and measurable** (where appropriate), with implementation accountabilities clearly identified.
7. All levels and types of **plans in the organization** (e.g., subsidiary, departmental, program, and individual) **are aligned** with the overall strategic direction and plan.
8. Long-range **financial and capital plans and annual budgets are linked directly to the strategic direction and plan.**
9. The board has adopted a **comprehensive communication plan** for purposes of informing and interacting with external and internal stakeholders.
10. The **board sets annual goals for its own performance** that are supportive of the organization’s strategic direction and plan.

Give your board a score. Add up the ratings for all ten practices and use the following scoring key. How did your board do?

10–29	A major issue of concern and immediate attention for the board.
30–59	Lots of room for improvement—focus on the items rated below 5.
60–89	Generally doing a good job—focus on the items rated below 7.
90–100	As good as it gets! Don’t let up—assist other boards if possible.

Appendix 2

Results from The Governance Institute's Strategic Planning Fax Poll, June 2003

Question	Number	Percent
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1. Does your organization have a formal, written strategic plan?

Yes	148	97.4%
No	4	2.6%
<i>Total</i>	<i>152</i>	<i>100%</i>

2. What is the time horizon for your strategic plan?

3 year	82	54.7%
5 years	54	36.0%
10 years	4	2.7%
Other	10	6.7%
<i>Total</i>	<i>150</i>	<i>100%</i>

3. How often do you update your strategic plan?

Annually	111	73.5%
Every two years	11	7.3%
Every three years	20	13.2%
Other	9	6.0%
<i>Total</i>	<i>151</i>	<i>100%</i>

4. Do you have written policies, procedures on the strategic planning cycle, timing, process?

Yes	47	31.3%
No	103	68.7%
<i>Total</i>	<i>150</i>	<i>100%</i>

5. Is the role of the board in strategic planning process clearly articulated (vs the role of management)?

Yes	90	60.8%
No	58	39.2%
<i>Total</i>	<i>148</i>	<i>100%</i>

(continues)

Question	Number	Percent
----------	--------	---------

6. Points in the strategic planning process where board becomes involved:

At the beginning	110	71.9%
In the middle	93	60.8%
At the end	108	70.6%
Other	10	6.5%
<i>Total responding to this question</i>	153	* Respondents selected more than one; total percent > 100%

7. Is the full board actively involved in developing/reacting to the strategic plan?

Yes	130	86.7%
No	20	13.3%
<i>Total</i>	150	100%

8. Does the board have a standing committee that focuses on strategic planning?

Yes	82	54.3%
No	69	45.7%
<i>Total</i>	151	100%

9. Components of the strategic plan the board actively helps to draft:

Mission statement	123	82.6%
Vision	127	85.2%
Strategies	101	67.8%
Objectives or actions	59	39.6%
Success measures	64	43.0%
Other	14	9.4%
<i>Total responding to this question*</i>	149	* Respondents selected more than one; total percent > 100%

(continues)

Question	Number	Percent
----------	--------	---------

10. Techniques used by the board to become engaged in the strategic planning process:

Large group conference with key stakeholders	91	60.3%
Off-site retreat with the board only	72	47.7%
Facilitated focus group with the board	55	36.4%
Strategic planning committee or task force “tees up” issues for board	78	51.7%
Strategic-level conversations during regular board meetings	92	60.9%
Educational sessions on external, environmental trends	108	71.5%
In-depth discussions of strategic issues and their implications	86	57.0%
Other	6	4.0%
<i>Total responding to this question*</i>	<i>151</i>	<i>* Respondents selected more than one; total percent > 100%</i>

11. Does the board use an organized effort to understand and document needs of key stakeholders prior to updating the strategic plan?

Yes	102	68.9%
No	46	31.1%
<i>Total</i>	<i>148</i>	<i>100%</i>

12. Do you use an external consultant/facilitator to guide the board through any portion of the strategic planning process?

Yes	93	62.8%
No	55	37.2%
<i>Total</i>	<i>148</i>	<i>100%</i>

13. Does the board’s involvement in strategic planning enable it to better perform its oversight responsibilities?

Yes	146	97.3%
No	4	2.7%
<i>Total</i>	<i>150</i>	<i>100%</i>

(continues)

Question	Number	Percent
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14. How often does the board monitor progress toward the strategic plan?

