

TrusteeToolBox

How to Conduct a Board of Trustees Self-Assessment

June 2002

Imagine this scenario: You're invited to join the prestigious board of a well-known and highly regarded local company. The company operates in a tightly regulated and fiercely competitive market, and the entire industry is under heavy federal and state scrutiny for violation of fraud and abuse regulations. The company faces a shortage of skilled workers, and its distribution channels are controlled by a combination of giant purchasers and small companies, all of which expect steep price discounts. There is no accepted definition of quality, yet you're responsible for ensuring that it's measured and reported. Finally, your company's workers daily make life and death decisions. Oh, and by the way, you may have some personal liability if things don't go right.

Interested in the challenge? Obviously you are.

The bright spotlight of scrutiny is shining on hospitals and their trustees with an intensity that is enough to send a collective shudder through hospital boardrooms across America. At a time when the public's trust is wavering, state and federal reimbursement is declining and governmental scrutiny of management and leadership is further encroaching in areas trustees rightly view as their exclusive territory, it has never been more important for trustees to tap into their leadership skill reserves.

Governance performance self-assessment is one preventive measure boards can take. And it may be one of the easiest ways to spot and correct trouble spots before they get out of control.

Quick Test of Your Board Self-Assessment Process

	Yes	No
Do you do a board self-assessment annually?	<input type="checkbox"/>	<input type="checkbox"/>
Does your board understand the purpose and value of self-assessment?	<input type="checkbox"/>	<input type="checkbox"/>
Is your board uniformly committed to self-assessment?	<input type="checkbox"/>	<input type="checkbox"/>
Does your self-assessment allow trustees to freely express their ideas for needed change?	<input type="checkbox"/>	<input type="checkbox"/>
Does your self-assessment result in specific ideas for ways to improve governance processes, structure and outcomes?	<input type="checkbox"/>	<input type="checkbox"/>
Do you use the results of your self-assessment to create governance improvement action plans?	<input type="checkbox"/>	<input type="checkbox"/>

The Challenge of Change

The pace of change in health care is the primary driver for board self-assessment. Trustees are challenged daily just to keep up with the dramatic changes occurring in health care delivery, structure and finance. Hospital governance today requires excellence in management, marketing, customer service, quality, human relations, finance, labor relations, affiliations and a host of other areas. Trustees have to excel as "change masters" who value creativity and innovation, encourage non-conformist thinking and are able to leverage change for their organization's strategic advantage. Health care boards have two choices: They can be victims of change or controllers of change. The greater the change, the more the need for forceful, effective governance in order to gain a strategic advantage for the community served.

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Shining Light on Your Hospital's Passage Into the Future, a 1997 hospital and health system survey conducted by the American Hospital Association and Ernst & Young, revealed that 57 percent of hospital boards surveyed have a format process for evaluating the board's performance, while 47 percent of boards evaluate individual board members.

A board of trustees self-assessment is an organized and qualitative evaluation of the board's satisfaction with all aspects of its performance in fulfilling its governance responsibilities.

What is a Board of Trustees Self-Assessment?

Trustees are accountable for ensuring that continuous quality improvement (CQI) processes are in place throughout their organization. An effective board ensures that every hospital department has quality processes, systems and structures in place. But how do trustees ensure their own continuous quality improvement? How do they determine when they are under-performing in relation to the challenges they face? How can boards of trustees be held to the same level of accountability for quality and improvement to which they hold their hospitals?

A board self-assessment is much like a physical examination. You may feel fine and believe your health is perfect, but your knowledgeable and trusted physician will tell you that an occasional examination of your health and well being is an important ingredient in ensuring your personal long-term viability and productivity.

Through an effective, well-developed board self-assessment process growth opportunities can be realized, education can be pinpointed to unique governance needs, recruitment of new trustees can be undertaken with increased confidence and long-range planning can be conducted from a consensus-based framework of understanding with everybody on the same page.

