A P P E N D I X

Putting all the Pieces Together
The Complete Board Needs the Right Mix of Competencies
By Barry S. Bader

Monday
July 1, 2002

Five years ago, the Sisters of Charity board was all women, all Catholic, and all Kansas, even though the system stretched from Kansas City to Los Angeles. Today, nine of the 15 board members of the Sisters of Charity of Leavenworth's Health Services Corp. are men, some aren't Catholic, and they hail from California, Texas, Illinois, Pennsylvania, and Colorado, as well as Kansas. Just three of the 15 served on the board prior to 1995.
Overall, says Sister Marie Damian Glatt, newly retired as CEO and president of SCL's Health Services Corp., the more diverse board has "a real richness" that it lacked before.

Broadening a board of religious women was a bold, culture-changing step for the sisters. But Glatt says the system, which encompasses hospitals, skilled nursing facilities, and physician organizations, needed trustees with broader expertise and a more global perspective. "We looked at what was going on in the health care industry and decided that although . . . the board had served us well, we needed added expertise to become more knowledgeable and broader in scope."

To that end, the system identified areas of expertise that could better inform board decisions about strategic direction and performance. Topping the list were depth of knowledge in business, finance, mergers, managed care, information systems, and physician integration. Although prospective trustees had to support Catholic values, they didn't have to be Catholic.

Board candidates could have past governance experience with an SCL affiliate or another Catholic hospital, but they couldn't advocate a single constituency or local ministry's interests ahead of system goals. A prospective parent board member had to be a "system thinker" who could see how the actions of one institution would affect others. To further guard against representational governance, no corporate trustees could serve simultaneously on an affiliate's board.

Using explicit, competency-based criteria to move from a constituency-based board to one with a more diverse geographic and knowledge base, says Glatt, has taken conversations at the bimonthly board meetings to "a global level." It's yielded such positive results, she says, that the system is using competencies to determine how to add non-trustees to committees and is further recommending that affiliate boards use a similar approach to diversify and enhance their composition as well.

Choosing skilled trustees is hardly an original concept, but seeking out candidates who bring specific, strategically relevant qualifications is a departure from traditional recruitment methods. Several factors are motivating this selection method:

Systems and hospitals are moving away from constituency-based boards in favor of trustees with the objectivity, commitment, and expertise to make decisions in the best interests of the entire system, its mission, and all its communities and stakeholders.

Mergers and governance restructuring typically necessitates unseating some trustees. Competency-based criteria help nominating committees execute this sensitive task objectively.

Heightened risks, competition, new technology, and the need to oversee new lines of business require trustees with strong business and finance skills and the ability to understand complex enterprises.

A decline in the average size of boards leaves no room for passive or non-productive members. Large boards can afford a few members who contribute little beyond an influential name. Smaller boards need every seat taken by an active member who brings knowledge, skills, and perspective.

Changing how board members are named starts with recognizing that looking for new trustees in the same old places in the same old ways won't necessarily produce the desired results. Systems and hospitals are applying a number of practices to foster competency-driven selection:

Make It Policy

A system's governance principles, board policy, or both call for recruitment based on a prospective trustee's personal characteristics, knowledge, skills, and perspective. Trustees are re-elected only if they have actively participated and contribute a competency that's still strategically important.

For example, the board manual of Catholic Healthcare Partners, based in Cincinnati, calls for a four-step selection process:

1. Determine needs based on the system's strategic direction.
2. Actively recruit by identifying individuals who meet current and future needs.
3. Communicate the system's mission and expectations to prospective trustees in the recruitment process.
4. Carefully assess trustees eligible to serve another term.

Adopt Term Limits

A maximum limit such as no more than three or four three-year terms necessitates an ongoing recruitment process. Consequently, term limits help the board keep up with change. They encourage a board to ask how community changes, such as ethnic diversity, social problems, and new attitudes toward the consumer's role in health should affect the makeup and skills of the board.

Choose the Nominating Committee Carefully

Often, nominating committees are small, comprising only the most senior members. Understanding institutional history is important to give context and consistency--until it reaches the point where it fosters inbreeding of ideas and excessive comfort with current strategies. Will

such members be able to analyze the board's future needs objectively? Will they encourage recruitment of qualified individuals from different business and professional circles than their own? Will they choose skills over constituencies?

Nominating committees play a pivotal role when systems merge, downsize the board, or move away from constituency-based composition. How well they do their job affects how well change is accepted by other trustees and key stakeholders. For example, Boston-based CareGroup recently decided to pare its 29-member system board, which included representatives of its hospitals, to 16 trustees, none of whom would simultaneously sit on a member's hospital board. The goal was to have a more objective board to make tough decisions about system capacity and resources.

However, to demonstrate sensitivity to its diverse stakeholders as it reconstituted, CareGroup appointed a dozen members from its hospital boards to its nominating committee, which identified core competencies and recruited appropriate candidates. The result, notes CareGroup chief of staff Julie Foiles, is a nominating committee that "actively thinks in terms of the community at large—all of the communities served by Care Group--keeping an eye out for individuals whom we want to recruit to our board and making that a year-round activity."

