

Competency-Based Governance Enters the Health Care Boardroom

The American Hospital Association's
 **CENTER FOR
HEALTHCARE
GOVERNANCE™**

Monograph Series

About the Authors

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Overview

In 2009 the AHA's Blue Ribbon Panel on Trustee Core Competencies identified two sets of competencies that focused on the knowledge, skills and personal capabilities needed by trustees of hospitals and health systems to govern effectively. Realizing that the application of competencies to board work in health care was at an early stage, the panel recommended that tools and resources be developed that would help health care organization boards apply the competencies to a variety of governance practices.

A Blue Ribbon Panel Work Group of health care governance experts and health care organization trustees and chief executives was convened later in 2009 to carry forward the panel's recommendations. The Work Group, with funding from Hospira, a global pharmaceutical and medication delivery company and a member of the Center for Healthcare Governance, explored how boards could use competencies in four governance practices: board member selection, education, performance evaluation and leadership development and succession planning. The Work Group developed sets of tools and resources that incorporated trustee competencies into each of the four governance practices listed above. The tool sets were then tested by a group of hospitals and health systems and made available to the field in 2010.

This monograph describes competency-based governance and explains the processes and resources developed by the Blue Ribbon Panel Work Group to help boards integrate competencies into their work. It is intended as an introduction to the *Competency-Based Governance Tool Kit*, a comprehensive resource that includes all of the tools developed by the Work Group and provides guidance for implementing them. The resources included in the Tool Kit are also available through the Center's web site at www.americangovernance.com.

Together, this monograph and the Tool Kit will be particularly useful to board Governance Committees and board leaders interested not only in improving individual trustee performance, but also the performance of the board as well.

A growing body of research is strengthening the link between trustee, board and organizational performance. In this era of reform, health care governing boards can take an important first step to deepen that link by developing the competencies their members need to capably perform the important and critical governance work that lies ahead.

Introduction

The role of a health care organization trustee is getting more complicated and more sophisticated every day. Pressures are increasing simultaneously for higher quality, lower cost, more transparency and accountability, and use of evolving and ever-more-expensive technology. At the same time, hospitals face increasing competition from unexpected sources both for patients and for professionals in critical disciplines. Health care reform legislation has been enacted, but its implications for every dimension of the industry and its stakeholders are as yet unclear.

Buffeted by change on nearly every front, and in the face of unprecedented ambiguity and financial instability, trustees are faced with the need to make and endorse complex decisions that have long-term consequences. The challenges are often beyond those for which any amount of health care governance experience could have prepared them.

Competencies and Culture Travel Together

In the face of such conditions, the competencies of individual trustees and the culture that they build within their institutions are emerging as critical variables that differentiate the highest-performing health care organizations from the also-rans. Leadership culture reflects the values and norms within which the board of trustees and the leadership team of the organization operate—their compass and guide for decision-making and day-to-day behavior. Culture is shaped by shared behaviors which are, in turn, shaped by trustees' individual competencies, expectations, and interactions.

In February 2009 the Blue Ribbon Panel on Trustee Core Competencies, convened by AHA's Center for Healthcare Governance and the Health Research and Educational Trust, issued its report on competency-based governance. The panel concluded that:

- Individual trustee competencies are necessary, but not sufficient, for driving effective governance within health care delivery organizations.
- A board that has a productive and “generative” governance culture is able to leverage individuals’ competencies in ways that exceed their sum. Such a board does more than go through the fiduciary and strategic requirements; its members interact in a manner that:
 - Creates and pursues a shared strategic agenda.
 - Gets the right things done right and in a timely way.
 - Prompts high interaction within clear and shared rules of engagement and fosters directness, candor, open communication, efforts to understand dissenting opinions, and mutual respect among trustees.
 - Stimulates individuals to operate in ways that enhance group effectiveness.

- The highest-functioning boards are self-monitoring and self-directed. They foster a peer environment in which members:
 - Tolerate ambiguity and bring robust discourse to bear in rigorous debates.
 - Solicit and offer each other direct, timely, and candid feedback in ways that are appreciated, accepted and acted upon.
 - Are willing to challenge traditional assumptions and ways of doing things in order to explore new ideas and approaches.
 - Both challenge and support existing executive and medical leaders in a way that generates the best possible performance for the organization's stakeholders.

The underlying premise for these cultural factors is that every trustee has faith in the capability of both the collective board and every other trustee to work toward common goals in ways that fulfill the highest possible expectations. On high-functioning boards, feedback is offered not as personal critique, but as a trigger for dialogue about how we together can make things better.

