Resources for Applying Competencies to Governance

Health care organization trusteeship is getting more complicated and challenging as pressures to improve quality and safety, reduce costs, increase transparency and accountability, and use changing and ever-more-expensive technology converge. At the same time, hospitals face increasing competition from unexpected sources for patients and for professionals in critical disciplines. Reform legislation has been enacted, but its implications for hospitals and their stakeholders still are evolving.

In the face of unprecedented ambiguity and financial instability, trustees need to make complex decisions that have long-term consequences. The challenges are often beyond the most experienced trustee's comfort level.

In this context, the competencies of individual trustees and the culture 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 and the leadership team operate—their compass and guide for decision-making and day-to-day behavior. Culture is shaped by shared behaviors which, in turn, are 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 & Educational Trust, issued its report (see *Trustee* Workbook, April 2009). The panel defined competency as the combination of knowledge, skills, personal characteristics, and individual and social behaviors needed for an individual to perform a job effectively. The panel then identified two sets of trustee core competencies (see page 18).

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 to help boards apply the competencies to a variety of governance practices. A Blue Ribbon Panel work group of health care governance experts, trustees and CEOs was convened in October 2009 to carry forward the panel's recommendations.

The work group, with funding from Hospira, explored how boards could use competencies in their work. The work group developed sets of tools and resources that incorporated trustee competencies into four governance practices: board member selection, education, performance evaluation, and leadership development and succession planning. In 2010, the Competency-Based Governance Tool Kit was tested by a group of hospitals and health systems, finalized and made available to the field. This workbook reviews the process developed by the work group for incorporating trustee competencies into board work and discusses the resources available in the Tool Kit and how to use them.

A FRAMEWORK FOR COMPETENCY-BASED GOVERNANCE

In developing the Tool Kit, the intent of the work group was to devise competency-based resources that promote objective or data-based governance. Data-driven governance means that boards adopt standard approaches and tools that provide objective information. This information is used to help boards make more effective assessments and decisions about their governance capabilities and needs.

The work group established key principles to guide its development of competency-based resources.
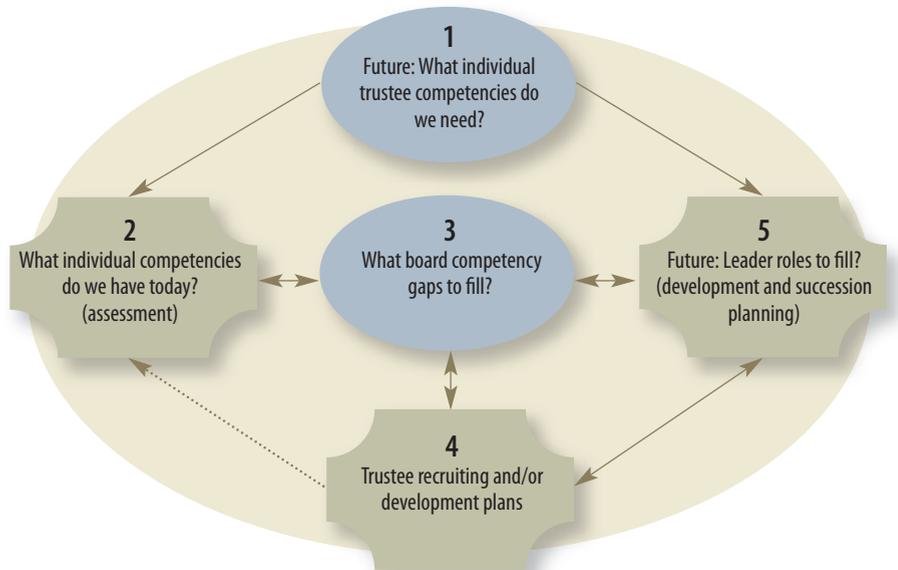
CENTER FOR HEALTHCARE GOVERNANCE.

BY DEBORAH J. CORNWALL AND MARY K. TOTTEN

1. Competency-based governance can optimize the board's contribution to the organization and its stakeholders. Incorporating competencies into governance practices will help ensure that boards have broader and deeper expertise to make better governance decisions on behalf of diverse stakeholders.

2. The board is a team, not just a collection of individuals. While the Blue Ribbon Panel Work Group initially focused on applying the competencies of individual trustees to board work, it acknowledged that the pattern of individual board member competencies is critical to the competency of the entire governing team. At the same time, the work group recognized that not every individual will hone his or her competencies to an equal level across the core competencies and not every trustee will become a committee chair or board officer.