Boards should include the CEO as an ex officio member of the nominating committee. The CEO typically is active in the community and a good resource for potential candidates. He or she brings insight into competencies that could inform the board's strategic work. And having the chief executive on the committee can flag potential personality conflicts that a CEO might have with a candidate. Could a CEO dominate the process, packing the board with loyalists and buddies? Sure, but most wouldn't, and the CEO's presence is balanced by an active committee.

Explicitly Identify Needed Competencies

Competencies may refer to the personal characteristics of a trustee or to the knowledge, skills, and perspectives they bring. Areas of knowledge include finance, strategic and financial planning, community needs, medical and information technology, and real estate. Relevant personal characteristics might include listening, consensus-building, communication, leadership, and the ability to think "outside the box."

It can be helpful to organize competencies into three categories(see Selection Guidelines):

1. Universal competencies: personal characteristics all members should possess, such as commitment to the mission, integrity, and the ability to make objective decisions.
2. Collective competencies: qualifications at least some trustees should have, such as financial and business acumen
and executive-level business experience.

3. Desirable competencies: needs the board hopes to fill, such as greater gender and ethnic diversity, or expertise in emerging fields such as information technology and consumerism.

Use the Criteria to Assess the Board's Needs

Based on the competencies, the nominating committee assesses the present board against their ideal criteria and identifies gaps--i.e., recruiting needs--to be met as terms expire. The committee also engages in succession planning for the board chair and other leaders, ensuring future leaders are in the pipeline.

On some boards the nominating process is a black box. Trustees first hear whom the committee has chosen when the slate is presented for approval. Instead, the nominating committee should recommend its draft competencies to the board for discussion, modification, and approval. Reaching consensus on board competencies and recruiting needs turns every trustee into a recruiter and widens the search for candidates.

Cast a Wide Net

Consider candidates from non-traditional business and community circles who bring a needed competency. For hospitals and systems operating in a single market, that could mean considering potential trustees from outside the local area. For systems that traditionally choose trustees from within their ranks, as many Catholic systems have, that means recruiting outsiders with no history or allegiance to any part of the system.

Outside directors can inject fresh, objective perspectives into board work, as well as bring a hard-to-find, needed competency. For example, Clarian Health in Indianapolis went to Washington, D.C., to seek the former CEO of a major teaching hospital for its board. In one move, Clarian added executive experience in academic health centers, an individual of national stature, and racial diversity to boot.

Vet and Interview Candidates

The board would never hire an executive without a background check and interview, yet that often happens with new trustees. Many new trustees are elected based on reputation alone. Was the candidate a productive member of the other boards on his or her resume? How was the prospect's relationship with the CEO? A well-placed call or two can quickly confirm a candidate's abilities or raise questions to consider.

In addition, many committees interview prospective candidates to be sure they understand the responsibilities and expectations of the office. "It's very difficult for a person to come onto a board and then learn of responsibilities and expectations that they didn't know about," notes Glatt.

In effect, the interview is the starting point for new trustee orientation. Catholic Healthcare Partners gives prospects information about the system's mission and board member responsibilities, including the amount of work and time expected. Nominees provide the system with a resume, a conflict-of-interest statement, and a statement of commitment.

Gino Pazzaglini, CEO of Good Samaritan Hospital in Pottsville, Pa., a part of Ascension Health, assesses a prospective trustee's fit with the board by asking four probing questions: What are your personal values and do you see them as being compatible or in conflict with Catholic

values? Are you comfortable serving on a board within a larger system, so your board has important powers but not ultimate authority? Can you represent the vision of this hospital and its role in improving community health? Can you constructively challenge management?

Stick to the Principles

When it comes time to recommend and approve the slate, the nominating committee and board, respectively, should resist the temptation to slip into familiar ways. At the 11th hour, someone will undoubtedly suggest a "great person" who hasn't been through the competency test and vetting process. The committee and the board need to stand firm. Keep the individual in the pipeline, but don't subvert competency-driven selection principles.

Assess Members Eligible for Re-election

Reappointment should never be automatic. Three possible three-year terms is not a nine-year guarantee.
The nominating committee should assess a member whose term is expiring against the board competencies. Did the trustee meet expectations for attendance and active participation? Did any issues of board conduct arise, such as breaches of confidentiality? Does a new job present a conflict of interest?

The committee also should determine whether the member contributes a competency that's still relevant to the system or hospital's needs. One board recruited a member with strong construction management experience as it began a building program. Six years and two terms later, the project was completed and the trustee was minimally involved with the board. The committee informed him he wouldn't be reappointed because of the need to add other critical competencies to the board. The board honored him, and he left with pride. Bidding adieu to board members early won't be common, but the process of routinely reassessing performance and competencies at reappointment time reinforces the board's culture of accountability.

Reinforce Competencies through Self-assessment

Some boards ask members to rate their own participation. At Holy Redeemer Health System in Huntingdon Valley, Pa., for instance, board members assess their own performance against written expectations. Areas needing improvement then receive the most attention. CEO Michael B. Laign says the tool reinforces performance standards.
On some boards, members complete assessments of other trustees' performance. Results are shared with the nominating committee or board chair and may be evaluated during reappointment consideration.