The behaviors and cultural factors summarized above bear a remarkable resemblance to the characteristics of effective teams. In *The Wisdom of Teams: Creating the High-Performance Organization* (1993), Jon Katzenbach and Douglas K. Smith explored the difference between a working group and a team. More often than not, a board of trustees functions as a collection of individuals with different agendas who share information and insights, rather than as a team of people with complementary skills who are committed to a common purpose and accountable for shared and defined outcomes. It is the commitment to shared outcomes and recognition of the benefits of drawing on each others' skills that leads individuals to build on and extend each others' ideas so that board decisions are stronger than those any one trustee alone would have recommended.

These kinds of teamwork practices are central to the ability of any board to self-monitor and to continuously improve. They also are central to putting in place leaders and leadership processes that model for executive and medical leaders a culture that values:

- A shared governance agenda.
- Agility to adapt to new or changing circumstances.
- Rigorous exploration of problems and opportunities.
- Constructive dissent.
- Talent development.
- Continuous learning, both individually and organizationally.

Individual trustee competencies—and the behaviors that demonstrate them—are at the core of any health care institution’s culture. Without staffing, developing, and operating the board from a competency perspective, it is difficult if not impossible to build a culture that fuels innovation, adaptation, and learning through all levels of the institution.

When individuals, each of whom brings a given set of personal competencies, work together in a team, they tend to develop patterns of shared behavior. These reflect the collective competencies and behavior patterns or norms of the group. The work of the Blue Ribbon Panel focused primarily on individual trustee competencies, rather than collective ones, although it can be presumed that higher levels of individual competency will raise the effectiveness of the board’s collective behaviors.

What is a “Competency,” and What Competencies Are Most Critical on a Health Care Organization’s Board?

The topic of trustee competencies was explored in the Blue Ribbon Panel’s report on competency-based governance. For its purposes, the panel defined competency as *the combination of knowledge, skills, personal characteristics, and individual and social behaviors needed for an individual to effectively perform a job.*

Any job requires the incumbent to bring at least a minimum level of knowledge, skills, characteristics, and behaviors required to perform adequately. This would be considered the threshold level of competency for the job. For the most part, threshold competencies are generic and can be applied across all cases of the same kind of job across a given industry. Yet, if you look at all of the incumbents who are qualified to hold similar jobs across an industry, you’ll find significant variations in their actual effectiveness and impact once they are on the job, even if they all were judged to bring the same generic threshold competencies.

Such differences in performance represent variations in how the individuals translate their knowledge, skills, and characteristics into **intentional behavior** in carrying out their job responsibilities. Those resulting behaviors reflect the competencies that make a difference between average and superior performance.

Many organizations seek not just adequate performance, but superior performance. As a result, they are eager to identify those competencies that will differentiate from a candidate pool those individuals whose probable behaviors when they join the board will most likely produce superior results. Simultaneously they are also eager to help existing board members to strengthen existing competencies or to develop new ones as the needs of the organization and the issues facing the board evolve.

The Blue Ribbon Panel on Trustee Competencies built on the work of the National Center for Healthcare Leadership in identifying those differentiating competencies. A subsequent work group designed to begin implementing the panel's recommendations developed specific tools that any health care institution's board can use to refine its board recruiting, board member performance evaluation, trustee and leadership development, and leadership succession planning processes. The 18 competencies included in the Center for Healthcare Governance *Competency-Based Governance Tool Kit* are listed in Figure 1 below.

The intent of the work group was to use the trustee core competencies developed by the Blue Ribbon Panel as the basis for developing tools that promote **objective or data-based governance**. The concept of data-based governance means that boards adopt standard approaches and tools that provide objective information to help them make more effective assessments and decisions. Adopting a data-based approach to governance as addressed in the Center's Tool Kit will require boards to re-examine the ways they have implemented governance practices in the past and to consider how incorporating competencies into these practices can help achieve more objective, effective governance.

Figure 1: Individual Trustee Core Competencies

<i>Personal Capabilities</i>	
Accountability Achievement Orientation Change Leadership Collaboration Community Orientation Impact and Influence Information Seeking Innovative thinking	Managing Complexity Organizational Awareness Professionalism Relationship Building Strategic Orientation Talent Development Team Leadership
<i>Knowledge and Skills</i>	
Health Care Delivery and Performance Business and Finance Human Resources	

Process for Installing Competency-Based Governance

Building a board with the competencies needed to foster an effective governance culture involves several processes that parallel the board's incorporation of new talent and evolution as a working team. There are assessment steps (what do we need and what do we have), analysis steps (what roles and gaps need filling), and action steps (for example, recruitment, development and succession planning). The process for installing competency-based

governance focuses on defining needs, roles, and gaps all in terms of competencies—the knowledge, skills, personal characteristics, and individual and social behaviors needed for an individual to effectively perform the job of a health care organization trustee.