However, boards that apply competencies to their work likely will be more capable and evidence-driven in

Individual Trustee Core Competencies

Personal capabilities
  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

Knowledge and skills
  Health care delivery and
    performance
  Business and finance
  Human resources

Source: Competency-Based Governance Tool Kit, Center for Healthcare Governance, 2010

Process for Building Individual Trustee Competencies

Source: Deborah J. Cornwall and Mary K. Totten, *Competency-Based Governance Enters the Health Care Boardroom*, Center for Healthcare Governance, 2010

their governance practices. They will come to know each other's strengths and weaknesses and trust each other's judgment, particularly in areas where competencies are strong. Boards that govern from a foundation of individual competence also will staff for complementarity; that is, they will bring in new members who will reinforce areas where competence is weaker.

3. Boards need a flexible suite of simple, practical tools they can tailor and adapt. The Tool Kit provides an integrated suite of tools that build on each other. For example, the results provided by the board member-assessment tools will yield baseline data for recruiting new members as well as educating and developing current directors. The tool sets are designed for easy use by hospital and health system boards either independently—introducing one tool at a time—or as an interdependent and more complete system, depending on the readiness of each board. Individual tool sets can be used in whole or in part and allow boards to tailor specific tools to their individual needs.

4. Formal education and peer-to-peer development benefit individuals and the board as a whole. Emerging research about governance effectiveness identifies competency develop-

ment as a central tool in strengthening the board as a governance team. Tools developed by the work group for advancing competency development focus on both formal education or training and peer-to-peer development. The peer development facet includes mentoring activities that broaden exposure for board members who want to strengthen certain competencies to trustees who currently have a high level of proficiency in specific competencies. Adopting these varied approaches to competency development takes into account diverse adult learning styles and can help build deeper relationships among trustees, which also strengthen the board as a whole.

PUTTING COMPETENCIES INTO PRACTICE

Building a board with the competencies needed to foster an effective governance culture involves several steps and processes. The above chart suggests how competencies can be applied to the development of individual board members and board leaders. The steps are numbered sequentially; however, after conducting a competency assessment of its current members, each board likely will implement subsequent steps according to its individual needs and priorities.

The following seven steps describe how boards can use the Competency-Based Governance Tool Kit to implement a foundation for competency-based governance.

1. What Do We Need?

The future strategic direction of the institution and the kinds of decisions trustees will be called upon to make will help define a board's competency needs. The Blue Ribbon Panel and its work group affirm that some competencies will be prerequisites for every trustee and some will be represented by only some members of the board. The panel also recommends that while only some trustees on a given board will have expertise in the knowledge and skills area of competencies listed on page 18, boards should seek trustees with as many of the personal capabilities as possible.

2. What Do We Have Today?

Peer assessment generally offers a more complete profile of a trustee's competencies than an evaluation performed by the board chair or even by the governance or nominating committee. Because trustees are engaged in real work with each other, peer assessment likely will be more accurate than evaluation based on an interview or other more formal interaction.

Two peer assessment surveys are 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.

Board members are asked to complete their surveys and submit them to the Center for Healthcare Governance. Results are returned to each trustee, who then takes charge of his or her own development planning, often in collaboration with a board officer such as the chair or governance committee chair.

The chair of the board or of the governance or nominating committee also will receive a summary of the average aggregate ratings for all board members across all 18 competencies to help plan for activities that will address developmental opportunities.

3. Gaps to Fill: Recruit or Develop

Building on the aggregate profile generated from the peer assessment, the governance or nominating committee will compare its list of future required competencies with the competencies of current board members. The committee will identify where needed competencies should be strengthened among existing board members and new competencies added to the board through recruiting.