Annually	50	32.9%
2–3 times a year	28	18.4%
Quarterly	59	38.8%
Other	15	9.9%
<i>Total</i>	<i>152</i>	<i>100%</i>

15. Methods used to ensure strategic plan accountability:

CEO’s performance targets are based on the strategic plan	112	73.7%
CEO evaluation process includes discussion of strategic plan results	114	75.0%
Board dashboard report	87	57.2%
Written reports provided to the board	108	71.1%
Verbal reports given to the board	120	78.9%
Other	6	3.9%
<i>Total responding to this question*</i>	<i>152</i>	<i>* Respondents selected more than one; total percent > 100%</i>

16. Does the board set annual goals for itself that are tied to the strategic plan?

Yes	39	25.8%
No	112	74.2%
<i>Total</i>	<i>151</i>	<i>100%</i>

17. Are your long-range capital plans linked directly to the longer-term strategic plan initiatives?

Yes	141	92.2%
No	12	7.8%
<i>Total</i>	<i>153</i>	<i>100%</i>

18. Is your annual budget linked to the shorter-term, tactical elements of your strategic plan?

Yes	146	96.1%
No	6	3.9%
<i>Total</i>	<i>152</i>	<i>100%</i>

(continues)

Question	Number	Percent
----------	--------	---------

19. Your organization is a:

Freestanding hospital	49	32.0%
Hospital that is part of a multi-hospital health system	24	15.7%
Single-hospital health system	33	21.6%
Multi-hospital health system	43	28.1%
Other	4	2.6%
<i>Total</i>	<i>153</i>	<i>100%</i>

20. Most of your board members are:

Elected by current members of the board	88	60.3%
Appointed by the system board	21	14.4%
Appointed by the religious sponsor	10	6.8%
Appointed by local, county/parish officials, or elected by the local, district, or county electorate ("public" board)	15	10.3%
Other	12	8.2%
<i>Total</i>	<i>146</i>	<i>100%</i>

21. Your organization's annual gross revenue is:

Less than \$25 million	2	1.3%
\$25-\$99 million	27	17.9%
\$100-\$249 million	37	24.5%
\$250-\$499 million	37	24.5%
\$500-\$749 million	18	11.9%
\$750-\$999 million	10	6.6%
\$1 billion +	20	13.2%
<i>Total</i>	<i>151</i>	<i>100%</i>

Appendix 3

Sample Board Member Expectations Agreement

During my term as a director, I commit to the following:

1. I will read and abide by the bylaws of the organization.
2. I will perform all of the fiduciary duties and responsibilities of a board member to the best of my ability.
3. I will promote, value, and protect the goals of the organization as set forth in its mission statement:

[Insert Mission Statement]

4. While mindful of the past, I will help build a vision for the future. This means keeping abreast of trends in the field and contributing to planning.
5. I will attend the board orientation session(s) within the first ___#___ months of my board service.
6. I will attend a minimum of ___#___ board of directors meetings annually.
7. I will attend the annual board retreat in ___(month)___.
8. I will attend a minimum of ___#___ hours of educational sessions each year.
9. I will attend at least one special event (e.g., holiday party, volunteer recognition, Staff recognition, etc.).
10. I will serve on at least one assigned board committee such as executive, finance, quality, or governance, and I will participate in committee activities as necessary.
11. I will help to identify, recruit, and mentor new members to the board of directors and board committees.
12. I will respect the confidentiality of deliberations made at the board and committee meetings and contribute to a climate of mutual trust and support between the board and CEO.

I have read the Expectations Agreement and agree to commit my time and resources to help achieve the mission of _____.

Signature _____ Date _____

Print Name _____

Appendix 4

Sample Master Board Calendar

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Meetings	BOARD	BOARD	BOARD	BOARD		BOARD	BOARD		BOARD	BOARD	BOARD	
	Finance Committee	Finance Committee	Finance Committee	Finance Committee	Finance Committee	Finance Committee	Finance Committee		Finance Committee		Finance Committee	
	Quality of Care Committee	Quality of Care Committee	Quality of Care Committee	Quality of Care Committee	Quality of Care Committee	Quality of Care Committee	Quality of Care Committee	Quality of Care Committee	Quality of Care Committee	Quality of Care Committee	Quality of Care Committee	Quality of Care Committee
	Mission & Ministry Committee		Mission & Ministry Committee			Mission & Ministry Committee			Mission & Ministry Committee		Mission & Ministry Committee	
	Governance Committee					Community Needs Committee			Community Needs Committee			Community Needs Committee
Education Sessions Topics		Education Session		Education Session	Retreat					Education Session		Education Session
		Community Demands/ Facilities Requirements		Information Systems	Strategic Planning & Board Evaluation					Board Orientation		TBD

Appendix 5

Sample Board Agenda Central Health System Board of Directors Meeting

Time	Agenda Item	Presenter	Objective	Background Materials
5:00 P.M.	Welcome and Introductions	Board Chair	Information	None
5:05 P.M.	Approval of Minutes and Agenda	Board Chair	Consent	Tab A
5:10 P.M.	Consent Agenda	Board Chair	Consent	Tab B
5:15 P.M.	Executive/Key Indicator Report	CEO	Oversight	Tab C
5:45 P.M.	Strategic Plan Input Session	Chair, Strategic Planning Task Force	Input	Tab D
6:45 P.M.	Break			
7:00 P.M.	Acquisition of Physician Practice	Chair, Physician Committee	Decision	Tab E
7:30 P.M.	Open Discussion and Meeting Evaluation	Board Chair	Input	Tab F
8:00 P.M.	Adjournment	Board Chair	Consent	None