The key steps in the process are as follows:

1. What competencies do we need? (Future Vision)

First, the board determines what kinds of trustee competencies the ideal individual trustee would possess and the ideal combination of competencies that would constitute their future vision of the board's capabilities.

2. What competencies do we have now? (Current Assessment)

Second, the board assesses the competencies of current board members, so that any gap or enrichment needs can be identified.

3. Gaps to Fill through Recruiting or Development

Third, the assessment process will help the board identify any competencies that either do not exist among current board members or that need strengthening. Some gaps will be filled through outside recruiting to fill vacancies, and others will be filled by developing the competencies of existing trustees.

4. Recruiting for New Trustees to Fill Gaps

Fourth, one way the board can strengthen its competency profile is to select new trustees who match gap requirements. To do this, the Nominating or Governance committee assesses the capabilities and competencies of board candidates to identify those whose competencies are the closest to filling the need. This is done by focusing the candidate search process and interviews with potential candidates in ways that reveal whether their past experience and behavior have reflected strength in the targeted areas. Then, once a trustee has joined the board, his or her competencies may be assessed to determine relative strengths and areas for further development to optimize the work of the board as a whole and ensure that committee membership roles are properly filled.

5. Individual Trustee Development Plans

Based on the comparison of current competencies versus future needs, an individual development plan for each board member is created that will provide classroom education, coaching or mentoring by another board member, or special assignments that will strengthen competencies where needed.

6. What Leadership Roles Will Need Filling?

Many boards have term limits for both board membership and committee or board chairs. Examination of probable dates for turnover in those positions or even retirement from the board will identify spots where new leaders are likely to be needed.

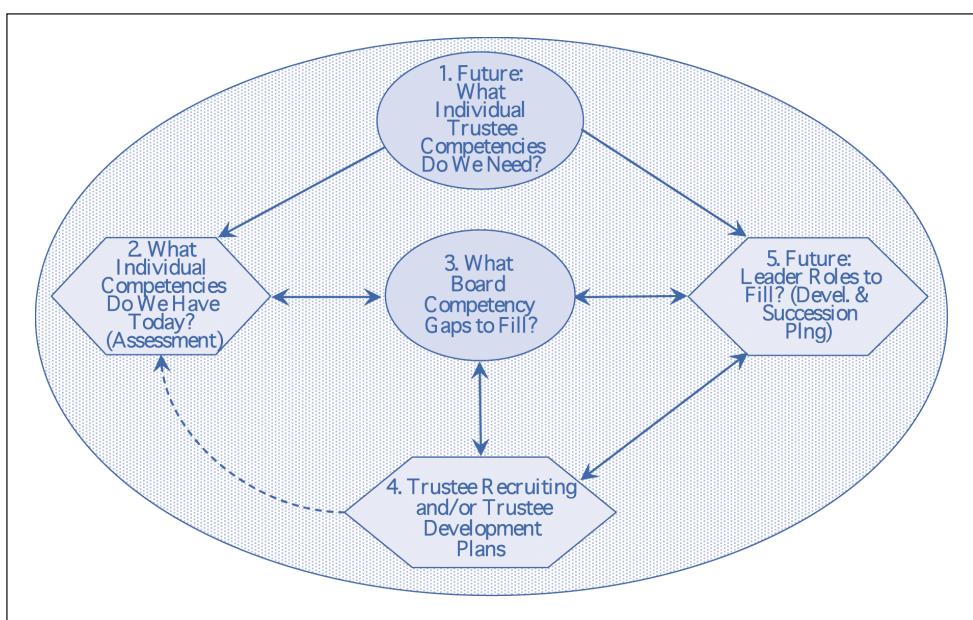
7. Board Leadership Succession Planning

Comparing leadership role descriptions to the experience and competencies of individual board members will identify the different developmental needs of each potential board leader. One candidate for board leadership might need to spend time on a particular committee learning the ropes before taking on leadership responsibility, while another may need broadening (multiple different committee assignments) to prepare for tenure as board chair.

Succession plans are unique to the board, its individual members and their personal/professional competencies, and the moment in time that defines the needs. Such plans not only strengthen individual board member competencies and contributions, but can also build a stronger foundation for the overall board's performance.

These processes and their inter-relationships are illustrated in Figure 2 below.

Figure 2: Process for Building Individual Trustee Competencies



The process of working through the various assessment, analysis and planning activities can be carried out by the full board or, more likely, by a nominating and/or governance committee of the board. Laying the groundwork is important so trustees don't feel threatened by the process or the fact that their capabilities and competencies are being examined.

Laying the Groundwork with Your Board

In all probability, the idea of introducing competencies to governance will be a new one for most trustees. Some boards have begun to use competency criteria to define the needs for CEO selection and senior leader development. Yet, far fewer have applied the concepts to their own trustee recruiting and succession planning processes.

