

BoardBrief

Knowledge Resources for Governing Effectiveness

Succession Planning Today for Tomorrow's Trustee Leaders

High-performance governance in today's environment is critical. Every board member must clearly understand and be capable of carrying out his or her responsibilities at the highest level of governance performance. Recruiting new trustees to serve on your board is every bit as important as CEO recruitment. How well boards plan and execute this vital process defines the health care organization's leadership success for years to come.

The importance of governance succession planning is growing as health care organizations and their governing boards face increased pressure for high performance, transparency and accountability in a field undergoing significant change. The board should be composed of individuals who display a diversity of opinions and independent thought and actions. Trustees should have demonstrated achievement in their career field and possess the intelligence, education, and experience to make significant contributions to governance. They should also possess the personal attributes that will contribute to sound working relationships with other board members and the executive staff. Instead of a board composition that is simply representational, boards of trustees should seek to develop a composition that also reflects the overarching experience and expertise needed to successfully govern in today's era of transformation.

Boards of trustees should be asking themselves: "When current trustees' terms end, who will replace them? Where will we find highly qualified board members who are "experts" in the areas of governance in which we need the most help, who are free of potential conflicts of interest, and who are able to meet the required time and energy commitment?"

Governance succession planning is the key to not only filling an empty seat on the board but to strengthening board and organizational performance. By regularly assessing the board's leadership strengths and weaknesses, and using the organization's strategic plan to define critical future leadership requirements, a board can identify governance "gaps" that can be closed through targeted trustee recruitment.

A trustee succession plan should be developed to recruit trustees that meet the specific governance needs. These "gaps" will be different for each board and organization; while one board may need increased diversity, another may seek greater clinical expertise or an improved balance between visionary, "big picture" thinkers and more practical, shorter-term thinkers.

Increased Trustee Demands

Boards of health care organizations govern highly complex entities. The nature of health requires trustees to engage in ongoing education, time-consuming individual preparation for board and committee meetings, and attendance at trustee conferences and other educational and governance development events.

Many health care organizations are challenged to find trustees who not only meet specific board leadership requirements, but

Key Factors to Consider When Recruiting

- Recruit trustees with the skills that will best complement the organization's future strategic needs.
- Select trustees who have the passion and time to be committed to the organization's mission.
- Seek candidates who have a range of experience with serving on boards of directors.
- Ensure a commitment to the organization, experience as a trustee, and a willingness to learn about health care issues and trends.⁴

Breaking Barriers to Board Diversity

- **The just-like-me syndrome.** Too often, health care boards look for candidates similar to themselves in their career positions or education. The result is either outright failure, if no willing or suitable candidates can be found in the narrow segments that are searched, or a superficial increase in diversity that neglects the diversity of ideas and experiences.
- **Ineffective nominating procedures.** Board members are typically drawn exclusively from the local community, and recruitment can be hampered by the limited scope of contacts and life experiences of the existing board members, who often act as the primary board recruiters. To achieve a broader perspective, boards should consider expanding recruitment of trustees to qualified individuals outside of the area.
- **Inflexible board membership requirements.** Overly strict criteria for board membership can be counterproductive. Eliminate requirements for recruiting individuals that represent specific constituencies or occupations (unless, for example, you seek a financial “expert” for your audit committee). Look instead for the very best thinkers and leaders.¹⁶

who are also willing to commit the significant amount of time needed to fulfill the growing responsibilities and accountabilities required of a board member.

Recruiting the Right Trustees

Properly identifying, assessing and successfully recruiting a new trustee involves several steps. Boards should begin by conducting a comprehensive governance self-assessment to determine where they may have potential leadership “gaps,” either now or in the future. After identifying specific characteristics and skill sets desired, the board should seek out and talk with a variety of candidates who may meet their board service requirements. Once a new trustee is selected, orientation and ongoing education are critical to ensuring trustee success in providing strong and effective leadership to the organization on behalf of the community.

Identifying Leadership Gaps. In order to gauge leadership strengths and weaknesses, boards of trustees should conduct an annual board self-assessment. A comprehensive, meaningful self-assessment includes ratings of leadership performance in a broad range of areas. Each area should include several positively worded statements about the board's performance; trustees should rate the board's performance in each statement, and each broad area should be followed with one simple question: “How can the board improve its performance in this area”? The assessment should also include

a section in which trustees evaluate their personal performance in several areas of leadership effectiveness. Broad areas of board performance to be evaluated may include:

- Observing fiduciary duties and adhering to organizational ethics;
- Ensuring attainment of the mission, vision and values;
- Defining a purposeful strategic direction;
- Ensuring quality and patient safety;
- Providing sound financial leadership;
- Building strong relationships with the CEO;
- Building and sustaining community relationships;
- Building strong relationships with the medical staff;
- Ensuring improvements in community health;
- Ensuring a sound leadership structure and governance processes;
- Commitment to governance education and knowledge; and
- Demonstration of leadership excellence.

