

Applying Competency-based Criteria to Committee Makeup and Education

by Barry S. Bader

More and more boards are adopting the practice of using competency-based criteria to select governing board members. They identify the subject areas and behavioral qualities needed from trustees and apply them to recruitment, orientation, leadership development, succession planning and periodic evaluation. We've discussed competency-based governance in previous issues of *Great Boards* and other publications from the AHA Center for Healthcare Governance and *Trustee* magazine (see box below).

Why stop there? A competency-based approach also can be applied to populate the board's committees with individuals who possess the knowledge, skills and abilities needed to execute their responsibilities.

A board's working committees should be its engines for rigorous oversight of organizational performance. When the board's committees do a thorough job in key oversight areas – particularly, finances, quality and patient safety, audit and compliance, community benefit and executive compensation – the full board can review and approve commit-

tee reports expeditiously, focusing on unexpected variations and committee recommendations for full board action.

Equally important, effective committee work frees up time at full board meetings for substantive discussions of strategic-level and future-oriented matters. The road to "generative governance" is paved by the working committees.

Consequently, the board should apply a competency-based approach to choosing, educating and evaluating both board members and non-board members who serve on each working committee. Annually before making committee appointments, the board chairperson, working with the governance committee, should consider the competency mix of each board committee and adjust its makeup accordingly. Here are some steps to consider:

- **Develop a concise list of competencies needed by each board committee.** The list should include areas of knowledge and skills applicable to each committee's responsibilities. Review the bylaws and committee charters to help

identify the competencies pertinent to each committee's specific responsibilities. Also consider how environmental trends, the organization's strategic plans, and regulatory developments could affect committee work and therefore the competencies committee members need.

Take, for example, the board's quality and patient safety committee. Members should possess knowledge in such areas as the measurement and improvement of patient care and patient safety, as well as the ability to interpret reports containing clinical information. They should be able to question clinical leaders in a constructive manner. In addition, as hospitals transform into integrated care systems that are accountable for costs and quality along the continuum of care, the committee also might benefit from members with expertise in ambulatory and long-term care.

In developing a list of competencies, keep in mind that committee competencies expand rather than replace the competencies expected of every director, such as mission commitment, active engagement, strategic thinking and communications. In addition, broadening the diversity of the board and its committees remains an important consideration.

- **Profile the capabilities of the present committee and identify "gaps."** Develop a matrix showing which current members of the committee have the knowledge, skills and abilities the committee needs. Figure A (page 7) shows an example of the competencies for typical board committees, and how names of

More Resources for Competency-based Succession Planning

"Competency-Based Succession Planning," *Great Boards*, November 18, 2010, http://www.greatboards.org/newsletter/2010/Succession_Planning_for_Board_Members.pdf

"Recruiting a More Diverse Board," *Great Boards*, Winter 2007-2008, <http://www.greatboards.org/newsletter/2008/GB-2007-Winter-Full-issue.pdf>

Competency-Based Governance Tool Kit, 2011, <http://www.americangovernance.com/american-governance/publications/competency-based-governance-tool-kit.html>

"Tomorrow's Board Leaders," Larry Walker, *Trustee*, October 2012

"Bringing Rigor to Board Succession Planning," *Trustee*, online interview, <http://www.trusteemag.com/trusteemag/html/WebExclusive0812SuccessionPlanningPodcast.html>

committee members and “prospective members” might be displayed for analysis and discussion.

Look for a mix of “experts” or “specialists” as well as generalists. Experts and specialists have professional training and experience in the committee’s subject matter. A chief financial officer, for instance, can be expected to bring greater depth and experience in financial planning and analysis than a business owner or company executive who has a broader, more general perspective. Both are valuable but there’s no substitute for having some directors with specific professional expertise. Differentiate too between trustees with outside professional experience and those who’ve “learned on the job” as trustees through board education and experience. Again, both make valuable contributions, but there’s no substitute for outside training and expertise.

Use the matrix to answer several questions:

- Does the committee possess at least a “critical mass” of several members with the necessary competencies to perform this committee’s responsibilities?
- Is at least one trustee committee member with specialized expertise an “independent” member who has no material conflicts of interest?

The answers to these questions should help determine if the committee possesses the appropriate competencies or if strategic changes are needed to its makeup.

- **Consider the benefits of committee rotation and the future impact of board and committee turnover.** On many boards, trustees stay on the same committees for their entire tenure unless they ask for a new assignment. Other boards believe in rotation of some trustees

among various board committees every few years. Periodic rotation has pros and cons. It keeps board work interesting. It gives all board members an opportunity to learn about and gain confidence in each committee’s work. It can bring fresh viewpoints and new outside perspectives, helping the committee stay independent and current.

The obvious downside risk of rotation is that a committee loses members with specialized subject matter skills or experience in the committee’s work.