Competency-based governance makes logical sense. Every trustee can understand intellectually that it makes sense to select trustees for competencies they bring to board service. The parallel with executive leadership is obvious. You're trying to get the best talent for the job as it will exist in the near future.

However, some board members may feel threatened by the idea of competency-based governance. They may not have experienced competency assessment in their own careers, and they weren't necessarily selected for their current board positions based on an objective assessment of the competencies that they apply on a day-to-day basis. They may feel they have already proven their contributions on the board. They are senior leaders in their own professional spheres and may not be used to receiving feedback from anyone, let alone feedback on needed development. In addition, they may be sensitive that the results of their competency assessment might be shared with their colleagues, shedding light on areas in which they are not strong. They may even feel their board tenure could be jeopardized by the assessment findings.

These personal reactions are understandable and should be acknowledged right up front as the process is introduced to the board. A typical process for introducing competency-based governance should include the following messages:

- Competency-Based Governance is About Optimizing Our Contribution to the Organization and its Stakeholders.**

Competency-based governance will strengthen the contribution individual trustees and the full board make to the hospital or health system on behalf of its stakeholders. The intent is not to emphasize any one trustee's developmental priorities, but rather to be able to support each trustee in the most appropriate ways while strengthening aggregate board capabilities. In short, competency-based governance will:

- Ensure that we have broader and deeper expertise on the board to make better governance decisions.
- Focus new recruiting on competencies we need for the future, to enrich the board.
- Guide us in helping each other to develop and refine our respective capabilities and competencies.

- **The Board is a Team, Not Just a Collection of Individuals.**

Competency-based governance is based on the view that a board is a team, rather than simply a collection of individuals. The Blue Ribbon Panel Work Group initially focused on applying the competencies of individual trustees to board work. However, the pattern of individual board member competencies is critical to the competency of the entire governing team. This means two things:

- Not every individual will hone his or her competencies to an equal level across the core competencies. Rather, the premise is that a “rising tide floats all boats.” In other words, boards that apply trustee competencies to their work are likely to be more capable and evidence-driven in their governance practices. Members of these boards will come to know each others’ strengths and weaknesses and be able to trust each others’ judgment in given areas where competencies are strong. Boards that govern from a foundation of individual member competence will also staff for complementarity, that is, they will bring in new board members who will reinforce areas where competence is less strong. By putting individual competence into practice and thereby modeling behavior that builds and reinforces competence in others, boards can strengthen the performance of both individual board members and the board as whole.
- Not every trustee will evolve into a committee chair or board officer. In other words, it’s possible to be an effective trustee without ever becoming a board leader.

- **The Results of Individual Peer Assessments are Shared Only if You Choose to Share Them.**

The process of moving toward competency-based governance will at various stages identify the strengths and developmental opportunities of individual trustees. Data regarding strengths and opportunities will be shared with the individual trustee and will otherwise be kept confidential; the individual will choose whether to share that information with others. The board itself—through its chair or the chair of the Governance or Nominating Committee or other individual or group charged with leading the process—will receive from the Center for Healthcare Governance aggregate confidential data without identification of any one individual’s results. To the extent that individuals choose to share and discuss their results with others, they will be making an even greater contribution to the institution, but the degree to which data are shared will be up to each individual.

Results of the interview-based assessments of potential board member candidates will be shared to enable the board to make sound selection decisions and to allow the responsible board group to define developmental priorities.

- **The Tool Kit Offers a Flexible Suite of Tools For Boards to Tailor and Adapt.**

The Tool Kit referenced below represents an integrated suite of tools that build upon each other. For example, the results of the competency peer assessment tools will provide baseline data for recruiting new board members, as well as educating and developing current directors. This set of tools is designed for easy use by hospital and health system boards either independently—introducing one at a time—or as an interdependent and more complete system. In other words, it is adaptable to the readiness of each individual board.

- **The Tools and Processes are Simple and Pragmatic.**

The tools described here represent an early stage of applying trustee core competencies to board work and can be improved through broad use and refinement over time. This Tool Kit offers a mechanism to advance competency-based governance in a way that is easy and straightforward for hospital and health system boards to implement.

- **Formal Education and Peer-to-Peer Development Benefit Individuals and the Board as a Whole.**

The primary purpose of the competency-based governance framework is to support and provide development to existing trustees. It is not to weed them out or in any way jeopardize existing tenure. Yet in all probability the developmental priorities identified through trustee assessment will be issues already identified by peers on the board. As a result, the assessment vehicle can actually improve relationships among trustees because the focus is objective and developmental, rather than judgmental.