Once board strengths and weaknesses, leadership challenges and future leadership needs have been identified, the board can then develop a list of specific skills, attributes and characteristics that are important for new trustees to possess. The specifications should complement existing board members' skills and competencies and assist the organization in furthering its ability to provide high-powered, thoughtful, diligent leadership. In essence, instead of simply accepting any person who expresses an interest in serving on the board, or persuading a reluctant potential trustee to serve, the board should recruit trustees with the skills and personal characteristics that complement existing board members' resources and which results in a more well-rounded, competency-based board.

Governance Accountability for Cultural Competency and Equity. As a part of the board's accountability for mission fulfillment and leadership, trustees are being called upon to address their community's health care disparities and strengthen their organization's cultural competencies. A diverse board membership that reflects the community's diversity offers the board the benefit of first-hand insights, understanding and information that can contribute to the board's ability to appropriately recognize and take actions to

address the health care needs, disparities and inequities of the entire community.

Essential Skills, Experience and Knowledge. Boards of trustees can successfully recruit new trustees that meet their governance needs by selecting individuals with the right skills, experience and knowledge. Critical characteristics most often sought by health care boards include:

- **Motivated, committed and passionate in serving the health care organization and community.** Board members must be willing to commit to the time required to serve on the board and be active in fulfilling its mission and vision.
- **Ethical, respected and held in high esteem by the community.** Health care organizations will increasingly need to partner with both other health care providers as well as organizations that have an interest and stake in the community's health (such as police or fire departments, local business groups, religious organizations, public health agencies and others). Board members must be actively involved in gaining and sustaining the trust of the community and forming strong community partnerships to ensure the organization's success.
- **Strategic, innovative and visionary thinker.** Boards of trustees must understand that there is no single future that can be planned for and successfully executed. Board members will need to be flexible, dynamic governance

Key Steps in the Trustee Recruitment Process

The following steps are recommended for the recruitment of trustees to serve on health care boards. The philosophy and process may be similar for governmental hospitals whose trustees are appointed. However, the process is only a recommendation to the officials who will make the appointment.

1. Secure board agreement on a long-term succession plan and process: Purpose, participants and objectives
2. Appoint a board development committee to oversee the recruitment process
3. Develop appropriate background material on the organization and board of trustees: Bylaws, board member biographies, information about the organization, its market and its challenges, information on trustees and officers liability insurance, conflict of interest statement, board self-assessment process, board orientation process, etc.
4. Develop a trustee candidate overview and application (includes board job description, trustee qualifications, and candidate application), and a letter to be sent to prospective trustees indicating the organization's interest in discussing potential trusteeship opportunities
5. Develop a summary of candidate qualifications and a candidate profile, and a candidate assessment form to use as a tool in evaluating potential trustees. The assessment should be based on the criteria included in the candidate profile and job description. Consider assigning a "weight" to each criteria that reflects the relative importance of the criterion (e.g. 5 = greatest weight, 1 = least weight), and include specific questions to ask candidates to determine motivation and willingness to serve, ability to devote time required, knowledge of issues, conflict of
6. Secure board approval of the board development committee's recruitment process and recruitment materials
7. Identify the potential field of candidates
8. Make preliminary contact (letters and/or telephone calls), assess initial candidate interest and willingness to serve, if chosen
9. Review candidates and arrange interviews with members of the board development committee
10. Evaluate candidates using the candidate assessment tool, and prepare a brief written summary of each candidate (occupation, length of residency, community involvement, answers to questions, etc.)
11. Determine top-rated candidates, and present to the board development committee
12. Board development committee makes recommendation to full board
13. Nomination of candidate(s)
14. Send follow-up letters to candidates not selected, and determine other ways for candidates not selected to be involved, such as serving on the foundation board, on task forces, etc. Assess interest in filling future vacancies

decision-makers who are not surprised as the future unfolds. They must continually challenge the status quo, and encourage innovation, risk-taking and new ways of embracing the opportunities of the future. They must push for change, value creativity and innovation, and leverage change for strategic advantage.

- **Advocate.** Trustees are the voice of the community. They can and must use their clout and credibility to be strong and powerful influencers of lawmakers, regulators, community groups and others who influence or make decisions that affect the future of their organizations. Trustees need to be continually aware of political issues and legislative processes, and able to establish relationships with their state and national legislators and their health policy staffs. Advocacy success requires individuals with deep health care knowledge and literacy.
- **High intellect and willingness to learn.** Board members must develop a high level of understanding in the areas most critical to organizational success and performance. Decisions must be guided by the organization's mission, vision, values and strategic initiatives, and be based on facts that focus on priorities vital to the organization's success. Board members must be highly attuned and adaptable to change, requiring them to be proactive thinkers. They must also commit to and engage in continual governance education.
- **Collaborative, artful listener, and willing to engage and ask hard questions.** Miscommunication and misjudgment often are a result of inadequate listening, not from a lack of words. Strong and effective governance communication will require board members who are willing to listen attentively without rushing to judgment and absorb information before offering a definitive response. Board members must also be able to engage in critical conversations to ensure that decisions are made by grappling and grasping with concepts, ideas and practical solutions, leading to more informed and rational conclusions. They should also be willing to regularly confront issues by challenging assumptions and exploring alternatives to traditional thinking.
- **Ability to grasp implications of financial statements.** One of the principal jobs of the board of trustees is to oversee the financial performance and progress of the organization. The board must have individuals with professional experience and expertise in accounting and/or finance. A successful trustee with skills in this area brings professional expertise to financial discussions and decisions.

