



Term Limits for Board Members

Term limits on board service can help keep boards fresh and effective.

The current challenges of healthcare governance have given rise to a growing debate about the issue of term limits for hospital and health organization board members. Are term limits a restrictive practice that leads to the loss of badly needed board talent, or are they an essential way of keeping boards from becoming stale and ineffective?

First, two quick definitions: *Term length* is the number of years a board member serves before needing to be reappointed; *term limit* refers to the number of successive terms a member can serve before being required to leave the board. Practically every healthcare board has defined term lengths. Many boards have also adopted term limits, but their value in today's environment is being called into question.

The Case against Term Limits

With healthcare boards subject to increased scrutiny, responsibility, and accountability, CEOs are becoming concerned that recruiting effective new board members may become an especially difficult challenge in the near future. In the face of these concerns, many CEOs and board chairs are rethinking the value of term limits. They fear term limits will result in the loss of experienced and talented board members precisely at a time they are

needed most—and when it may be difficult to recruit new members due to the mounting and well-publicized challenges of healthcare governance.

Increasingly, opponents of term limits argue that stable hospital leadership in times of significant change requires board continuity and that term limits are arbitrary and dangerous because they force valuable and experienced board members off the board. Another argument against term limits holds that the performance and contributions of board members need not necessarily decline with the length of a board member's service or his or her age.

The Case for Term Limits

There is clearly merit to the arguments against term limits. Boards do benefit from having seasoned members; term limits are indeed arbitrary and may result in the loss of talented and dedicated board members. However, even the very best boards find it incredibly difficult to avoid renewing the terms of poorly performing or dysfunctional board members. To do otherwise is perceived as a public "firing," which depreciates the board member's past service, contributions, and self-worth. "Firing" a board member, especially one who serves voluntarily, is a task that every board strives to avoid. The sad but

inevitable result is that governance dysfunction is perpetuated indefinitely unless the organization has established term limits.

In short, if a board has an *individual* board member assessment system in place, if term renewal is *not* automatic but rather is based solely on board member performance and contributions, and if the board is willing to "fire" its members, then term limits would be unnecessary. But this is clearly not the case for most boards.

Term limits, then, are a meaningful mechanism to balance the need for board turnover while preserving board continuity, and they are an important tool to help prevent a board from becoming stale and complacent. Additionally, in this challenging, hectic, and uncertain environment, a limit on terms can be a blessing in disguise for individual board members. Dedicated board members who volunteer significant and ever-expanding amounts of time and energy are increasingly prone to burnout. Knowing that there is an end point to their service can help prevent burnout and can actually help an organization get the best out of board members during their tenure.

Principles for Term Limits

Term limits must achieve a delicate balance between constantly revitalizing a board with "new blood" while maintaining continuity. They should be sufficiently long to allow board members to learn their job, perform it well, and have the potential to ascend to a position of board leadership. They must be short enough to minimize the chance of board member burnout and to facilitate continual, but gradual, board turnover.

Consistent with these principles, many effective boards adopt term lengths of three years with a maximum limit of three consecutive terms, or a total of nine years. This “3-3” approach has several advantages. It typically takes a new board member about three years to learn the culture, structure, and function of the board and the organization. The “3-3” approach provides a new board member with one three-year term to get up to speed, an opportunity for a second three-year term to make significant contributions to the board, and a possible third term to assume a board leadership position. Another benefit of this approach is that a board will always have two-thirds of its membership with a minimum of three years of experience, and no more than one-third with less than three years. Thus, it allows a board to maintain continuity while ensuring continuous board turnover and the infusion of new skills and perspectives.

To avoid the loss of valuable talent, boards should adopt a one-year hiatus policy: Upon reaching the term limit, a board member must withdraw from the board for a period of one year. At the conclusion of this hiatus period, the individual can be reappointed to the board for another limit of 3 three-year terms. If the loss of a particular board member for even one year is unacceptable, the individual can serve on a board committee for the one-year period. However, if a board cannot sustain the loss of one key board member for even one year, there is serious question as to the integrity of the board. Excellent boards govern based on principle, not personality. Instead of finding ways to keep a key individual on the board, energy should be invested in improving the cohesiveness of the board as a whole.

Term limits do not apply to any *ex officio* members of the board—those individuals, such as the CEO, who serve on the board by virtue of their office. The length of board service for these individuals is limited only by the duration of their term of office.

Finally, if a board adopts term limits for its members, it should do likewise for its leaders—the board chair, committee chairs, and executive committee members. Further, should the board decide to allow an extension of a member’s maximum term limit due to his or her election as board chair, the maximum extension should never exceed one term as board chair.

As counterintuitive as it may seem, term limits can actually *help* a board recruit new members by keeping the board energized and attractive to potential new board members. Furthermore, term limits will create “alumni” board members who can be useful as recruiters of new board members. While not a magic potion for great governance, term limits are a valuable tool to help facilitate healthy and robust governance and to keep a board fresh and functioning at an optimal level. ▲

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