Emerging research about governance effectiveness identifies competency development as a central tool in strengthening the board as a governance team. Over time, any board will benefit by assessing its collective effectiveness as well as the contribution that individual trustees are making to the whole. Tools for advancing competency development are intended to focus on both formal education or training and peer-to-peer development (mentoring as well as experiential activities that broaden exposure to trustees who currently have a high level of proficiency in specific competencies).

The wise board chair will use each of the points above as the focal point for discussion among trustees, perhaps working through the Governance Committee and then having that committee conduct a parallel conversation with the full board.

Overview of the Competency-Based Governance Tool Kit

Figure 2 on page 8 above provides a framework for understanding the competency-based governance process and suggests how competencies can be applied to development of both individual board members and board leaders. The series of application steps described below suggests how boards can use the Tool Kit to incorporate competencies identified in Figure 1

on page 6 into the foundational governance process portrayed in Figure 2. These process steps are sequentially numbered; however, after the board has conducted a competency assessment of current members using the peer assessment tools described below, each board will likely implement subsequent steps according to its individual needs and priorities.

The *Competency-Based Governance Tool Kit*, available from the Center for Healthcare Governance, was developed to provide simple, pragmatic tools for each of these processes that any board could use to begin implementing a foundation for competency-based governance.

Step 1: What Do We Need?

What is Our Future Vision for the Board? It's important to shape a vision of the future board and the competencies its individual trustees will have both singly and collectively. The first step in creating this is to consider the future strategic direction of the institution and the kinds of decisions trustees will be called upon to make. The issues and decisions that will arise define the kinds of capabilities and competencies that trustees will need to have. The board needs to determine what competencies every individual trustee needs to have and what competencies need to reside somewhere on the board; in other words, some competencies will be prerequisites for every trustee, and some will need to be represented by only some members of the board. Those two decisions—competencies required for all versus those to be brought only by some—are central dimensions of the future vision. The AHA's Blue Ribbon Panel on Trustee Core Competencies recommends that while only some trustees on a given board will have expertise in the Knowledge and Skills competencies listed in Figure 1, boards should look for in every trustee as many of the Personal Capabilities listed in Figure 1 as possible.

Step 2: What Do We Have Today?

The future vision is the foundation for determining board recruiting and development needs; it's necessary, but not sufficient. No board can determine its future staffing needs without assessing what it currently has and without keeping in mind when each current director's term expires or that individuals might choose to retire. The assessment begins with **Peer Assessment** surveys provided in the *Competency-Based Governance Tool Kit*. The individual uses a survey designed to enable assessment of his or her own performance. Peer raters use a similar survey to assess the individual.

In concept, peer assessment is a useful way to define what competencies each trustee brings to the institution. While a few trustees may be too new to have demonstrated their full capabilities yet, most have worked together on the board over a long enough period to be able to describe the behaviors of their board colleagues and the competencies that those behaviors demonstrate. Such an assessment generally offers a more complete profile of a trustee's competencies than would an assessment performed by the board chair or even by a

committee (like Governance or Nominating). The premise underlying a peer assessment is that peers see a trustee's on-the-job behavior objectively. Because they are engaged in real work with the individual, their assessment is more accurate than one based on an interview or other more formal (and possibly artificial) interaction.

The peer assessment survey instruments include 42 short statements that describe how each trustee operates in performing board business. The questions identify behaviors that are associated with the various competencies identified in Figure 1. For example listed below are sample questions related to the Accountability competency included in the survey that individuals use to rate their own performance.

Accountability	Low				High
I require a culture of strong accountability in which people understand and are expected to meet their commitments.	1	2	3	4	5
I appropriately and effectively hold myself and others accountable for demanding high performance.	1	2	3	4	5

A scale is provided for use in responding. The scale runs from 1, which means the individual does this rarely (if at all), to 5, which means that the trustee does this always and on a consistent basis.

Board members will be asked to complete an on-line competency-based peer assessment survey for the fellow trustee(s) they are assigned and to submit their completed surveys to the Center for Healthcare Governance. The survey was designed to take no more than 10-15 minutes to comment on trustee strengths and developmental opportunities.

Results are provided in two forms. First, the Center will tabulate, display and return to each participant his or her survey results across the 18 competencies assessed. Once directors learn the outcome of their peer surveys, each takes charge of his or her own development planning, often in collaboration with a board officer such as the board chair or chair of the Governance Committee. The **Guide to Creating a Personal Development Plan** included in the Tool Kit gives some suggestions about how to go about translating the peer assessment results into plans for leveraging strengths and building more competence in opportunity areas. Step 5 on page 17, below, describes a typical process for creating personal development plans.

