

Guided by their organization’s mission, vision and values, trustees must govern with their eye on the future, the well-being of patients, and the health of their communities. In recent years, changing payment systems and increased emphasis on performance have intensified hospitals’ focus on value. To succeed and ensure long-term viability in today’s environment, trustees of hospitals and health systems must focus on adapting to the demands for value and performance excellence in a complex and uncertain health care environment.

Why Baldrige?

The Baldrige Performance Excellence Program is a public-private partnership dedicated to helping organizations improve and succeed in a competitive global market by addressing three questions: “Is your organization doing as well as it could? How do you know? What and how should your organization improve or change?” When a guest at a Baylor Health Care System board quality meeting observed that committee members “talk[ed] about all the good stuff, but never, ever talk[ed] about what’s not working well,” Jerri Garison, president, Baylor Scott & White Medical Center – Plano and Baylor Scott & White Health – North Texas, East Region, knew they needed to begin the Baldrige performance improvement process. Today, Baylor Scott & White – Plano (BSW – Plano) has received both local and national recognition for excellence.

A cornerstone of the Baldrige program is its Excellence Framework. The framework provides criteria and questions that represent leadership and management best practices for promoting performance excellence. To help strengthen participating organizations’ performance, Baldrige identifies its three roles as:¹

- Improving organizational processes, capabilities, and results;
- Facilitating communication and sharing of best practices among U.S. organizations; and
- Providing a working tool for understanding and managing organizational performance, guiding strategic thinking, and providing learning opportunities.

Since 2005, health care organizations have represented more than 50 percent of the applicants for the Baldrige Award. And, Baldrige hospitals and health systems are faster to display five-year performance improvement.²

The Baldrige Influence on Governing Excellence

Strong leadership is a requirement for achieving performance excellence in the Baldrige performance system. The program's governance criteria require the board to define how its organization ensures responsible governance. Many of the organizations beginning their Baldrige journey find that they don't know what they don't know until they get the feedback the program provides. As Garison observes, it's not until you start the Baldrige process and begin comparing yourself to others nationally that you begin to see your flaws.

Methodist Healthcare System in San Antonio, TX, found opportunities to strengthen its governance as it processed the Baldrige program's many "how" questions. As a result, Methodist Healthcare System established a formal Governance Council, which meets on a regular basis to plan for improved governance. The council's work is credited with driving a growing list of improvements. Among them has been the streamlining of a 50-person system-wide Community Board, a committee of the Board of Governors, to a more efficient and effective 12-member board. Today, Methodist Healthcare System president and CEO Jaime Wesolowski characterizes the board's leadership and governance as a recognized strength for the organization.

Ensuring Responsible Governance

Organizations pursuing Baldrige recognition must demonstrate how they carry out their governance in eight areas of responsibility. They must answer questions such as:^{1,3}

- How do you govern your organization and fulfill your societal responsibilities?
- How does your organization review and achieve the following...?
 - » Accountability for senior leaders' actions
 - » Accountability for strategic plans
 - » Fiscal accountability
 - » Transparency in operations
 - » Selection of governance board members and disclosure policies for them, as appropriate
 - » Independence and effectiveness of internal and external audits
 - » Protection of stakeholder and stockholder interests, as appropriate
 - » Succession planning for senior leaders
- What are your results for governance accountability?
- What are your key current findings and trends in key measures or indicators of governance and internal and external fiscal accountability, as appropriate?



The table below illustrates how a board might “hardwire” Baldrige criteria into their governance structure and practices.³

Governance Concept ³	How the Board Drives Behavior ²	Board Committee Driving Compliance ²	How the Board Ensures Performance ²
Accountability for senior leaders' actions	Approval, deployment and review of goals	Board: Finance, Investment and Audit, HR, and Chair:CEO (1:1) discussions	<ul style="list-style-type: none"> • Multiple Boards of Directors (BOD) reports • BOD member questions
Accountability for strategic plans	Review of strategic plan and budget, dashboard performance reviews and key indicator reviews	Board: Performance Review Committee, Finance, Investment and Audit, HR	<ul style="list-style-type: none"> • Board book • Board scorecard • Multiple measures
Fiscal accountability	See above	Finance, Investment and Audit	<ul style="list-style-type: none"> • Internal and external audits
Transparency in operations	Individually signed Code of Conduct (CoC) and Conflict of Interest (COI) form every year	Board	<ul style="list-style-type: none"> • External audits • Community oversight
Selection of governance board members and disclosure policies for them	Systematic nominating process with selection criteria	Nominating Committee	<ul style="list-style-type: none"> • Individually sign Conflict of Interest (COI) forms annually • Self-evaluation • BOD evaluation
Independence and effectiveness of internal and external audits	Audits conducted	Finance, Investment and Audit	<ul style="list-style-type: none"> • Internal and external audit results
Protection of stakeholders and stockholder interests	Various stakeholders on the BOD	Board	<ul style="list-style-type: none"> • Internal and external audit results
Succession planning for senior leaders	Chair: CEO plan Succession planning process Plans developed for all Senior Managers Management development	Chairman HR Board	<ul style="list-style-type: none"> • Updating • Review each year • Promotions from plan

Ensuring board accountability. Accountability in the Baldrige program begins at the top, with the board. Program examiners want to know how the board evaluates its own performance and how it uses that information to advance the board’s development and effectiveness.

