Hospital Governing Boards: A Study of Their Effectiveness in Relation to Organizational Performance

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EXECUTIVE SUMMARY

This article describes the development and evolution of governing boards and summarizes critical findings from a research study on hospital governing boards. The purpose of the research was to examine factors that measure performance of governing boards and the relationship of governing board effectiveness to the organizational performance of hospitals. Board leaders from 64 nonprofit hospitals across the country were surveyed using the BSAQ tool, which measures board effectiveness in six areas of competency. Board competency scores of this group were compared with those of a previous group, which consisted of more than 300 nonprofit boards, and demonstrated significantly higher scores. A factor analysis conducted to compare the six competency factors between study groups revealed a strong single factor in this study.

The factors that measure governing board performance were found to be consolidated into one single factor of collaborative board functioning consistent with emerging governance theory. This may support the concept of the importance of governing boards as collaborative, socially dynamic networks of leaders. The hospital performance was assessed using data from the nationally recognized program, Solucient's 100 Top Hospitals™.

The results demonstrate that higher performing boards did have better hospital performance in several dimensions, most notably in profitability and lower expenses. Lower expenses were related to higher scores for the BSAQ total score. Hospital profitability was positively correlated with all seven BSAQ scores. A more favorable Solucient ranking was related to hospitals that had a lower BSAQ political score. This was also found in a multiple regression model that predicted a favorable ranking when the BSAQ political score was lower. This may mean that these boards do what needs to be done to maintain excellent performance and do not let politics get in the way of their work. Although governance and its effect on hospital performance is a complex concept to study, this investigation yields findings of interest to leaders in the healthcare field.

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Do boards really make a difference? What impact do governing boards have on hospitals? Do better boards have better hospitals? These are questions healthcare leaders are asking as governance processes become more complex and important. Governing boards are under greater scrutiny than ever before and are being held to higher levels of accountability. Much of this has been driven by the many well-publicized corporate failures that have reduced the public’s trust. Thus, the relationship of board effectiveness to hospital performance is a critical topic for leaders in healthcare.

A research study was conducted to examine (1) the measures used to evaluate the performance of governing boards and (2) the relationship of board effectiveness to organizational performance. In this study, board performance was measured by the study participants’ scores in six dimensions of board competencies identified in the Board Self-Assessment Questionnaire (BSAQ), a tested tool used in research in nonprofit organizations. The six dimensions are contextual, educational, interpersonal, analytical, political, and strategic. Previous research has shown that these factors are important in high-performing boards (Chait, Holland, and Taylor 1993). These six factors were the independent variables for this study, or the factors of board performance that influence organizational performance. This study incorporated the use of a self-assessment tool completed by hospital board members.

Hospital organizational performance was measured by analyzing how hospitals ranked in Solucient’s 100 Top Hospitals™ program (Solucient 2004), a program recognized nationwide as a reliable measure of hospital performance. The primary dependent variable was the individual hospital’s national ranking. The hospital performance indicators that determine the national hospital ranking also were analyzed for their specific effect. Board performance scores were then compared to the hospitals’ organizational-performance ranking to examine the relationship between board effectiveness and hospital performance.

**Evolution of Governing Boards**

Hospitals are important assets for many communities in the United States, working to provide access to quality care and to improve the health status of their community. It is vital for a hospital to perform effectively, to provide quality care, and to maintain a good reputation in the community it serves. Because the governing board is ultimately accountable for the performance of the hospital, understanding the board’s role in this scenario is important (Kovner 1990). The tumultuous changes in the healthcare field—advent of managed care, the emergence of new technology, and a competitive business environment—have created unique challenges for governing boards, demanding that they keep abreast of new business strategies and complex emerging issues (Pointer and Orlikoff 1999; Shortell 1989).
Hospital Governing Boards: Effectiveness and Organizational Performance

Such changes in the industry have led to bankruptcies, corporate turnarounds, closures, failed mergers and acquisitions, and difficulties in recruiting healthcare workers (Orlikoff and Totten 2002a, 2002b). The resulting disruption and instability have forced hospitals to focus on strategies that would ensure the mission and financial viability of their organization. Because the governing board of any corporation is ultimately accountable for the long-term strategy and vision for that organization, the role of governance is increasingly coming under scrutiny. In the healthcare industry, governing boards are under intense public attention primarily because of their failure to prevent catastrophic bankruptcies, losses, and dissolutions. In fact, recent corporate failures have heightened the level of public scrutiny on governing boards (Donaldson 1995; Lavelle 2002; Sonnenfeld 2002).

Governing board failures are evident in the business sector as well as in healthcare. Business examples abound, including the scenarios of Enron, WorldCom, Tyco, and Adelphia (Lavelle 2002). In healthcare, the case of the Allegheny Health, Education and Research Foundation (AHERF) in Pittsburgh, Pennsylvania, is a prime example of how oversight mechanisms (including governance) failed to provide the checks and balances necessary to prevent the largest bankruptcy in healthcare history (Burns et al. 2000; Shinkman 1999). Much has been written about healthcare board performance; however, much work remains to be done (Alexander, Weiner, and Bogue 2001; Griffith, Alexander, and Warden 2002; Kovner 1990; Kovner, Ritvo, and Holland 1997; Shortell 1989).