The chair of the board or of the Governance or Nominating Committee also will receive a summary of the average aggregate ratings across all 18 competencies. Individual trustees' names and ratings will *not* be shared. Rather, the board's designee will receive a profile for the board as a whole so that the committee can plan for activities that will address developmental opportunities. (See Step 3, below, for Recruiting and Step 5 on page 17 for Board Education.)

Peer assessment should be conducted at least once during each term of service for every board member to identify current strengths and weaknesses and help identify potential candidates for board leadership positions.

Step 3. Gaps to Fill: Recruit or Develop

Building on the aggregate profiling report generated from the peer assessment, the Governance/Nominating Committee will compare its list of future requirements (Step 1, above) with the existing competencies of the current board members as shown in the board profile (Step 2, above). In addressing areas for development, the committee will identify where needed competencies should be built among existing board members and new competencies should be added to the board through recruiting. The board member recruiting process is discussed in more detail in Step 4, below.

Step 4. Trustee Staffing and/or Recruiting

The Tool Kit contains several resources to help boards recruit new members with competencies needed to strengthen the board's current competency profile. Resources include a Board Member Position Specification, Recruitment Process Guideline and a recruitment Interview Guide that can be adapted by boards to further incorporate competencies into the board member recruitment and selection process.

The position specification sets forth a generic model for the position of trustee and indicates where a health care organization can fill in specifics to customize the description for its own use. This specification lays out the nature of the institution, the responsibilities and time commitments expected of individual trustees, the policies with which they are expected to be familiar, the broad duties they will hold and the core competencies inherent in holding the position. This specification, combined with the definition of competency gaps or future needs to be filled through recruiting, provides a focus for interviewing candidates.

The primary tool, the **Interview Guide for Competency-Based Board Member Selection** provides a description of each competency, suggested interview questions to determine the extent to which each board candidate demonstrates use of competency behaviors and a rating scale that allows interviewers to provide an overall numeric rating for each competency.

For example, one of the important competencies for trustees is “Information Seeking.” The guide approaches the interviewing process through four steps.

1. The **competency is first defined**—in this case, Information Seeking means showing the curiosity and desire to learn more about an issue and includes pressing for clearer information, asking questions to resolve discrepancies in information derived from different sources, and so on.
2. Then several examples of **information-seeking behaviors** are provided. These include asking questions designed to get at the root of a situation, seeking expert perspective, adopting best practices from other industries, and so on.
3. **Sample interview questions** are provided to reveal prior experiences or situations in which the trustee demonstrated these behaviors. One of the classic problems in interviews is that candidates may describe their capabilities through broad generalizations; it is up to the interviewing team to probe so they gather specific examples of behaviors and their results. The sample questions offered for each competency are designed to reveal specific actions that the individual took and the consequences generated. While the interview team may not use every one of these questions, several are provided for each competency to generate useful behavioral examples.
4. The **candidate’s responses are then rated** on a five-point scale. As in the case of the peer assessment, a score of 1 means the individual demonstrated few or no behaviors associated with the competency, whereas a rating of 5 suggests a high level of skill in using multiple behaviors associated with the competency. A candidate rating a 1 or 2 on a competency is unlikely to contribute significantly to the board’s average competency in this area, whereas a rating of 4 (proficient) or 5 (ideal role model) will contribute a great deal.

Figure 3 on the following page shows an excerpt from the Interview Guide for the Information Seeking competency.

Results of the competency-based board member interviews can be used to select the candidate(s) who best meet the board’s needs for specific areas of strength. Results may also be shared with the board’s Governance Committee or other committee responsible for board education, board member evaluation, and leadership development/succession planning as baseline information that can be used in planning for future board and board member development.

Figure 3: Interview Guide for Information Seeking Competency

Information Seeking

An underlying curiosity and desire to know more about things, people or issues, including the desire for knowledge and staying current with health, organizational, industry and professional trends and developments. It includes pressing for exact information; resolving discrepancies by asking a series of questions; and scanning for potential opportunities or information that may be of future use as well as staying current and seeking best practices for adoption.

Information Seeking Behaviors: Asks questions designed to get at the root of a situation, a problem or a potential opportunity below the surface issues presented; seeks comprehensive information; seeks expert perspective and knowledge; establishes ongoing systems or habits to get information; enlists individuals to do regular ongoing information gathering; adopts the best practices from other industries.

Sample Interview Questions to Identify Competency Behaviors

Think of a situation or situations where you were involved in seeking out information or learning about new issues or trends in order to resolve a problem or keep current. Feel free to reflect on experiences you have had professionally or as a member of a board or other group.