A board of trustees self-assessment is an organized quantitative and qualitative evaluation of the board's satisfaction with all aspects of its performance in fulfilling its governance responsibilities. It combines ratings of various positive statements about the hospital's governance environment, processes, focus and performance with trustee recommendations for change to improve leadership performance. Done correctly and consistently, a board self-assessment *process* (a combination of the assessment and the action plans created from it) enables the board to identify critical "leadership gaps," and achieve and maintain the level of governing excellence required for success in today's challenging health care environment.

Why Should Boards Regularly Do a Self-Assessment?

Boards of trustees that are accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) are required to conduct an annual board self-assessment. JCAHO Standard LD.4.5 requires hospital leadership to:

- Set measurable objectives for improving hospital performance;
- Gather information to assess their effectiveness in improving hospital performance;
- Use pre-established, objective process criteria to assess their effectiveness in improving hospital performance;
- Draw conclusions based on their findings and develop and implement improvement in their activities; and
- Evaluate their performance to support sustained improvement.

In addition to the Joint Commission's accreditation requirements, board self-assessment is an ideal way to regularly engage the board in an anonymous and confidential evaluation of its overall leadership performance, while at the same time providing trustees with an opportunity to rate their personal performance as a vital contributing member of the board of trustees. An excellent board self-assessment process will achieve several key outcomes:

- Define the most critical governance success factors;
- Secure confidential, broad-based trustee input on the critical fundamentals of successful governing leadership;
- Create an opportunity to address major issues and ideas in a non-threatening, collaborative manner;
- Clearly demonstrate where the board is both in and out of alignment on leadership fundamentals and issues;
- Objectively assess the degree of common trustee understanding, expectations and direction for the board;
- Assess the deficiencies that may impact the board's ability to fulfill its fiduciary responsibilities;
- Identify opportunities for meaningful leadership improvement; and

- Help administration better understand and respond to the board's leadership education and development needs.

Through an effective, well-developed board self-assessment process growth opportunities can be realized, education can be pinpointed to unique governance needs, recruitment of new trustees can be undertaken with increased confidence, and long-range planning can be conducted from a consensus-based framework of understanding with everybody on the same page.

How should the Assessment be Used to Improve Governing Performance?

Conducting the board self-assessment is only the first step in improving leadership performance. An excellent board self-assessment process does not simply measure trustee viewpoints about governing performance. To be successful it must be a catalyst to engage trustees in a wide-ranging discussion of assessment findings that highlight performance gaps and areas where trustees lack consensus. Finally, it must facilitate the development of a governance improvement action plan with responsibilities, time frames and projected outcomes.

Self-assessment should stimulate the board to focus on the key ingredients of leadership success, question assumptions, and examine whether there is a common understanding. This enables trustees to uncover specific areas of under-performance in comparison to their leadership needs, and pinpoint clearly and crisply specific and targeted responses and solutions. A successful self-assessment will:

- Objectively assess the level of common trustee understanding, expectations and direction;
- Facilitate board goal setting;
- Pinpoint organizational improvement opportunities;
- Help senior management understand the board's education and development needs;
- Build broad, consensus-based trustee decisions;
- Create opportunities to address major issues and ideas in a non-threatening, collaborative manner;
- Determine areas where trustees are out of alignment with one another;
- Identify opportunities for meaningful change;
- Enable directors to focus on their leadership performance, and ways to enhance personal and board-wide leadership for strategic advantage;
- Satisfy JCAHO self-assessment requirements; and
- Improve trustee performance, and achieve and maintain governing excellence.

How Often Should the Assessment be Done?

Ideally, the board should assess its performance annually. Many boards conduct their self-assessment as part of an annual board retreat, setting aside time to discuss the assessment results and explore ways to improve leadership performance. Some boards are able to successfully design and conduct a self-assessment, compile and analyze the results and facilitate the development of a board improve action plan using internal resources. Others rely on outside consultants who offer tested and proven tools and techniques for board self-assessment.

What are the Costs of Board Under-Performance?

What could happen if hospital boards across the country improved their leadership skills and performance by 10 percent? 20 percent? 50 percent? What impact could improved understanding, awareness, communication, strategic focus and higher leadership performance have on productivity? Revenue? Market share? Public confidence? Liability insurance costs? Governmental oversight?