The knowledge-based organization of the future will rely more than ever on highly competent staff who continuously learn and expand their skills and wisdom. The governing board has the ultimate accountability and can set no less a standard for itself than it expects of management. Competency-driven selection and a commitment to board member education make the board a model for the entire organization.

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This article first appeared in the March 2000 issue of Trustee

Wanted: A Few Good Trustees
Boards Must Use New Techniques and Look in New Places to Recruit the Best Members
By Michele Bitoun Blecher

Monday
July 1, 2002

Hospital trustees have always given freely of their time and energy. Most consider it an honor to serve the health care needs of their communities. And the term "trustee" says it all--these are the people that communities of all types and sizes have entrusted to guard their most trusted possession, their health. Where would communities be without hospitals and medical professionals? But trustees know all of this. They've already made the sacrifice, spending hours at meetings or burning the midnight oil to bone up on hospital matters. Finding new, qualified board members to join their ranks isn't easy in any business these days. "I'm not sure it's not any harder than it would be for a bank or an HMO or any other company to get good trustees," says Errol Biggs, co-author of *Practical Governance* and director of graduate programs in health administration at the University of Colorado, Denver.

But what is particular to hospitals and their mounting difficulty in recruiting trustees is the increasing complexity of the healthcare field, and, as a result, the time it takes to get up to speed on a multitude of complex issues may be daunting to even the most well-intentioned and qualified citizen.

"Boards simply have to do a lot more to be informed and to go through oversight and deliberative processes," says Barry S. Bader, governance consultant and president of Bader and Associates in Potomac, Md. "It's a lot more work and a lot more responsibility."

Decisions to open, close, or expand services; a new awareness of patient safety and medical errors; an understanding of government regulations and reimbursement; and a renewed emphasis on quality improvement are all issues with "a steep ramp-up curve in terms of the board's understanding and decision making," Bader says.

The pool of qualified candidates is also narrowing as hospital boards increasingly seek board members who have specific skills and reflect diversity. Others also may be dissuaded because some key local decisions, such as approving budgets and hiring a CEO, may now be assumed by the system-level board.

Ratchet that difficulty up another notch for hospitals enduring turbulent times. It's more difficult to find strong individuals in those circumstances willing to enter the fray, says governance expert J. Larry Tyler, president and CEO of Tyler & Company in Atlanta.

"Organizations that are doing very well usually don't have as hard a problem recruiting their board members as others that are in turmoil, or losing money, or at war with physicians, "says Tyler, who co-authored Practical Governance (Health Administration Press) with Biggs.

Recruiting challenges haven't gotten so bad that seats are left vacant for long, but they are bothersome, experts say. "It's a frustration on the part of governance and nominating committees, "explains Bader. "It's just harder coming up with potential names of people to talk to."
Michael Fay, a trustee of Fairview Health Services in Minneapolis, who used to sit on one of the local hospital boards, sees the difficulties firsthand. Right now [as of this writing in December2001], there are two out of seven seats open on the University Medical Center board that will need to be filled by the first of the year.

"Generally they find someone, but to be honest with you, when you add geography [i.e., trustees representing different communities in the service area] to diversifying . . . I hate to say it, but there are times we end up with a board representative somewhat by default--it's not our first or second choice, but we've got to fill it."

Ditto for Ted McKinney, a board member and past chairman of Lincoln Health System's Lincoln General Hospital in Ruston, La., who says two trustees in the past year and a half resigned because of time demands. "If they're willing to learn and don't have conflicts of interest and time restraints, then you have a pretty narrow selection of people to draw from," he says.
So what options does a board have?

The Price of Service

Biggs and Tyler advocate compensating trustees as a way to improve board recruitment, as well as a psychological incentive to take the job seriously and put in the time it takes. Biggs estimates that more than 20 percent of hospital boards pay trustees" in the $5,000 range," but compensation also may include deferred insurance and deferred income.

"Even if you only pay a small amount, you open up a different category of people who wouldn't normally volunteer their time. . . and you have an opportunity to go outside the community and bring in people with a skill set you wouldn't normally get," Tyler says.

But others disagree. "People are doing this [serving on hospital boards] because they're committed to it, period, not because of what the reimbursement is, and my feeling is that you get a better quality person for that reason," says Fay.

Bader says it depends on the organization. "I talk about compensation with most of the boards I work with, and, generally, it's much more applicable at the parent board level of a larger system [where the issues and decisions may be more complex],"he says. But even there, Bader notes, some boards react violently to the idea. "They simply feel that it would destroy the culture and collegiality and basic values that they stand for. . . and until it becomes a problem for them to recruit top-caliber people, they probably aren't going to come to it."

Some boards have opted to pay only the chair because this work" is so above and beyond the demands of every other board member," Bader says. "On some boards the responsibilities of that

[hospital] chairperson have really grown to the equivalent of being either the chair or lead director on a major corporate board."

William Mason, a current trustee and former chair of Baptist Health System in Jacksonville, Fla., says that local hospital board members receive a stipend of about $300 per month. But he says the system probably will discontinue the stipend because it hasn't improved recruitment or performance on the board as the system originally thought it would.