Strong board performance is built first upon a sound understanding of the board’s role and responsibilities. At BSW – Plano, the process of developing board evaluations helped the board advance from a focus on operations to thinking “big picture” at a higher, more strategic and more governance-appropriate level.

Ensuring that board members have “well-chiseled” job descriptions that help trustees really understand what their roles are, and are not, is the responsibility of the Governance Council at Methodist Healthcare. The board member job description is subject to a continual process of improvement as leaders frequently discover new governance opportunities to improve upon.

Annual self-assessments are the most common form of evaluating how well a board is carrying out its responsibilities. It is the mechanism for leadership improvement. As Dr. Glenn Crotty, executive vice president and chief operating officer for Charleston Area Medical Center (CAMC), a 2015 Baldrige Award recipient, observes, the Baldrige process has “hooked” members of the CAMC board. They have attended Baldrige Quest meetings and are well aware of the principles and actions of the Baldrige process. Benchmarking its results, the CAMC board uses assessment findings and feedback to enhance its board member orientation and provide additional opportunities for trustee education. As a result, Crotty says the board has become noticeably more engaged and interactive.

Ensuring accountable senior leadership. The actions of senior leaders are crucial to an organization’s success. Baldrige criteria explore leaders’ role in implementing change and how leaders’ performance is evaluated. Crotty notes that CAMC’s board compensation committee is responsible for evaluating the chief executive and for reviewing assessment reports for other senior executives. In its reviews, CAMC’s compensation committee takes into consideration the CEO and senior executive interactions it observes during board and committee proceedings. Proceedings give board members direct opportunities to observe executives in action and to ask questions of them. To ensure and validate executive performance, the committee monitors data and evaluates the organization’s results by asking: “Have strategic plan goals and objectives been met? Have quality targets been achieved? Have costs been removed from the system?”

Succession planning. As health care organizations face increased pressure for high performance, transparency and accountability, governance succession planning is essential to leadership strength. Setting a vision and direction for the organization’s future, establishing performance expectations, and cultivating the processes that drive success depend on that leadership strength.

A best practice that BSW – Plano learned from other Baldrige organizations is the importance



of board composition. Explaining how valuable feedback from other industries has been to her as a leader, Garison observes that a matrix for board member succession helps to ensure professional diversity and differing opinions on the board, which make her think differently about issues.

According to Wesolowski, the Baldrige program forced Methodist Healthcare System to be much more forward-thinking in its succession planning. Today, the organization not only has a detailed succession plan for the board, but also for its leadership team, from vice presidents to directors throughout the system. Annual performance evaluations include consideration of potential promotions, when they might occur and who is in position to succeed following a promotion. The Baldrige process enabled Methodist Healthcare System to strengthen its governance and gave board members a new perspective on just how important their board jobs are. That perspective has helped Methodist to recruit strong board members. Today, board members recognize that governance is a true commitment, as opposed to people simply agreeing, “Sure. I’ll be on your board.”

Accountability for strategic plans. Many health care organizations on a Baldrige journey find that their strategic planning simultaneously evolves from a rudimentary process to a robust one with a deeply engaged board. The Baldrige program provides tools and guidance that help organizations develop to the point where their approach is well-integrated across the organization and is characterized by repeatable processes, continual improvement, collaboration, analysis, efficiency, innovation and measured progress and results.

Wesolowski observes that he and the executives at Methodist Healthcare System are now able to give the board plenty of information with the corresponding expectation of more in-depth feedback from the board than before they began the Baldrige program. At BSW – Plano, Garison and her executives have a heightened awareness of external constituents and their perceptions of the organization. They think very differently and more broadly about who their customers are now than they did before engaging in the Baldrige process.

A robust strategic planning process has also evolved at CAMC, one that demonstrates the system-wide thinking the Baldrige process engenders. In addition to its planning committee, CAMC now engages multiple board committees in their strategic analyses, including the finance committee, for their input into strategic financial and growth goals, and the quality committee, which contributes to establishing quality goals. CAMC’s medical staff conduct an annual SWOT (strengths, weaknesses, opportunities and threats) assessment, develop goals and outline how goal achievement should be shared. A community needs assessment is conducted with a variety of other stakeholders that include state and county health departments, community leaders and the business alliance coalition to secure community residents’ perspectives on what priorities CAMC should address.

CAMC strives to eliminate as many “blind spots” as possible through its robust strategic planning process. Quarterly plan reviews by the board help to ensure progress toward and



achievement of the organization's goals. Indicators not keeping expected pace or progress are reviewed thoroughly with the committee that has jurisdiction over them, and results are reported to the full board with follow-up actions as needed. Each department in the organization has goals that align with and contribute to achieving the organization's overall strategic goals. The plan's pillars, goals and current performance are kept visible in every department throughout the organization.