Being a high performance trustee requires motivation, time, continual education and a focus on major trends and strategic directions. Decisions must be both prudent and aggressive. Fluid, responsive approaches that can be rapidly modified as circumstances change become the norm for creative, quick thinking, imaginative and forward-looking trustees.

Increasingly, gross negligence or conflicts of interest by a board of trustees calls into question a trustee's "good faith" legal protection. In those cases, and they have been rare, indemnification provisions may not apply under trustees' directors and officers coverage. However, in most cases what's more at real risk is a trustee's "reputational liability," the social and professional damage that trustees may suffer in their communities when allegations of negligence or conflict of interest are alleged.

In order to use the self-assessment process effectively, it's important for trustees to understand the difference between self-assessment as an event and self-assessment as a continuous leadership quality improvement process. The success key is to transform information into knowledge that can be used for leadership advantage.

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Measuring Board Performance: Key Leadership Responsibilities

The assessment process should be unique and reflective of the board's leadership challenges, issues and needs. Here are some broad leadership areas and assessment criteria ideas. When developing your actual criteria, you should always put the criteria in the form of a positive statement, and then have trustees rate their satisfaction with board performance in the area:

Leadership Responsibility 1: Effectively Carrying Out the Hospital's Mission, Values, Vision and Strategic Direction

- Appropriateness for community health leadership role
- Periodic review of mission, values and vision
- Policy and strategic decisions support the mission, values and vision
- Measurement of progress toward goals and objectives
- Evaluation of hospital programs and services for fit with mission, values and vision
- Governance workplan
- Skills necessary to enable the board to achieve its objectives

Leadership Responsibility 2: Ensuring Appropriate Board Structure and Processes for Building Optimum Service and Value

- Adherence to board procedures
- Board understanding of environment
- Range of qualities on board
- Meeting agendas
- Committee structure
- Information provided by management
- Director orientation and education
- Review of structure, committee practices, tenure and bylaws
- Meeting frequency, length and attendance
- Board problem solving skills
- Team building
- Adequacy of time for discussing significant issues
- Clarity of board, management and medical staff leadership roles
- Corporate compliance plan
- Quality improvement program
- Physician representation

Leadership Responsibility 3: Developing Strong Community Relationships

- Understanding of community needs and issues
- Consultation with community leadership
- Assertive leadership in the community
- Development of positive image for the hospital
- Board success in local political advocacy

Leadership Responsibility 4: Providing Strong, Focused and Effective Board Leadership

- Representation of community's health needs
- Appropriate direction in support of mission, values, vision and strategic objectives
- Encouragement of group participation
- Understanding of others' roles in achieving mission, values, vision and strategic objectives
- Development of group and individual decision-making skills
- Criteria for board member selection
- "Conflict of interest" policy and resolution plans

Leadership Responsibility 5: Effective Board Planning for Long Term Success

- Board involvement in strategic planning
- Operational plans to meet strategic objectives
- Board awareness of factors that affect services and programs
- Medical staff leadership involvement in strategic planning
- Mission, values, vision and strategic plan use in policy and strategic decisions
- Regular measurement of progress toward vision and strategic initiatives

Leadership Responsibility 6: Ensuring Effective And Collaborative Board/CEO Relationships

- Communication
- Climate of trust, respect and support
- Board support of CEO in implementing policy
- Annual evaluation of CEO using predetermined targets
- Ensuring that CEO is fairly compensated
- Quality and timeliness of information provided by CEO
- Executive succession plan

Leadership Responsibility 7: Ensuring Effective And Collaborative Board/Medical Staff Relationships

- Regular review of medical staff organization and bylaws
- Process of approving appointments and reappointments
- Effective communication between board and medical staff
- Physician participation in decision-making processes

Leadership Responsibility 8: Ensuring that New Services Meet the Needs of the Market

- Policies on new services
- Process for evaluating potential services
- Ensuring new services fit with mission, values, vision and goals
- Monitoring new services to ensure that they meet goals

Leadership Responsibility 9: Ensuring Strong Financial Focus and Leadership

- Oversight of fiscal resources
- Financial reports
- Annual budget and performance monitoring
- Review and adoption of capital expenditures budget
- Approving targets for debt, liquidity, ROI, profitability, etc.