"If we really wanted to recruit a very busy chief executive and chairman of some large corporation, $300 a month isn't going to be very much of an incentive to a guy like that who is serving on other paid boards for $50,000," says Mason, adding that most board members donate their stipend to the foundation anyway.

"I don't think that we have had any difficulty recruiting he people we need for our local health ministries, because the kind of people we're interested in having on those boards are committed to that kind of service anyway and committed to a not-for-profit, "he says. "They think it's a privilege and an honor to be asked to serve."

Looking Outside the Neighborhood

Biggs recommends that boards also look outside their communities for prospective trustees--a hospital CEO or physician from another system, for instance--that fit the experience and talents they need. Besides providing a wider pool of candidates, he says these individuals often can be more objective than community members. "They're not so close to a tough decision," he says. Mason believes that bringing on David Hitt, then-CEO of Baylor Health System in Dallas, "was a godsend." Hitt commuted by air to attend board meetings at Jacksonville, Fla.'s Baptist Medical Center board in the 1980s as it tackled growth and expansion to become what is now a five-hospital health system. Hitt still serves on the system board.

"We were looking for somebody to bring an additional perspective from the national scene," says Mason. Hitt was also active on the American Hospital Association board and helped write the Medicare laws in the '60s. "He was probably one of the wise stand most knowledgeable of the senior health care executives in America in those days. To find somebody that wise and that mature [who had] that much ability to think through issues rationally. . .. that was very fortunate for us," says Mason.

Besides providing the global thinking that has been invaluable to the system board, Hitt was also a major help to the local board which recruited him originally, especially in working with physicians on facilities, equipment, and technology issues, Mason adds. The board paid Hitt a stipend, plus travel expenses.

"The medical staff appreciated having a different perspective because they knew that David didn't have any political ax to grind, "Mason says. "He was really looking at things from a very

rational perspective, and he brought a great deal of wisdom and experience from a different medical staff and medical center."

Who's Right For The Job?

It's not enough anymore to base an invitation to serve on the hospital board simply on whether a candidate plays golf with the trustees and is known as "a good guy," says governance consultant Pamela R. Knecht, vice president of ACCORD Ltd., in Chicago. Instead, she advises boards to "create and use your selection criteria."

How do you develop those criteria? It's different for every organization, and it changes as the institution's goals and strategic plans change, she says. For instance, if a hospital board needs to integrate services or collaborate with physicians in new ways, a board may consider approaching a physician from a nearby community.

Tyler mentions these common characteristics for recruitment criteria:

- Commitment--"If they're prominent and committed, great, but if they're just prominent . . . I'd rather go for commitment."
- Experience--"I'd let them learn on somebody else's nickel."
- Intelligence--"I want people on the governing board to be really smart versus a community leader who might [only] be a good talker."

Bader also suggests going outside the search committee's traditional circles. He advises that designated trustees talk to a wider than usual circle of contacts, including governance consultants, executives of other health care organizations, nationwide business organizations, and charitable groups such as the United Way.

"Networking still remains the primary mode of identifying potential board members," says Bader, "but boards have got to widen their networks . . . because they need to have a variety of perspectives. Boards will benefit from having one or two gadflies or contrarians who are able to challenge the prevailing wisdom in a constructive manner."

George F. Longshore, vice president of leadership formation and human resources at Catholic Health East in Newton Square, Pa., says that the organization's system board plans to assist regional boards in defining the competencies they need for a well-rounded board and provide necessary support with recruitment.

Above all, look for someone who is willing to devote the time necessary to do the job, experts advise. That includes board meetings, committee meetings, preparation, and education. Knecht says that The Governance Institute in La Jolla, Calif., estimates that board members spend an average of 30 hours a year in education beyond meeting time.

In an effort to ease the burden on board members and streamline the decision-making process, many boards have reduced their number of meetings per year, according to the University of Colorado's Biggs. More than half of boards now meet quarterly or six times a year rather than

monthly. Ideally, trustees should be spending no more than 10 to 15 hours a month at meetings, he says.

Mason attributes some of the ease with which Baptist boards can attract new members to their efficiency and professionalism. Boards and committees at Baptist work hard to limit their meetings to about an hour each month.

"I think down through the years in our organization we have developed a culture that is strict on time," he says. "We design our board agendas and [premeeting] materials in such a way that we convene our meeting at 5:00 and at 6:15 or6:20 we're out. We don't sit there for hours on end debating things. We do all that work in the committee structure."

The Hard Sell: Been There, Done That

The days of the hard sell with all the trimmings are over. Consultants and board members say that trustees need to be frank with prospective candidates about the time involved and the responsibilities they will have.

"We're not trying to convince people anymore," says Fay. "I think our approach has been "Here's the job, look at it as a job, and the job is that you're the representative of health care in our community."

He says he knows the dangers of sugarcoating responsibilities, especially regarding time. "We've had people we thought were aware [of the commitment] who basically just had to resign from the board," he says. "People have good intentions sometimes but ultimately find out they're in over their heads, taking on too much or just not being able to do what they thought they could do." Even if board members who feel overwhelmed don't bow out physically, says Knecht, they may bow out mentally by missing meetings or being ill-prepared.