- What steps did you take to gain a greater understanding of the problem or issue?
- How did you go about gathering the information you needed to address the issue or problem?
- What kinds of questions did you ask to gain greater clarity about how to address or resolve the issues or problems?
- How did you know you had enough information to take action?
- What systems and processes did you help put in place to get relevant information on an ongoing basis?
- Were you able to identify and apply best practices to addressing the issue or problem and if so how did you accomplish this?
- In your view, what steps can a board take to ensure that it is getting the information it needs to make sound decisions and effectively govern?

Assessment Ratings

- 1 = Demonstrates little or no behaviors associated with this competency.
- 2 = Demonstrates some behaviors associated with this competency.
- 3 = Demonstrates several behaviors associated with this competency but could still benefit from further development.
- 4 = Demonstrates proficient use of this competency.
- 5 = Demonstrates highly skilled use of multiple behaviors associated with this competency.
Considered an ideal role model.

Overall rating: _____

Step 5. Individual and Shared Trustee Development

In addition to bringing new or enhanced competencies to the board through recruiting new members, boards can also boost competencies through development of existing board members. Several approaches to board development are discussed below.

Individual Plans. Analysis of personal assessment results starts with comparing self-ratings to an average of the ratings received from peers and an average of the ratings of all individuals who evaluated themselves. The trustee is asked to determine those competency areas in which he or she can make the greatest contribution to board work, as well as those areas in which further development (coaching/mentoring, education, or partnering) would be beneficial. The defined strengths and opportunities represent the foundation for personal development planning. The Tool Kit includes a sample **Personal Development Plan** form and instructions for its use, which should be provided to each trustee.

The Center recommends that each trustee have the opportunity to work with a peer, such as a board officer or member of the board's Governance/Nominating Committee, in creating the development plan. The decision to share the plan more broadly is left to the discretion of the individual who received the scores.

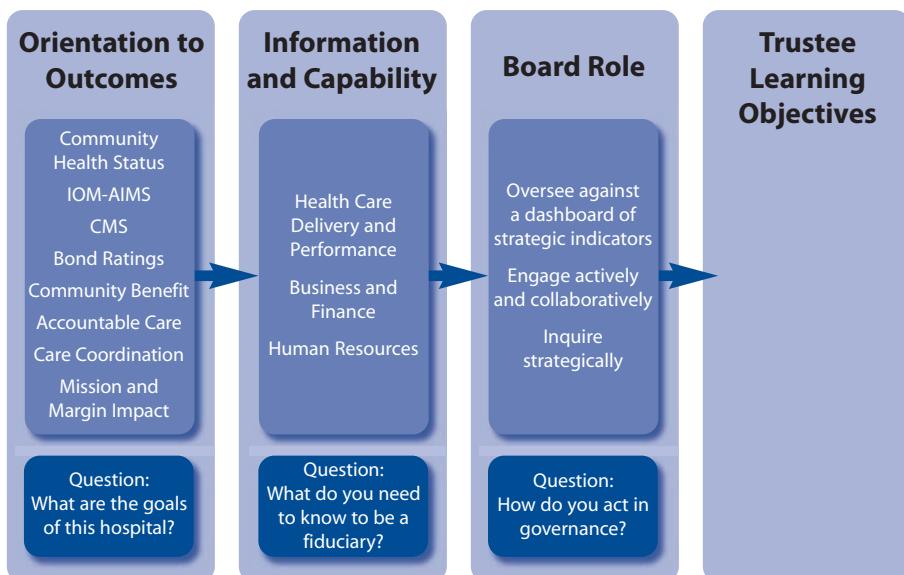
Board Development Tools. Two approaches to promote further competency development among board members are addressed in the Tool Kit. The first is a model that suggests steps for incorporating development of knowledge and skills competencies into **Board Education**. The second is a **Mentoring Guideline** that discusses how boards can use the mentoring process as an educational tool to strengthen use of the 15 personal competencies through peer interaction.

Board Education. Even when individual trustees "own" the need to develop their competencies in order to increase their effectiveness in performing board duties, they will generally need different experiences for developing knowledge and skills from those that are appropriate for developing new behavior patterns. The trustee competency Tool Kit addresses both planning for education (for conveying knowledge, building skills, and broadening experience) and building a mentoring program (for coaching individual trustees in individual boardroom and board leadership behaviors).

Three areas of knowledge and skill were identified as core competencies for trustees. These are Health Care Delivery and Performance, Business and Finance, and Human Resources (employees, physicians, volunteers, etc.). While competencies in these three areas would reside in some but not all board members, all three represent important orientation areas, especially for trustees who have not served on a health care institution's board in the past.

In orienting new trustees to health care in general and your institution in particular, it's important to focus first on the outcomes that the organization is committed to achieve. Trustees need to understand the outcomes by which success will be measured and the background for each outcome—what it is, how it is measured, why it is important, and what it tells you about hospital performance. The schematic below (Figure 4) illustrates the broad education and orientation framework that is provided for your use in the Tool Kit.