Leadership Responsibility 10: Ensuring Community Health Improvement

- Commitment to building a healthier community
- Involvement in initiatives to improve community health
- Understanding of community needs and issues
- Resources for community initiatives
- Definition and measurement of community health improvement
- Collaborative partnerships for improving community health

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How Can Self-Assessment Inertia be Overcome?

Many boards don't conduct self-assessments (or don't do them well) either because they don't know how, or because they see the assessment as an empty, meaningless exercise. Experienced self-assessors offer simple advice: Make the assessment anonymous, measurable and reportable. Use it to identify issues. And don't stop with the evaluation. The most important step is transforming the information gathered through the self-assessment into knowledge that results in a focused leadership improvement action plan.

- Start with a broad-brush approach, identifying the leadership areas that are most critical to focus on to ensure that the board meets its most critical leadership responsibilities;
- Conduct the assessment in a manner that will result in the best outcomes, including a solid performance improvement plan. Choices may include a written survey, open board discussion, or a high-tech assessment using networked laptop computers featuring instant feedback on performance ratings and comments; and
- Don't make it a one-time exercise. Self-assessment should be a continuous leadership improvement process. Performance benchmarks should be established using results of the initial assessment, and a board performance improvement plan with specific activities, responsibilities, timeframes and projected outcomes should be assembled.

Whatever you do well at the board level cascades throughout the organization. Self-assessment, when done right, can have profound implications throughout the organization.

What's the best way to Compile and Analyze the Results of Your Self-Assessment?

There are a variety of ways to compile and analyze the results of your board self-assessment, from simply tallying responses by hand to using customized self-assessment software applications. One effective process includes the following steps:

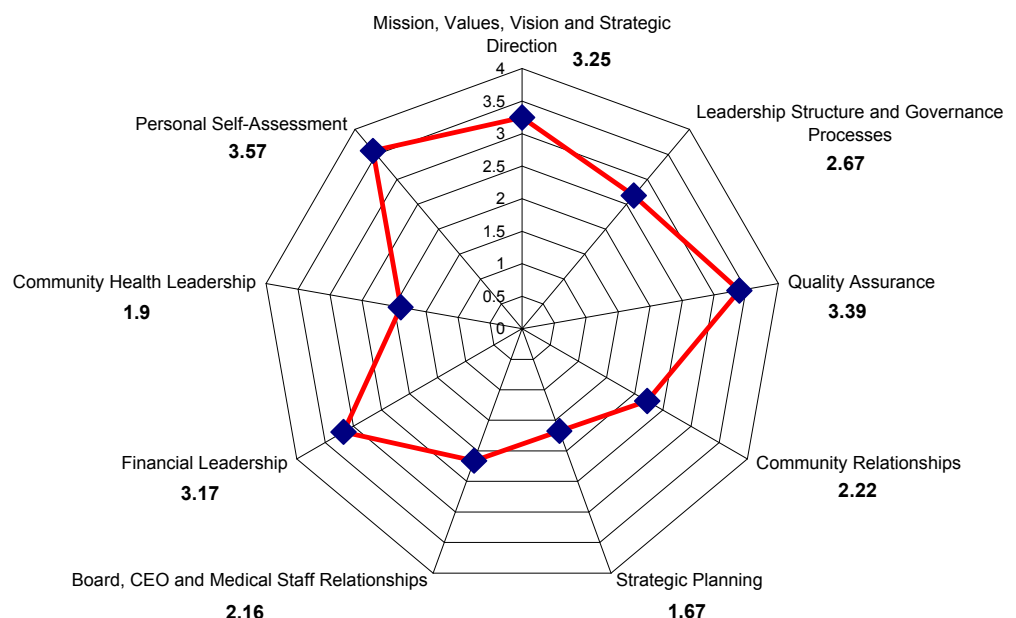
- Compile the results into a database that enables 1) the creation of graphs that show mean (average) scores, in order from highest to lowest, for statements about the board's governance performance in several broad dimensions of leadership, such as improving community health, CEO and

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In addition to the Joint Commission's accreditation requirements, board self-assessment is an ideal way to regularly engage the board in an anonymous and confidential evaluation of its overall leadership performance.