But while trustees shouldn't undersell the time commitment to board candidates, they also shouldn't ignore citing the rewards, Bader adds. "Make the expectations clear up front, but talk about how important the work of the organization is. Busy people find ways to make time for activities that they think are important and [for organizations that] will value their contributions." Knecht, who sits on a not-for-profit board, agrees. "It's much more effective if an organization is very clear on what it wants from its board; that it's identified me as filling that role perfectly; and if I get a personal call from the board chair saying, 'We've really thought long and hard about this, and you're the right person to fill this job, and here's why we need your skills and talents and perspectives,'" Knecht says.

Who Wants Control and How Much?

As health system boards take on some responsibilities previously held by local boards, trustees need to recognize that they could be appealing to a different type of individual than in the past—someone who may not be concerned about being the final decision maker but still considers the

trustee role vital to the hospital's future. "The role then becomes much more one of understanding the true needs of the community and making sure those needs are being met through the hospital and ultimately the system," Knecht says.

That's how Jacquelyn Kinder, chairman of the board of St. Mary's Healthcare System in Athens, Ga., sees her job--she's a critical link between the community and the Catholic Health East organization, not a secondary player.

"I see it as a two-way street; that we need to be sure that [the system board] understands the needs of our community, and we need to be sure it's getting the information it needs to do that. Then we need to trust [the system board] to act on that [information] in good faith," she says.
Indeed, Tyler says that some for-profit systems have given back control to local boards so that trustees don't feel disenfranchised. "They're trying to work with their boards to get more commitment, and the only way you can do that is by giving away some of the power."
For example, rather than calling the chair of an advisory board and saying, "Your new CEO is on his way," some system boards are taking a different tack, Tyler says. "They say, 'Okay, we're going to send our advisory board three candidates that are acceptable to us, and we'll let it choose which one it wants, and we'll live with any of them.'"

The bottom line to recruiting and maintaining a strong, committed board, according to Tyler: Give trustees meaningful authority, keep them informed, and keep meetings to a minimum. "Those things help because you're having to deal with people and how much time they have, and if it takes too much time, people just get burned out."

Michelle Blecher is a Chicago-based writer.

This article first appeared in the March 2002 issue of Trustee

BOARD DIVERSITY RESOURCES

"You can't integrate into the community, you can't understand what's going on, if you don't have a reflection of the community on the board."
Linda Galindo, Galindo Consulting, Inc., Great Boards, May 2002, Vol. II, No. 2

- *The Effective Board - Diversity and Competence: Recruiting for Both*, Sharon O'Malley, *Great Boards*, www.GreatBoards.org

  There are many beliefs and attitudes that need to be addressed about the necessity of diversifying the board. Diversifying means deliberately choosing members with a mixture of skills, education, careers and experiences that make the board more well-rounded and able to base decisions on their exposure to a wide range of populations and situations.

- *A Melting Pot It's Not*, by David Burda, *Modern Healthcare*, August 11, 2003
  http://www.modernhealthcare.com/article.cms?articleId=30143

  The field of healthcare management continues to be an old boys' network and it's getting even whiter despite efforts to promote racial and gender diversity in the ranks of the industry leadership, according to the results of a new study by the American College of Healthcare Executives.

- *Minority Report*, by Patrick Reilly, *Modern Healthcare*, August 11, 2003
  http://www.modernhealthcare.com/article.cms?articleId=30154
  Four years ago, the leaders of St. Louis-based SSM Health Care, which operates 21 hospitals in four states, created a program to boost diversity in its executive ranks.

  The system's leaders wanted the executive suites to reflect the makeup of the communities the system served.

  Besides trying to increase the number of minority executives at SSM, the system developed several strategic initiatives to tackle the issue of diversity.

- *Lack of Visibility, Not Women*, by Mary Chris Jaklevic, *Modern Healthcare*, August 11, 2003
  http://www.modernhealthcare.com/article.cms?articleId=30155

  An organization founded to promote female healthcare executives to corporate governance is asserting that there is no shortage of qualified women to populate the nation's boardrooms, but they need visibility.

According to a survey to be released this week by the Women Business Leaders of the U.S. Health Care Industry Foundation, 95% of its members cite a "lack of awareness" of eligible and interested women as the No. 1 barrier facing those who want to serve on boards of investor-owned companies.

- *Wanted: A Few Good Trustees*, by Michelle Blecher, *Hospitalconnect.com*, March 2002 http://www.hospitalconnect.com/jsp/article.jsp?dcrpath=AHA/NewsStory_Article/data/TRUSTEE386&domain=TRUSTEEMAG

Looking Outside the Neighborhood

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- *Putting All the Pieces Together*, By Barry S. Bader and Sharon O'Malley, *Hospitalconnect.com*, July 1, 2002

  http://www.hospitalconnect.com/jsp/article.jsp?dcrpath=AHA/NewsStory_Article/data/TRUSTEE341&domain=TRUSTEEMAG

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- *Reality*, by Chris Rauber, *Health Leaders*, January 2002

  Learning to do a better job of accommodating and acknowledging diverse cultures is key in adjusting to the new demographic realities, according to many observers.

Fewer than 2 percent of top leaders in healthcare organizations come from ethnically diverse background, according to Rupert Evans, President and CEO of the Institute for Diversity in Health Management.