Ensuring Organizational Performance. Hand-in-hand with strategic planning is setting expectations, measuring progress and results against benchmarks and holding people accountable. Crotty observes that “The board, from a governance standpoint, needs to set lofty standards of performance.” A board that wants excellence needs to put a stake in the ground that says, “We expect you to deliver either top quartile or top decile performance.”

New Perspectives, New Ways of Thinking

The foundation of the Baldrige Health Care Criteria are interrelated core values and concepts. They represent beliefs and behaviors that are found embedded in high-performing organizations and include:¹

- Systems perspective
- Visionary leadership-focused excellence
- Valuing people
- Organizational learning and agility
- Focus on success
- Managing for innovation
- Management by fact
- Societal responsibility and community health
- Ethics and transparency
- Delivering value and results

Adopting and integrating these values into an organization can be a catalyst for profound transformation, as they have been for BSW – Plano. Garison observes that “once you're into this [the Baldrige program], you talk a different language. You're always trying to improve and compare to others, to learn best practices, to reach out to other industries and to innovate. We never even talked about innovation before, and that's something that has really, really helped us. It's just an incredible journey.” She further notes, “The Baldrige program has helped us to think outside the scope of the hospital. If you look at your community partners and all your stakeholders, you no longer just think about the hospital. You think about the doctors, you think



about a clinic in an area that is underserved, and about keeping people out of the hospital, about population health.”

Crotty voices similar perspectives, observing that key questions for his organization included, “What are our aims and are we all on the same page? Do we understand our customers and their requirements? In health care, you must not only know your patients and their families, but you have to know what your physicians want and need. You have to understand what your vendors want and need, what your community wants and needs, and whether you are on the same page with them regarding what they want in terms of services offered, access and service delivery.”

The Baldrige Journey

Excellence doesn’t happen just by chance. As Crotty found, “You learn a lot about deployment, and about whether you really have an approach and how you quantify whether something’s effective. It is important to know how to measure any improvement and how you align and integrate HR with leadership and with strategic plans. A lot of organizations don’t do that. You can’t do these things and do them in silos, and expect magic to happen.”

Organizations that have applied for the Baldrige Award often refer to it as an experience or journey. BSW – Plano began its Baldrige journey by talking about best practices at other Baldrige organizations and learning from them. The next step was to educate leaders about the Baldrige program, followed by reviewing the criteria for governance. “It’s a slow process. You can’t just say, ‘We’re going to do Baldrige, here we go.’ You have

Sidebar:

The following questions are just a sample of the types of questions boards can expect from the Baldrige program. Notably, “who”, “what”, “when”, “where” and “why” questions are mostly absent. These types of questions are fact seeking. “How” questions on the other hand, are procedural. They are designed to help the board assess the existence and effectiveness of the organization’s processes and procedures, and whether they are effective at driving improvement.^{1,3}

- How does your leadership review and achieve key aspects of your governance system?
- How does your organization evaluate the performance of your senior leaders (CEO, senior leaders, board)?
- How do senior leaders use performance evaluations to advance their development and improve their own effectiveness as leaders?
- How does the board use performance evaluations to advance the effectiveness of the board?
- How does the board use performance evaluations to improve the leadership system?
- How do you anticipate and address public concerns with your health care services and operations?



to understand the end game,” notes Garrison.

Many hospitals and health systems use the Excellence Framework and Criteria to improve without ever applying for examination and the possibility of winning a Baldrige Award. Others apply multiple times, learning more with each evaluation, persisting with their improvements until they

succeed in winning the award and recognition. As Garrison observes, “It takes a lot of work, a lot of commitment. It’s not a one-time project, it’s a lifetime journey, and it continues forever.”

Experiencing the Baldrige process as a journey is true for the Methodist Healthcare System as well. “We say it all the time,” notes Wesolowski. “This is not a project. This is the way we do it. This is Methodist Excellence and it’s not going away.”

Sidebar (Continued):

- How does your leadership promote and ensure ethical behavior?
- How do you consider societal well-being and benefit as part of your strategy and daily operations?
- How do you actively support and strengthen your key communities?

Sources And Additional Information

1. Baldrige Excellence Framework. 2015. *2015-2016 Baldrige Performance Excellence Framework: A Systems Approach to Improving Your Organization’s Performance* (Health Care). Gaithersburg, MD: U.S. Department of Commerce, National Institute of Standards and Technology. www.nist.gov/baldrige.
2. Source: John Vinyard, Genitech.
3. Source: Baldrige National Quality Award Program Criteria, 2017-2018.

Larry Walker (larry@governwell.net) is president of governWell, based in Wilsonville, Oregon. Cindy Fineran (cefineran@gmail.com) is an independent consultant, based in Salem, Oregon.