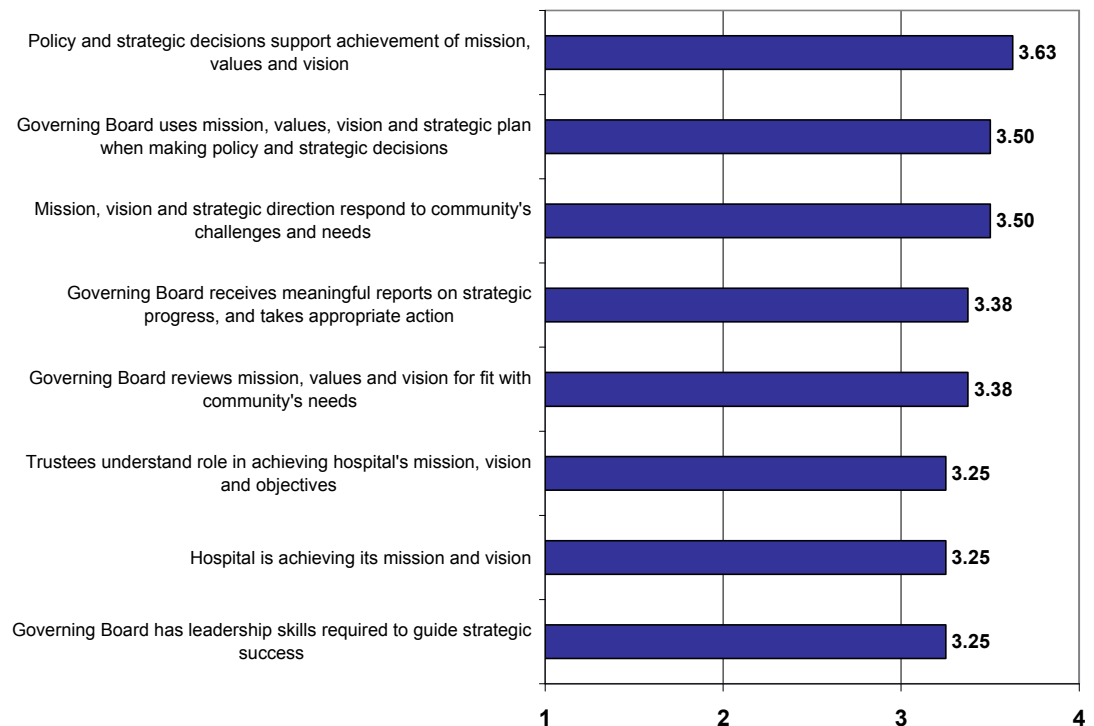
Displaying overall board scores in key areas of trustee leadership accountability is an easy way to identify areas with significant performance gaps. Several criteria within a broad leadership competency may be scored on a 1 – 5 rating scale (5 = very satisfied or strongly agree, 1 = very dissatisfied or strongly disagree), and combined together to provide a snapshot of leadership attitudes. Trustees should be concerned when any rating area has a mean score below 4.0 on a five-point scale.