. . . Evans says. "And the healthcare industry as a whole is lagging behind the commercial business world, specially in terms of leadership."

Women make up about 80 percent of the healthcare workforce but only one in 100 hospital CEOs is female.

- *A Question of Diversity,* by Akweli Parker, Inquirer Staff Writer, *The Philadelphia Inquirer,* December 15, 2002

  Proponents of diverse boards say they can be more independent and therefore less likely to be mere puppets of a company's chief executive officer. And the value of independent boards has become clear in the aftermath of the scandals that led to the downfalls of the likes of Enron and WorldCom.

  "Diversity causes people to question each other's assumptions, to mitigate against groupthink," said Vicki Kramer, a management consultant and the co-chairwoman of research for the Forum of Executive Women.

- *Report Raps Maleness of Corporate America,* by April Adamson, *The Philadelphia Inquirer,* December 19, 2002

  Greater diversity on corporate boards would bring greater insight, life experience and skill to help corporations increase accountability and be more successful, Forum members say.

  . . . one of the greatest barriers has and continues to be the method in which board members are chosen: often either on a who-you-know basis, or through the replacement of retiring members with like-thinking members, they say.

- *Opinion: Women on Boards,* by Sally Stetson, President of the Forum of Executive Women, *Philadelphia Business Journal,* January 17-23, 2003, Vol. 21, No. 48.

  Research indicates that board diversity – specifically, an increase in the number of women – promotes such a culture of open dissent and the challenging of assumptions, and positively affects board activism and independence.

  Diverse perspectives and experience enhance strategic thinking and the ability to foresee and manage risk. When diverse viewpoints, talents, ideas and perspectives are brought to the table, board processes differ, and differences in process lead to better outcomes.

Seton Healthcare Network, Austin, Texas

FRAMEWORK FOR CREATING A MORE DIVERSE WORKFORCE

Opportunities for Leadership Accountability

Recruitment

- Internships (Institute for Diversity in Health Management, plus events, board service, etc.)
- Outreach to and referrals from community organizations Scholarships
- Relationships with feeder schools and sources (e.g. Philippines, etc.)

Development

- Mentoring
- Career planning/succession planning
- Provide leadership development experiences Incorporate into individual development plans

Awareness

- Build into culture orientation, leadership workshops, etc.
- Provide training that focuses on serving diverse patient populations Attend workshops
- Sponsor "brown bag" in-service sessions Diversity on staff meeting agendas

Systems

- Partner with HR to review processes (recruitment, retention, promotion, training, performance reviews, compensation, etc.) for alignment with diversity goals
- Track, measure and report performance toward diversity goals

Women and people of color will represent about 70% of net new entrants to the workforce by 2008. Who will get the best and brightest talent?
www. diversity. com

Seton Healthcare Network
Austin, Texas

DIVERSITY AND ACCOUNTABILITY GOALS

1. **Climate of Accountability**

Collectively, we will create a more accountable organization. We will commit to ground rules (e.g., no meeting after the meeting, honesty, etc.) and we will hold each other accountable as peers.

Measures:

- Every SLT member shares commitment(s) with his/her supervisor and/or direct reports.
- Every SL T member carries out this commitment.

2. **Leadership Development**

As a leadership group we will be intentional about fostering inclusiveness and diversity in all its dimensions:

- Human
- Cultural
- System

Measure:

Every SLT member will be alert to recognizing his/her own "blind spots" with regard to valuing diversity and modeling inclusiveness.

3. **Leadership Diversity**

We will achieve more human diversity in our leadership group (SL T, L T, and managers). We will actively (a) reach out to diverse candidates, (b) mentor/develop potential leaders, and (c) select more diverse leaders.

Measures:

- HR will track leadership diversity (gender, ethnic/racial) quarterly and report on applicants, new hires, promotions, and turnover.

6/26/02

Sample
BOARD NOMINATING COMMITTEE GUIDELINES

The Hospital Board Member selection process centers around recruiting appropriate individuals to fill vacancies on the board. A formal Nominating Committee is recommended for this process.

Sample Hospital Board Nominating Committee Guidelines

The Chair of the Nominating Committee and at least two members are appointed by the Chair of the Hospital Board. Also, two additional members who are not Hospital Board Members are appointed by the Board Chair.

The Nominating Committee is accountable to recruit Hospital Board Members who will take ownership for performing the duties outlined in a clearly written job description as it relates to their position on the Board.

The Nominating Committee is accountable to ensure that the Hospital Board is inclusive and parallels the diversity of the community. If there is a high degree of diversity at the Board leadership level, it is expected that policies, priorities and plans will include those diverse perspectives.

Sample Nomination Procedure

1. Submissions to the Nominating Committee regarding individual candidates shall be considered confidential.

2. The committee's work time line:
   _____
   _____-
   _____

1. Once a year the Nominating Committee will review the nominating policy and procedures and recommend changes or continuation of the existing policy and procedures to the Board.

2. The Nominating Committee will survey current Hospital Board Members to determine the range of skills, knowledge, interests, experience, diversity, geographic location, available volunteer time and length of time on the Board to determine gaps that should be filled by prospective Hospital Board Members. These findings will be reported to the full Board for review and comments.