Figure 4: Framework for Board Educational Planning



The framework rests on the premise that orientation to outcomes (explained in detail in the Tool Kit) is the foundation for board education. Each trustee needs to understand the hospital's targeted outcomes and the rationale for why certain indicators and specific levels of performance on each indicator were chosen. In addition, each outcome area reflects current issues in the health care environment which all trustees need to understand to effectively discharge their fiduciary responsibilities to safeguard the institution's assets and resources and to ensure that performance improvement processes result in appropriate quality and safety outcomes for the community.

Defined outcomes shape the information and capability that trustees need about the institution, which enriches their understanding of the board's role. The three knowledge and skills competencies cannot be performed well without understanding key variables in three areas which define additional learning priorities for the board to best perform its dual role of:

- acting as a resource for the CEO to tap in helping to support the hospital's quest to achieve its goals.

- serving as a judge of performance achieved and the effectiveness with which the leadership team and the CEO in particular achieves those goals.

As a result, it's necessary for trustees to understand what the overall board does to fulfill both of these roles and how effective trustees behave in order to balance these two roles and carry out each effectively. These roles are delineated in detail in the Tool Kit materials.

Trustee Mentoring. Highly successful people rarely make it on their own. They succeed because they enlist the help of a variety of experienced people who can guide them. A leader takes them under his or her wing, or the individual seeks out someone from whom to learn. In the challenging area of health care governance, even the most savvy community board members who join a health care board for the first time can benefit from the wise counsel of seasoned board members.

Successful trustees occasionally also need a network of trusted and discrete individuals to whom they can turn for counsel on difficult issues and for strategies that minimize risk and maximize success. Because health care governance is a field where there is relatively little formalized training, mentoring may prove to be an invaluable tool to accelerate the development and seasoning of any institution's trustees.

A mentoring initiative is more effective if its goals and process are clear to all trustees at the outset. The most appropriate goals for a mentoring program are:

- To help members with no health care background learn about the industry's critical success factors and the variables that trustees are charged to oversee.
- To provide a safe environment for gathering background information, asking questions and testing ideas.
- To build knowledge about the industry, the institution, its competitors and its consumers.
- To foster learning while building interpersonal connections for the newer board member.
- To groom future board leaders.

Mentoring represents a partnership between two individuals, one more seasoned or experienced than the other. It is a form of coaching relationship in which knowledge is shared, experience is explored, and new ideas can be tested with minimum risk. The Tool Kit describes how to establish and maintain a mentoring program.

Boards that address competency-building by using these approaches can assess their impact by periodically conducting the peer assessment process for each board member and comparing current results with previous assessment results.

Step 6. What Leadership Roles Will We Be Filling?

Step 6 in the process of competency-based governance is parallel to Step 1 in that it is a determination of what leadership positions will be vacated in the future and the specific competencies that will be needed to ensure effective board and committee performance. The tool for Leadership Development and Succession Planning begins with questions for the Governance or Nominating Committee to use in defining future board leadership requirements.

Step 7. Leadership Development and Succession Planning

The **Leadership Development and Succession Planning** tool addresses processes shown in box 5 on the right side of Figure 2 and indicates how boards can apply competencies to these processes. This tool outlines a structured process for helping boards identify board leadership opportunities, the competencies most needed in various board leadership positions, who possesses these competencies, how to assess the willingness of potential candidates to serve as board leaders and how to identify any development activities they would undertake in advance of assuming a leadership role.

The tool explains how to use the results of competency-based peer assessment, board member recruitment and selection, and board education and development activities to identify and select future board leaders. In addition, it explains how each behavioral competency of effective board leaders “looks” so that the Governance/Nominating Committee chair or others engaged in filling those positions have a common template against which to determine the most appropriate and capable trustees are nominated to committee chair and board chair positions. Finally, the tool walks the responsible committee through a series of questions for defining the requirements, identifying potential candidates for each position, determining a developmental strategy to hone their skills in advance of their becoming nominees, and screening those candidates before constructing a slate of nominations for the full board’s approval.

Conclusion

In this era of significant health care reform, governing boards will be called upon to provide a new level of leadership for hospitals and health systems. An organization’s culture and the individual competencies of its board and leadership are key variables that will distinguish high-performers. Boards that adopt a competency-based foundation for key governance practices are more likely to provide the level of leadership needed to guide their organizations through the challenges and transformational change that will define the next wave of health care delivery.

This publication provides an overview for boards to begin adopting competency-based governance. For more information on the *Competency-Based Governance Tool Kit*, the work of the Blue Ribbon Panel on Trustee Core Competencies and other competency resources, visit the Center’s Web site at www.americangovernance.com.

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