However, thoughtful attention to adjusting each committee’s makeup by one or several members every year can bring the benefits of rotation while ensuring that each committee retains directors with essential knowledge and skills. It can be particularly useful to rotate the “generalists” every few years while keeping subject matter “specialists” in place longer.

Another factor to consider is succession planning. Each committee should have a chairperson and either a co-chair or one or more trustees with the competencies to step in to the committee chair role in the future.

- **Consider multiple sources of committee members.** In addition to board members, boards should consider bolstering the committee’s competencies with talented individuals from the community, medical staff and affiliated boards, such as a foundation board. Some boards create a permanent advisory body of interested individuals, including former trustees and community leaders, some of whom serve on board committees.

A board committee also can be an ideal place to engage an individual from outside the service area who has the knowledge, skills and independence the committee could use. For example, in a multi-hospital

system, a board quality committee might recruit a physician executive from another hospital in the system. A teaching hospital might attract an alumnus of its training programs who is a recognized quality leader to support the board’s responsibilities for quality and inject a new perspective.

- **Use the competencies to plan education and development opportunities.** The committee competencies also can be used to suggest opportunities for education and development, either by a committee or the full board. Periodic committee self-assessment can identify areas of knowledge or skills or emerging trends to address. Currently, committee competencies such as these might be relevant topics for committee or full board education:

- Organizational transformation and culture change
- Bundled payment models and incentives
- Hospital-physician alignment and integration
- Mergers, acquisitions and strategic partnerships
- Community health improvement needs and improvement strategies.

A competency-based approach to committee makeup can help board committees maintain their skills and their freshness, and thus enable the board to fully tap the talents of all their members.

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Figure A. Sample Competency-based Matrix for Committee Composition

	Finance Committee	Quality and Patient Safety Committee	Audit and Compliance Committee
Competencies	<ul style="list-style-type: none"> Financial management and planning Financial analysis Business risk assessment Bond ratings Financial aspects of mergers and large transactions Health care markets and payment systems Ability to analyze financial reports and trends and apply them to strategic thinking, financial planning and high-level decision making 	<ul style="list-style-type: none"> Clinical quality measurement and improvement Evidence-based care Performance improvement strategies in industry and health care Patient safety practices Patient and customer satisfaction Medical and nursing care processes and education in acute, ambulatory and long-term care settings Medical informatics and technology Organizational transformation and innovation Ability to understand performance reports, trends, sentinel events and other information and apply to board responsibilities for decision making and oversight 	<ul style="list-style-type: none"> Financial audit Financial management Enterprise risk management Corporate compliance Laws and regulatory policy Organizational and individual ethics Ability to understand and act on audit and compliance reports
"Specialists"	<i>Names</i>	<i>Names</i>	<i>Names</i>
"Generalists"	<i>Names</i>	<i>Names</i>	<i>Names</i>
"Prospective" new members	<i>Names</i>	<i>Names</i>	<i>Names</i>
	Executive Evaluation and Compensation Committee	Community Benefit Committee	Governance and Nominations Committee
Competencies	<ul style="list-style-type: none"> Executive leadership of large, complex organization Human resources development Leadership development Executive and physician compensation Ability to engage in oversight and decision making Organizational and individual ethics 	<ul style="list-style-type: none"> Community health and improvement strategies Understanding of underserved and vulnerable populations in the community Linkages to other community organizations and their leadership Organizational mission and values Laws and regulations affecting not-for-profit organizations Community orientation Ability to understand information about the organization's mission effectiveness and apply to board responsibilities for decision making and oversight 	<ul style="list-style-type: none"> Experience as a board member in another organization Good governance practices Human resources development Adult and continuing education Laws and regulatory policy Organizational and individual ethics Ability to understand and act on committee information
"Experts" and "Specialists"	<i>Names</i>	<i>Names</i>	<i>Names</i>
"Generalists"	<i>Names</i>	<i>Names</i>	<i>Names</i>
"Prospective" new members	<i>Names</i>	<i>Names</i>	<i>Names</i>
	Human Resources Committee	Strategic Planning Committee	Philanthropy Committee
Competencies	<ul style="list-style-type: none"> Human resources development Leadership development Employee engagement and satisfaction Labor relations Workforce issues Ability to engage in oversight and decision making 	<ul style="list-style-type: none"> Strategic planning Global trends in health care Community health status and improvement Ability to think strategically and integrate strategic planning with long-term financial planning Ability to understand and apply the organization's mission to the board's responsibilities for strategic planning, decision making and oversight 	<ul style="list-style-type: none"> Fundraising strategies and methods Strong connections with other community organizations, potential donors and "connectors" Volunteer orientation Ability to understand and act on committee information
"Experts" and "Specialists"	<i>Names</i>	<i>Names</i>	<i>Names</i>
"Generalists"	<i>Names</i>	<i>Names</i>	<i>Names</i>
"Prospective" new members	<i>Names</i>	<i>Names</i>	<i>Names</i>