5. The Nominating Committee will prepare a call for nomination notice, to be distributed throughout, using a broad range of contacts including media, friends, and business associates.

   - The notice will describe the skills and experience the Nominating Committee is seeking and ask suitable interested candidates to contact a designated Nominating Committee Member.

6. *Persons submitting their names will receive a package of information and be invited to attend an informational meeting. They will be asked to confirm their intention to attend by filling out a brief application form, to include personal profile information and references.*

7. *Information meetings or interviews will he held, providing prospective candidates with as much information as possible about responsibilities of a Hospital Board Member. The meeting will be designed to gather information about the skills and interests of the candidates and, when possible, solicit feedback on the information distributed and the recruiting process.*

8. *At the end of the meeting, anyone wishing to withdraw his or her application may do so.*

9. *References may be consulted when the candidate is unknown to the Committee, or when the candidate has been unable to attend the information meeting, or when the Committee feels that reference checking will assist them in making appropriate recommendations.*

10. *The Committee will then choose from the signed applications those persons who might best meet the needs of the Hospital Board.*

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THE EFFECTIVE BOARD

Diversity *and* Competence: Recruiting for Both

by Sharon O'Malley

Not just anybody will do when Good Shepherd, a system of rehabilitation and post-acute care hospitals in Pennsylvania, recruits board members.

In fact, its Governance Committee methodically tracks the job skills, experience, gender, ethnicity and even physical abilities of each board member so it can recruit new trustees with qualities absent from the existing board.

"It almost becomes a joke when a term comes up and we're looking at the grid," says Good Shepherd CEO Sally Gammon of the tracking matrix. "We say, 'We need a disabled woman from Bethlehem [Pa.] who's a doctor.' It's almost that specific."

All kidding aside, Good Shepherd's process of simultaneously broadening diversity and strengthening board skills is seriously changing the makeup of the once all-male, all-faith-based board. Good Shepherd's 18-member "home" board, which oversees the Lutheran system's multiple facilities, is peopled with three women besides Gammon, as well as a quadriplegic and several members with financial, healthcare, faith-based and other backgrounds.

The Governance Committee, notes Gammon, "is always thinking: 'What kinds of talent do we need to have the best input and guidance at the board level from a fiduciary standpoint?'"

Diversity: New for Healthcare

Still, fewer than half of healthcare boards are tackling diversity as directly as Good Shepherd's, estimates Linda Galindo, a Park City, Utah, diversity and accountability specialist. Why? Galindo says it's not racism or sexism; it's skepticism. Many healthcare trustees struggle with the notion that a diverse board makes better decisions for its constituents, she says. They honestly question whether diversity improves board performance, and they worry that competence will take a back seat to filling arbitrary quotas.

> "There are many beliefs and attitudes that need to be addressed about the necessity of diversifying the board."
>
> —*Consultant Linda Galindo*

"They say it's a good idea, but then they say [diversifying the board forces] you [to] have to pick a diverse person over a quality person," says Galindo. "So there are many beliefs and attitudes that need to be addressed about the necessity of diversifying the board."

She adds: "Over and over, you see examples of a group of people making a decision for a population that is not represented around the table, so the value system is weighted one way."

Diversifying means deliberately choosing members with a mixture of skills, education, careers and experiences that make the board more well-rounded and able to base decisions on their exposure to a wide range of populations and situations, Galindo notes.

At Catholic Healthcare Partners (CHP) in Cincinnati, Ohio, for example, gender, race and age fall third on the Nominating Committee's list of priorities when searching for recruits.

The 35,000-employee system filters its board recruits through three screens:

1. Compatibility with the values and mission of the Catholic system.
2. Possession of expertise in a core area like human resources, organization and culture, law, finance or quality.
3. Demographic diversity, e.g., gender, age, ethnicity and geography.

In short, notes Galindo, a diverse board is a more competent board because it includes a broader range of expertise and perspectives.

Challenges of Change

Still, changing the makeup of the board to better reflect the demographics of the patient population can be a challenge for two reasons.

First, notes Michael Connelly, CEO of CHP, the search for qualified, willing board members with specific skills

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Great Boards

The online newsletter for healthcare boards

www.GreatBoards.org

Publisher ..... Barry S. Bader
Editor ..... Sharon O'Malley
Designer ..... Eve Church

Questions, comments or article ideas? Contact:
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DIVERSITY, from page 5

as well as certain gender or ethnic characteristics can be a long one.

Sometimes the system's three recruiting screens conflict, says Connelly. "You might have someone with a professional expertise who doesn't blend well with your gender or ethnicity goals," he says. "Conversely, you might have someone who meets gender and ethnicity goals but doesn't necessarily fit your skill-set goals."

Often, the best potential board members are people who have been tapped already by other organizations, notes Gammon. "In every community, everyone goes after the same people," she says. By contrast, Good Shepherd's board tries to identify a community's "up and comers."

Catholic Healthcare Partners' Governance Committee profiles the board's cumulative expertise, gender mix and ethnic diversity on a matrix so the Nominating Committee can fill gaps and promote diversity when recommending new trustees.