Appendix 6

Sample Board Member Selection Matrix

Selection Criteria	Current Board Members/Prospective Board Members' Names										
	A	B	C	D	E	F	G	H	I	...	
A. Prerequisites											
1. Strong commitment to organization's mission and values											
2. Make time available to serve											
3. Integrity and no insurmountable conflict of interest											
4. Other											
B. Experience/Expertise											
1. Business management in complex organizations											
2. Financial management/audit											
3. Healthcare delivery and quality											
4. Community needs/social and political dynamics											
5. Facility development											
6. Human resource trends/issues											
7. Insurance and contracting											
8. Other											

Appendix 7

Sample Plan Communication Tool			
Who (Stakeholder Group)	Gets What (Entire Plan versus Highlights)	When (Due Date)	How (Written Document; Presentation, Etc.)
◆ Sponsors			
◆ Boards			
◆ Managers			
◆ Employees			
◆ Physicians			
◆ Volunteers			
◆ Payers			
◆ Community Leaders			

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Appendix 8

Sample Strategic Planning Policy

Board of Directors

Policy Manual

no. 8.12A

Category: General Operations

Title: Strategic Planning Process

Original adoption date: _____

Revision date: _____

supersedes no. 8.12

Purpose

To establish a perpetual 5-year plan that provides direction for both long and short-term decision-making for the Board of Directors and Senior Leadership in meeting the stated mission of the health system. The Strategic Plan will be a comprehensive, data driven document written in a standardized format that will be internally consistent tool for making choices between competing demands for capital, facilities, leadership, philanthropy, and human resources of the system.

Policy

Strategic Planning Framework

The strategic plan will be specific and measurable and will incorporate the following components:

- System Mission and Value Statements
- Assessment of major internal and external environmental factors and their potential impact on the system
- Critical strategic issues to be addressed by the system
 - The Vision for the system in 5 years
 - Major areas of focus for the next 2 years (Goals)
 - One-year Objectives for reaching the Goals, Vision and Mission.

Planning Cycle

The Strategic Planning Cycle will begin in March of each year. Annually, the 2-year goals and 1-year objectives will be updated based on a review of the previous year's accomplishments and a brief assessment of internal and external environmental changes. Every other year the entire strategic plan (5-year Vision, 2-year Goals and 1-year Objectives) will be updated by repeating the initial plan development process of data

gathering and analysis, gaining input from community leaders and physicians, and adopting appropriate plan amendments. The updated plan will be completed prior to the annual budgeting process that begins in September.

Role of the Board

The Board of Directors will play an active role in the strategic planning process, while ensuring it does not usurp management's responsibilities. The board will:

- Initiate the strategic planning process
- Authorize the members of strategic planning task force or committee
- Participate in educational sessions about health care trends
- Share their opinions about the critical strategic issues facing the hospital
- Provide feedback on the draft strategic plan
- Approve the final strategic plan
- Help communicate the plan to key stakeholders
- Monitor progress toward the plan on a regular basis
- Authorize updating of the plan.

Strategic Planning Process

The board will initiate the planning process by approving the members of a planning Task Force (Task Force). The Task Force will include board members, physician leaders, and senior administration. Prior to drafting the strategic plan, the Task Force will secure input on the community's healthcare needs from key system stakeholders including the sponsoring congregation, board members, community leaders, physicians, managers, and employees.

The Task Force will also analyze relevant data and information about the system's external and internal environments. Once the Task Force has drafted the Mission, Values, Vision, and Goals, it will provide feedback opportunities for the board, physicians, and senior managers.

The Task Force will finalize the strategic plan and bring it to the board for its approval. Senior administration will then develop the tactical and financial plans and budget to support the overall strategic plan.

Plan Alignment

All plans in the organization will be aligned with and supportive of the strategic plan:

- There will be one mission statement and vision for the future (not separate missions and visions for each department or entity).
- All plans throughout the organization (e.g., departmental plans) will be expected to support the "corporate" strategic plan.

- All financial plans (annual budgets and long-term capital plans) will be tied directly to the strategic plan.
- Individual managers' development plans will be aligned with the strategic plan.

Plan Monitoring

Senior management will review its implementation progress on the strategic plan monthly, at its regularly scheduled meetings.

Also, senior management will provide to the board monthly a one-page, dashboard report on the key goals and measures in the strategic plan. The dashboard report will be included in the board packets that are sent out prior to the board meetings.

Time will be allotted on every board meeting agenda for discussion of strategic-level issues and plan implementation progress.

Appendix 9

Sample Board Dashboard Report

Community Confidence			Quality & Health Management			Financial Performance			Mission Adherence		
Indicator		Target/Status	Indicator		Target/Status	Indicator		Target/Status	Indicator		Target/Status
Outpatient Migration	X%	Y%	Implement Clinical Pathways	#	#	Operating Margin	X%	Y%	Charity Care	SX	SY



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