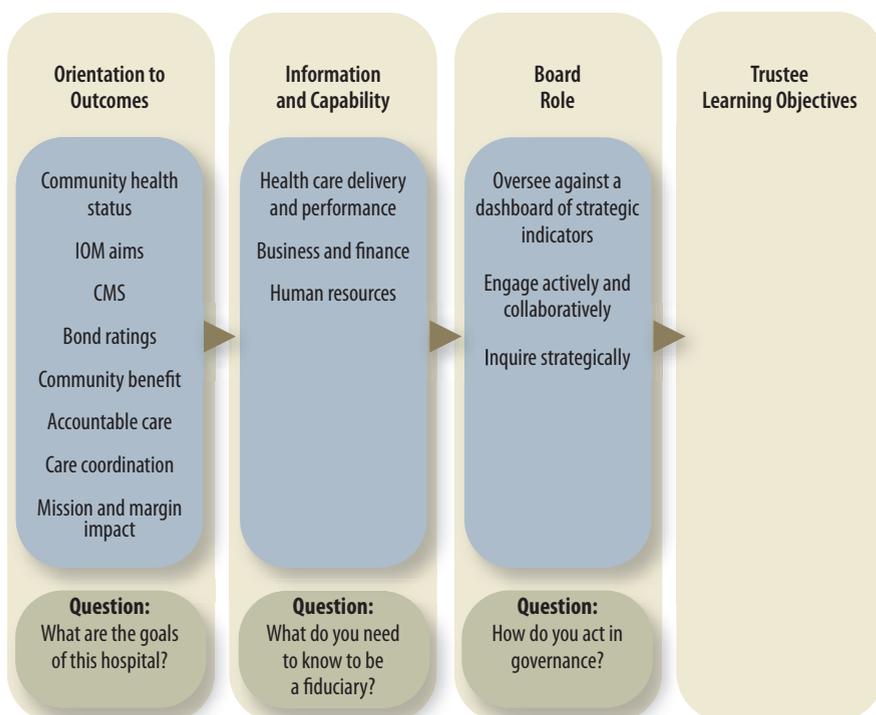## 4. Recruitment and Selection

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 an interview guide that can be adapted by individual boards to meet their competency needs.

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. 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 fulfill 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 interview guide provides a description of each competency, suggested interview questions to determine the extent to which each board candidate reports demonstrating use of competency behaviors, and a rating scale that allows interviewers to provide an overall numeric rating for each competency.

Boards can use the results of these interviews to select the candidates who best meet the board's needs. Results also may be shared with the board's governance or other commit-

Framework for Board Educational Planning

Orientation to Outcomes	Information and Capability	Board Role	Trustee Learning Objectives
Community health status IOM aims CMS Bond ratings Community benefit Accountable care Care coordination Mission and margin impact	Health care delivery and performance Business and finance Human resources	Oversee against a dashboard of strategic indicators Engage actively and collaboratively Inquire strategically	
Question: What are the goals of this hospital?	**Question:** What do you need to know to be a fiduciary?	**Question:** How do you act in governance?	

Source: Competency-Based Governance Tool Kit, Center for Healthcare Governance, 2010.

tees responsible for board education, board member evaluation, and leadership development/succession planning as baseline information to plan for future development.

5. Individual and Shared Trustee Development

Two approaches to promote further competency development 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. The Blue Ribbon

trustees and those who aspire to assume board leadership roles.

6. What Leadership Roles Need to Be Filled?

Every board needs to regularly assess which of its leadership positions will be vacated in the future and the specific competencies needed to ensure effective board and committee performance. The Tool Kit includes a guide for the governance or nominating committee to use in defining future board leadership requirements and identifying candidates to fill future leadership positions.

7. Leadership Development and Succession Planning

The leadership development and succession planning tool outlines:

Finally, the tool leads the committee through a series of questions for defining position requirements, identifying potential candidates, determining a developmental strategy to hone their skills in advance of becoming nominees, and screening candidates before constructing a slate of nominations for the full board's approval.

Questions for Discussion

1. Does our board currently incorporate such competencies into board practices as trustee selection, education, and leadership development and succession planning?

2. How might the competency-based governance practices and tools described here further strengthen individual trustee effectiveness and the performance of the board as a whole?

3. How might competency-based governance help our board acquire the knowledge, skills and personal capabilities needed to address the challenges our hospital likely will face under health care reform?

4. How might building trustee core competencies help our board govern better to meet the needs of diverse stakeholders?

Mentoring can be an invaluable tool to accelerate the development and seasoning of any institution's trustees.

Panel and its work group identified three areas of knowledge and skills competencies for trustees: health care delivery and performance, business and finance, and human resources. While competencies in these three areas would reside in some 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.

The Framework for Board Educational Planning, page 19, illustrates the broad education and orientation framework provided in the Tool Kit.

Trustee mentoring. Because there is relatively little formalized training in health care governance, mentoring can be an invaluable tool to accelerate the development and seasoning of any institution's trustees. Mentoring is a form of coaching relationship in which knowledge is shared, experience is explored and new ideas can be tested with minimal risk. The Tool Kit describes how to establish and maintain a mentoring program for both new

• 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;

• how to identify any development activities candidates 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 describes each behavioral competency so that the governance or nominating committee chair and others engaged in filling these positions have a common template to ensure that the most appropriate and capable trustees are nominated.

CONCLUSION

An organization's culture and the individual competencies of its board members 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.

For more information about the Tool Kit, visit the Center for Healthcare Governance at www.americangovernance.com. **T**

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