The result: Trustees on the system's15-member parent board are 47 percent female; 7 percent Asian; and 13 percent African-American. Most are age 40 to 55, and skills range from medical to religious to financial to strategic to corporate.

A second challenge in diversifying the board, notes Gammon, is letting go of long-time members who would prefer to stay on but might not possess the specific skills or demographic characteristics the board needs.

"Disenfranchisement of anyone—that's always a challenge," she says. But at Good Shepherd, Gammon notes, one-time board members are encouraged to serve on committees. Likewise, people who would like to become board members are invited to work on committees to prepare for eventual openings.

Website Extra! Good Shepherd's board competency and diversity matrix, under Resources at www.GreatBoards.org.

3 Steps Toward a More Diverse Board

Diversifying a homogeneous board takes a minimum of three years, estimates Linda Galindo of Utah-based Galindo Consulting. She recommends three ways a board can get started:

1. Discuss trustees' concerns about diversifying. "Ninety percent of overcoming [resistance] is talking about it," says Galindo.

So what are trustees talking about? Hospital boards typically include more older, white males than any other group. Many are neighbors who share similar socio-economic status, so there's a high comfort level; people naturally are at ease with people with similar life experiences and values.

It's widely believed that homogeneity expedites decision making, while a diverse board takes longer to do its work. But if efficiency means important perspectives aren't at the table, then speedier work comes at a high price. Galindo argues that healthcare boards can have more informed discussions when they reflect the population of those they serve. Otherwise, "You can't integrate into the community, you can't understand what's going on," she says.

To illustrate, Galindo dusts off a well-worn tale about Chevrolet's popular Nova. When the automaker unveiled the sporty vehicle in South America, it tanked. Why? "Nova," in Spanish, means "doesn't go." "You can put a lot of time and money into an effort, but if you don't have a perspective other than your own, you can completely miss the boat," she says.

2. Decide whether diversifying the board is merely important or absolutely imperative. Do trustees regard diversity simply as the right thing to do or as something that's crucial to the system's effectiveness and competitiveness? Once the board identifies diversity as an imperative, it should take decisive action to start transforming its board to one that includes members of both genders and various races, ages, careers, locations and social groups.

3. Create a board diversity council. A special task force dedicated to overseeing the board's effort to diversify can work with the governance and nominating committees to come up with a plan for changing the makeup of the board over a certain time period. Galindo recommends some strategies:

- Rather than relying on trustees to nominate acquaintances, look for talent on the boards of community organizations and minority businesses. Ask the healthcare system's minority employees to identify community leaders.
- Set term limits, which guarantee turnover and nudge out homogeny through attrition.

Contact: Galindo Consulting, www.galindoconsulting.com, or (435) 940-1615.

The Good Shepherd Home Board of Trustees

Recruitment Matrix

Potential Board Members/ Profession	Fund Raising	Influential/Access to Persons of Wealth	Planning	Financial Experience	Marketing	Media/Communications	Community Networking	Health Care Experience	Governmental Relations	Church Relations Faith Based	Legal	GS History	Consumer Constituency	Team Player	Motivated	Commitment	Gender	Ethnicity

The board of Good Shepherd, a system of post-acute care, rehabilitation hospitals in Pennsylvania, uses this matrix as a tool to help analyze the skills and diversity of gender and ethnicity of prospective board members. For more information about Good Shepherd's approach board recruitment, see "Diversity and Competence: Recruiting for Both" in the May 2002 issue of the *Great Boards* newsletter, available at www.GreatBoards.org.

Thanks to Sally Gammon, CEO of Good Shepherd, for sharing this form.


What is Diversity?
Galindo Consulting, Inc.


Human Diversity
Race
Sex
Differently-Abled
Marital / Family Status
Sexual Orientation
Ethnicity
Age
Military Experience
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Cultural Diversity

- Language
- Learning Style
- Gender
- Historical Differences
- Cross-Cultural Relationship / Communication
- Religion
- Work style
- Classism /Elitism
- Ethics / Values
- Lifestyle
- Family-Friendly Practices


Systems Diversity
Teamwork
Innovation
Reengineering
Strategic Alliances
Empowerment
Quality
Education
Mergers
Acquisitions
Galindo Consulting, Inc.

Strategies for Developing an Organization's Cultural Competence

- Key component is organizational environment
- Direct impact on both employees and consumers of services An example is accessibility by public transportation
- Aspects include:
  - Visual representations
  - Level of staff's cultural competence
  - Language ability (oral and written)
  - General feeling of inclusiveness

8:00 –9:30 A.M. **Board Diversity – When, Why and How?**

Linda Galindo

President, Galindo Consulting, Inc**.**

Demographics continue to shift and emphasis on community outreach remains a priority for healthcare organizations. How important is board diversity and how do you create or enhance it? This session provides a checklist for board diversity. Board members can discover if diversity is important or imperative for their board and learn ways to avoid the "program" approach to diversification efforts.

Recommendations

- Establish priorities and create some successes
- Start small and build on successes
- Establish clear and understandable goals
- Involve leadership early and consistently
- Be able to compromise
- Be aware that it is hard work and you must be available to support your Diversity Committee