Spider Graph: Overall Self-Assessment Score



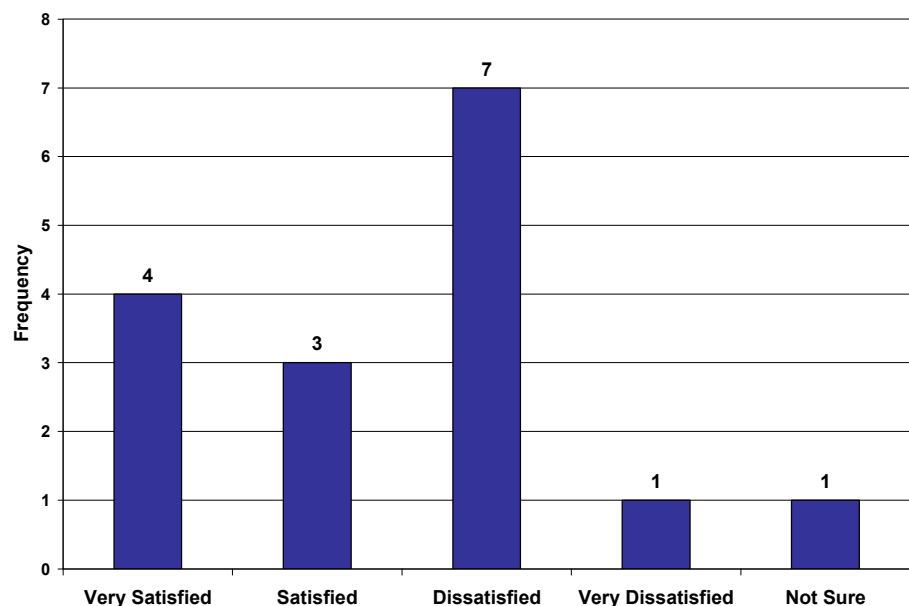
Mean Graph: Shows Highest to Lowest Rated Self-Assessment Criteria

After self-assessment results are compiled the board should review the mean scores of key criteria in each leadership responsibility area. The board should establish a “target zone” which defines desired performance ranges, and delve into the reasons why any area falls outside the zone.



Distribution Graph: Shows Degree of Consensus Among Trustees on a Single Criterion

The degree of consensus among trustees reveals much about common understanding, teamwork and unanimity. For example, this board's rating of its performance in this area of shows a strong lack of consensus. Once this knowledge is gained the board can discuss the reasons behind the differences, and explore potential solutions.



To be successful your self-assessment must be a catalyst to engage trustees in a wide-ranging discussion of assessment findings that highlight performance gaps and areas where trustees lack consensus. It must facilitate the development of a governance improvement action plan with responsibilities, time frames and projected outcomes.

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medical staff relationships, financial stewardship, etc.; and 2) development of individual “distribution graphs” that depict the frequency of rating response for each individual assessment point. These distribution graphs show the degree of consensus amount trustees on individual performance points, and help to provide the detail behind the mean scores;

- Analyze trustees’ suggestions for ways to improve board performance. Trustees should have an opportunity to comment on the reasons for their ratings, and/or express their ideas and recommendations for needed governance change;
- Compile an executive summary of key themes and findings, based on both quantitative and qualitative responses; and
- Produce a report containing graphs of all statements rated by the board, including all mean graphs and relevant distribution graphs where trustee consensus appears to be lacking. Also include a summary of potential actions to respond to trustees’ ratings and suggestions for governance improvement.

How Should a Board Improvement Workplan be Developed?

After completing the board self-assessment, specific performance improvement opportunities should be developed. These should typically be assigned to a board committee, task force or to the CEO. In some cases simple improvements to the board agenda or improvements in trustee education may be the best solution. Here’s a simple way to match improvement opportunities with solutions:

LEADERSHIP RESPONSIBILITY: ENSURING AN APPROPRIATE BOARD STRUCTURE, AND EFFECTIVE GOVERNANCE PROCESSES FOR BUILDING OPTIMUM HOSPITAL SERVICE AND VALUE.

Leadership Improvement Opportunities	Resources for Improvement				
	Committee	Task Force	Agenda Planning	Executive Management	Education Programs
1. Ensure board understanding of the changes taking place in the healthcare environment, and their implications on the hospital, its physicians, and local healthcare consumers					✓
2. Ensure that trustees receive agendas at least one week in advance of board, committee and task force meetings; provide background materials (articles, white papers, talking points, etc.) necessary to ensure trustee understanding of critical governance-related issues			✓		
3. Develop a process for governance renewal to ensure that committees, policies, procedures and overall board structure and functions create a high-performance board		✓			
4. Consider establishing “strategic issues teams” to replace some traditional standing committees		✓		✓	
5. Examine the last six Board agendas; assess the ratio of time spent discussing issues and opportunities vs. time spent on approval of minutes, committee reports, and other more procedural issues; make discussion of strategic issues the centerpiece of every Board meeting		✓			
6. Ensure the approval of quality indicators that are regularly reported to the Board				✓	

Should Trustees Also Assess their Personal Performance?