Unfortunately, many boards remain unclear about their strategic role in leading the organization into the future (Young, Beekun, and Ginn 1992). Some experts have maintained that many boards are little more than a collection of high-powered people engaged in low-level activities rather than more strategic pursuits (Taylor, Chait, and Holland 1996). Because of limited research in governance performance, advice to boards is mostly anecdotal (Holland 2002). One study that examined the existing literature found that out of eight common recommendations for hospital boards to become more like corporate boards, only one was substantiated by empirical research (Sofaer, Lammers, and Pourat 1991).

Rather than approaching board performance merely from a framework of structural improvements, it is beneficial to consider the theoretical aspects of boards. Chait, Ryan, and Taylor (2005) frame a theory described as "governance as leadership." This theory involves three modes of governance: (1) fiduciary responsibility mode, or stewardship of assets; (2) strategic mode, or collaboration with management to develop a vision for the organization’s future; and (3) generative mode, where the board and management engage in shared creative thinking that makes sense of data and allows deliberation of issues through robust and meaningful dialog.

A newly identified phase of governance is the progressive board, which
moves from a focus on individual contributions to a cohesive and comprehensive approach that adds value to the corporation. Members of such a board enjoy lively debate, zero-in on important issues, and learn from each other. According to Charan (2005), a progressive board leads to better governance through attention to group dynamics, appropriate information architecture, and substantive issues.

Understanding of governing boards has evolved, moving from a structural perspective (consideration of such factors as board size, composition, and committee structures) to a behavioral perspective (a focus on the working relationships among board members). Sonnenfeld (2002) contends that what distinguish exemplary boards are not structural issues but robust, effective social systems. The recommendations for creating such dynamic and effective boards include creating a climate of trust and candor, fostering a culture of open dissent, ensuring individual accountability, and evaluating the board’s performance. Nadler (2004, 102) stated, “The key to better corporate governance lies in the working relationships between boards and managers, in the social dynamics of board interaction, and in the competence, integrity, and constructive involvement of individual directors.”

Another important factor related to board performance is the integral role of the chief executive officer (CEO). The CEO plays a unique role, as this person represents both management and governance, which makes the issue of leading the board even more critical. Orlikoff (2005) argues that with all the challenges healthcare boards face today, the CEO faces greater pressure in engendering a good relationship with the board. In addition, Orlikoff describes the board as a multifaceted paradox in which the CEO plays a dual role: both leading and reporting to the board. Although the board is a single entity, it is composed of many unique individuals; some boards interact as partners and leaders, while others as followers. This variation and complexity require skilled leadership and diplomacy to bring about the board’s effectiveness.

A call for visionary and strategic thinking as an essential characteristic of healthcare boards is evident in the literature as well (Bader 2001; Kovner 1990; Porter-O’Grady 2000). The contention is that healthcare organizations are becoming so complex that they require a higher level of leadership and broader insights, including a completely new way of looking at what healthcare is becoming in this unfolding age. Essentially the new mandate for healthcare boards is to work together with management on problems and to set and implement organizational policy. The board should mirror the institution’s strategic priorities, and the board meetings should be goal driven. The board is not a group of individual stars but rather a constellation that works in harmony toward organizational goals (Taylor, Chait, and Holland 1996).

Very little empirical research exists that demonstrates that governance performance has a positive relationship to organizational performance. Sofaer, Lammers, and Pourat (1991) cite multifaceted reasons for this lack of data. First, the relationship between
Effective governance and hospital performance is complex and nonlinear. It also may be difficult to discern, because the impact of a board is only felt intermittently, such as in a time of organizational crisis or transition. Second, the role of the CEO complicates this relationship, because the CEO serves a dual purpose as management and as governance leader. More comprehensive research is needed that measures board performance through a set of behavioral criteria (such as the competencies of effective boards) and then compares the data to organizational performance.

This research study addresses the questions of “Do boards really make a difference?” and “How can boards and hospitals improve their performance?”

**RESEARCH DESIGN**

The two major questions addressed in this research were, “Are the six competency factors in the BSAQ tool used in nonprofit organizations similar to those used in nonprofit hospitals?” and “Do better-performing boards have better-performing hospitals?” The first question revolves around board performance, while the second question deals with the relationship between board performance and hospital performance.

The tool used in this survey is the BSAQ, which measures governing board effectiveness in six competency areas: contextual, educational, interpersonal, analytical, political, and strategic. This tool has been extensively tested for reliability, validity, and sensitivity (Jackson and Holland 1998). The overall Cronbach alpha reliability was $r = .77$, with alphas for the specific competency areas ranging from $r = .69$ to $r = .87$ and a median alpha of $r = .76$. The BSAQ is a self-assessment questionnaire made up of 65 questions that can be answered in a 4-point Likert-type scale, with 1 for strongly disagree and 4 for strongly agree.