- **Ability to understand and value perspectives of the medical staff and patients.** Boards of trustees are responsible for ensuring the quality of care and patient safety provided by their organization. Trustees must take strong, organized action to establish and ensure an organizational culture that continually strives to improve quality and patient safety at every turn. While community board members are not expected to be physicians, a successful board should be willing to make a commitment to developing a good understanding of medical issues that affect the organization's success.
- **Prior board experience.** Individuals with experience on other boards bring unique governance and business perspectives that broaden and enrich the organization's governance functions. Their experience will provide community contacts and new ideas for ways to lead most effectively.

Finding Qualified Board Members. Once specific desired skills and characteristics have been identified, the board must recruit individuals that meet these specifications. Several approaches may be undertaken to find candidates, including:^{3,5}

- Maintaining a list of potential board candidates, often developed by the Nominating Committee or the Board Development Committee, including the specific skills they can bring to the organization;
- Assessing the leadership potential of individuals who already volunteer for the organization in other capacities, such as serving on the organization's foundation, or participating in ad hoc committees and task forces;
- Seeking out individuals who have a record of successful governing service on other boards, and who have the potential to bring credibility, expertise and community connections to board work;
- Asking the CEO and former board members to suggest replacements for outgoing members;
- Contacting successful former board members who were highly regarded for their leadership skills, and ask if they would be willing to serve again. These individuals are often a deep well of information and perspective; and
- Considering expanding the "network" of potential candidates, perhaps looking outside the immediate community for qualified trustees.

Throughout the recruitment process, stick to the board's pre-defined specifications for new trustees. Trustees must know and understand more, and take on greater responsibility than

they have in the past, underscoring the critical work of the board and weighty nature of board responsibilities. Candidates must have the time, availability and discipline to act on their commitment to the board and the responsibilities of trusteeship. When interviewing potential trustees, do not “sugarcoat” the job; be honest about board members’ roles and responsibilities and the time commitment required. The last thing a board needs is to select a new trustee who did not understand the commitment and who is then unable to fulfill his or her duties.

Next Steps. Once a potential trustee (or trustees) has been identified, several additional steps should be taken before extending an offer to serve on the board:⁵

- Double-check for potential conflicts-of-interest that cannot be resolved;
- Invite the prospective board member to meet with the board chair and the CEO for a detailed overview of the organization as well as relevant organizational materials, a board member job description, etc.;
- Provide the candidate with the names and contact information for board members he or she may contact with questions; and
- Invite the prospective new member to observe a board meeting and follow up with the candidate after the meeting to discuss his or her continuing interest.

What About the Next Generation of Leaders?

The keys to a successful and sustainable organization are rooted in a mission-driven focus, a sense of vitality and the ability to look ahead and plan for continued success into the future. Who better to contribute energy, new perspectives and a vested interest in the future than the next generation of leaders? Yet nearly 60 percent of not-for-profit board members are over the age of 50; add-in board members over age 40 and the percentage jumps to 86 percent.⁷ If your board is missing the diversity of age, you may also be missing the commitment, passion for service, and fresh thinking of your community’s next generation of leaders. In addition to the benefits younger leaders can offer to your board, you may also be missing an opportunity to offer your community a valuable leadership development experience for these future leaders.

The health care landscape is one of rapid change and evolution. Health care boards need a diverse mix of trustees who can bring together new ideas, concepts and thinking that will help to propel their organizations forward.

Is Your Board Age Diverse?

With only 14 percent of not-for-profit board members under the age of forty, health care organizations may be missing young leaders’ passion for service, their energy and ambition, and their fresh ideas and perspectives of the future. If the board is not engaging these young leaders as trustees, health care organizations are also missing the chance to contribute to the growth and experience of the next generation of leaders. If there are lingering doubts about the next generation’s leadership ability, experience and resources, consider *Fortune’s* list of “40 Under 40 2020.” The nation’s top businesses are benefiting from the leadership of these young C-suite executives. And so is health care, as demonstrated by *Modern Healthcare’s* annual “Up & Comers”¹⁴ recognition of health care management executives under age 40. Businesses both inside and outside of health care are recognizing the contribution of young executives and leaders to their success, but boards continue to lag in this area. With an eye on the future, consider these questions:

- How many generations are represented on the board? Are there three or even four generations?
- Does the board have a trustee succession plan? Does it include actions for building a pipeline of young trustee talent?
- What’s keeping the board from seeking out and including younger members of the community as trustees? Are these barriers valid? What can the board do to overcome them and invest in the next generation of leaders?

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