Another critical piece of a quality board self-assessment process is the individual performance assessment. Trustees may have one view of the overall board’s performance, and have an entirely different view of their own individual performance. A personal, introspective look at individual leadership enables trustees to focus on the essentials of good leadership and their personal impressions of their performance. Areas that should be rated here include:

- Understanding of and belief in mission, values and vision
- Effectiveness in individual governance role
- Working relationships with other directors
- Understanding of programs and services
- Relationship with the CEO
- Understanding of key issues and challenges
- Understanding of trends shaping the future
- Understanding of long-term policy and strategic issues
- Preparation and participation in meetings
- Suggesting agenda items for board consideration
- Preparation for active and informed participation in meetings
- Asking probing and insightful questions
- Overall personal effectiveness

After the Assessment: Sample Board of Trustees Self-Assessment Action Plan

The board should identify specific actions to positively address areas of under-performance. Here are some examples of possible corrective action for a board that needs improvement in the area of *"ensuring an appropriate board structure, and effective processes for building optimum hospital service and value"*



Education Initiatives

- Provide trustees with the background information and intelligence resources required for active participation in board dialogue
- Conduct a regular community healthcare environmental assessment; ensure trustee understanding of the changes taking place in the healthcare environment, and their implications on the hospital, its physicians, and local healthcare consumers
- Develop an education plan that ensures trustee understanding of the issues essential to effective governance; conduct education and orientation at every board meeting, and annually at the board retreat

Structural Initiatives

- Examine board composition, and match present skills against current and emerging trends, challenges and issues; ensure that skills are/will be in place to successfully deal with the future
- Clearly define board, medical staff leadership and management strategic planning roles and responsibilities
- Involve physicians in meaningful ways as key participants in governance decision making, including trusteeship, committee appointments, strategic task force involvement, etc.
- Develop comprehensive and usable governance policies and procedures
- Develop a process for governance "renewal" to ensure that committees, policies, procedures and overall board structure and functions create a high-performance organization

Efficiency Initiatives

- Ensure that trustees receive agendas at least one week in advance of board, committee and task force meetings; provide background materials (articles, white papers, talking points, etc.)

that ensure trustee understanding of critical governance-related issues

- Examine the board committee structure to ensure responsiveness to evolving challenges and opportunities. Consider establishing "strategic issues teams" to replace some traditional standing committees
- Evaluate the quality and quantity of information used by the board to make policy and strategic decisions; ensure that information is relevant, timely, understandable and actionable, and that it facilitates high-quality board decision making
- Examine the content of board meetings to ensure that the most significant and meaningful issues are being effectively addressed, that trustee time is respected and used efficiently, and that trustee involvement and participation are enhanced
- Examine the prior six board agendas; assess the ratio of time spent discussing issues and opportunities vs. time spent on approval of minutes, committee reports, and other more procedural issues; make discussion of strategic issues the centerpiece of every board meeting

Legal and Quality Initiatives

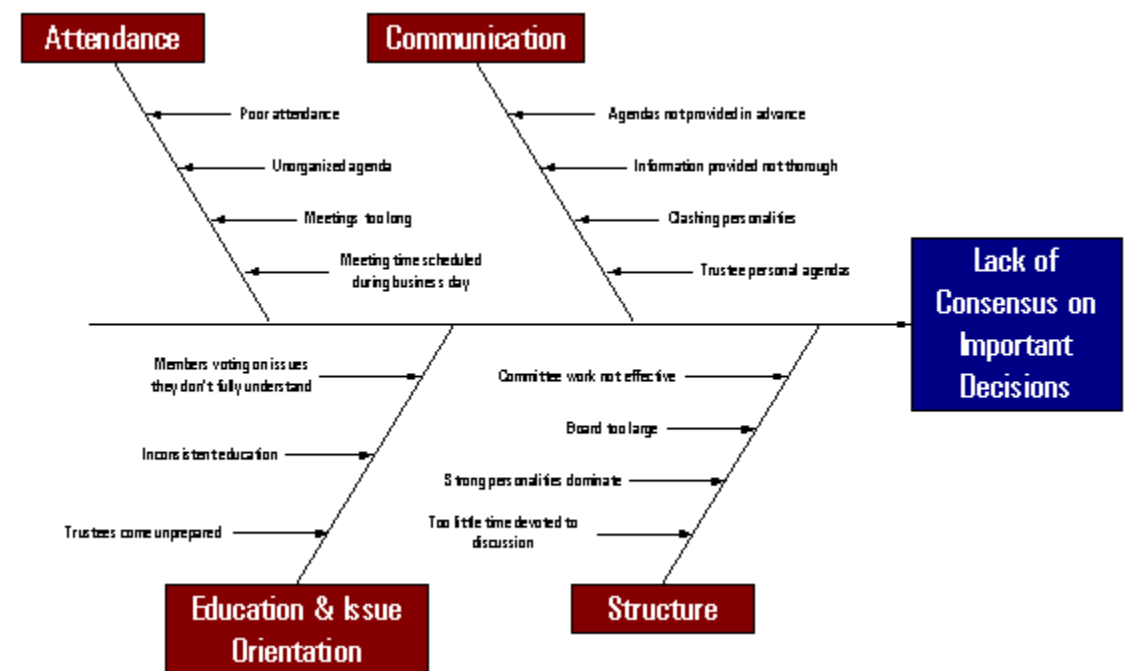
- Create a formal compliance plan, and regularly review adherence to the plan and the timely organizational responsiveness to issues of compliance
- Ensure that the Hospital has a fully-functioning quality improvement process that continuously defines, measures and improves quality at all levels, including clinical, service and organizational development
- Ensure that the board has approved quality indicators that are reported to the board regularly

What Else Should be Included in the Self-Assessment?

Open ended-questions will reveal much about an organization's performance improvement opportunities. Trustees should express their candid views about:

- The organization's highest priorities;
- Most significant organizational strengths or assets;
- Organizational weaknesses or liabilities;
- Key issues that should occupy the board's time and attention;
- Ideas about specific ways board leadership can be improved;
- Significant trends; and
- Factors most critical to be addressed in achieving strategic initiatives, mission and vision.

Cause and Effect: Inability to Build Board Consensus



Some boards may want to take a deep and detailed look at the causes and effects of board performance in certain areas. A cause and effect diagram can help the board team better understand the factors related to improving board performance in targeted areas.

Creating a cause and effect diagram is simple and quick. A committee of trustees should identify a few major factors shaping performance. A board committee, or the entire board team, should then brainstorm the barriers impeding high performance in each of the areas:

Ten-Step Plan for Conducting Your Board Self-Assessment

- Step 1:** Determine the unique objectives and projected outcomes of your assessment;
- Step 2:** Design draft evaluation criteria and a measurement methodology (for example, 5 = very satisfied, 1 = very dissatisfied; 5 = strongly agree, 1 = strongly disagree; 5 = excellent, 1 = poor);
- Step 3:** Print a draft questionnaire and test the criteria and methodology for relevance and completeness in meeting your assessment needs;
- Step 4:** Distribute your self-assessment questionnaire to all trustees with a stamped, self-addressed envelope, ensuring both anonymity and confidentiality;
- Step 5:** Compile the results and produce a report with graphs depicting the areas measured in priority order, from highest to lowest average score; include verbatim comments, and a brief analysis of key themes and findings;
- Step 6:** Hold a special board meeting or retreat to review the assessment results and discuss their implications on all aspects of board activities and performance;
- Step 7:** Appoint a committee or task force to develop specific recommendations for improvement, prioritize the most important areas of governance focus, and determine the resources required for success;
- Step 8:** Implement the recommendations: Assign responsibilities and determine outcomes;
- Step 9:** Document and regularly report on the progress of the approved governance improvement initiatives;
- Step 10:** Continually reassess board performance.

The most important step in the self-assessment process is transforming the information gathered through the self-assessment into knowledge that results in a focused leadership improvement action plan.