Collection of data took place from October 2004 through January 2005. A convenience sampling was used, and 486 CEOs and other leaders of healthcare organizations throughout the United States (whom the researcher knew or who were colleagues in the field) were contacted via telephone, mail, or electronic mail. A total of 151 respondents completed the BSAQ survey. Sixty-four hospitals dispersed across the country were represented, which equal to a 13 percent response rate. The primary contacts were CEOs or their designees, because they have access to board members who could participate in the study. Although the initial response from CEOs was positive, obtaining consent or agreement from them to allow their boards to participate in the study proved to be difficult. In particular, many CEOs expressed reluctance. Approximately two-thirds (68.8 percent) of the CEOs who participated completed the BSAQ survey themselves but did not allow board members access to the web-based survey. The CEOs’ overall hesitation may be indicative of their protectiveness of their boards. Certainly many leaders are generally concerned about the time commitments they ask of their board members. After reviewing our survey tool, many CEOs might have been concerned about asking board members some of the detailed and
sensitive questions about their own performance on the board.

Hospital performance was assessed using data from Solucient’s 100 Top Hospitals program. Solucient ranks hospitals based on how they score on nine performance indicators, including risk adjusted mortality rates, risk adjusted complication rates, profitability, and expense per adjusted discharge.

**Significant Findings**

To address the first research question (is the pattern of board competencies the same in the current hospital study group compared to the pattern that emerged in a previously researched group of more than 300 nonprofit boards), factor analyses were conducted. A factor analysis was selected because the BSAQ tool had been successfully used in research with boards other than hospitals; it is a method of comparing similarities in competencies between hospital boards and other boards. The factor analysis on the 65 factors or items on the BSAQ tool revealed a large general factor (eigenvalue = 16.92, 26.04 percent of the variance). Additionally, the factor analysis on the six BSAQ scores revealed a strong single-factor solution that explains 76.09 percent of the variance (see Table 1). This single-factor strength and the fact that the strong Cronbach alpha reliability coefficient for the total BSAQ score based on the 65 items was $r = .95$ seem to indicate a consistency or team approach to board performance in this study group. The factor analysis revealed a large general factor, rather than the subtleties of the previously researched six board competency factors (Holland and Jackson 1998). The six competencies cluster together to form a more consistent or cohesive approach to hospital governance.

This finding does not mean that the individual competencies of contextual, educational, interpersonal, analytical, political, and strategic strength are not important; it means that in an effective board these competencies are all important and inextricably linked to one another. As boards coalesce as teams, a more unified approach becomes apparent. The construct of governing boards as collaborative, community oriented, and socially dynamic networks of leaders dedicated to a unified purpose seems to be supported by this study.

One of the most significant findings related to the second research question (the relationship between better-performing boards and better-performing hospitals) was the strong correlation between the BSAQ scores and hospital profitability and lower expenses (see Table 2). Profitability is the net operating margin, and expenses are the expenses per adjusted discharge as measured by Solucient, which are found in publicly recorded data such as Medicare cost reports. Lower expenses are related to higher scores for BSAQ competencies of analytical, political, and strategic and the total BSAQ score. Hospital profitability is positively correlated with all seven BSAQ scores. These findings seem to support the hypothesis that better boards do have better-performing hospitals, particularly from a financial perspective. The fact that the financial hospital metrics were significant may indicate that financial
### Table 1
Rotated Factor Solution for Six BSAQ* Scales: Individual Respondent Data (N = 151)

<table>
<thead>
<tr>
<th>Scale</th>
<th>Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Interpersonal</td>
<td>.90</td>
</tr>
<tr>
<td>4. Analytical</td>
<td>.90</td>
</tr>
<tr>
<td>5. Political</td>
<td>.89</td>
</tr>
<tr>
<td>6. Strategic</td>
<td>.88</td>
</tr>
<tr>
<td>1. Contextual</td>
<td>.85</td>
</tr>
<tr>
<td>2. Educational</td>
<td>.82</td>
</tr>
</tbody>
</table>

Note: Single-factor solution explaining 76.09 percent of variance. *BSAQ = Board Self-Assessment Questionnaire

### Table 2
Correlation of BSAQ† Scores with Expenses and Profitability: Hospital Aggregated Data (N = 64)

<table>
<thead>
<tr>
<th>Item</th>
<th>Expenses</th>
<th>Profitability</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Contextual</td>
<td>-.18</td>
<td>.33***</td>
</tr>
<tr>
<td>2. Educational</td>
<td>-.07</td>
<td>.28**</td>
</tr>
<tr>
<td>3. Interpersonal</td>
<td>-.13</td>
<td>.32***</td>
</tr>
<tr>
<td>4. Analytical</td>
<td>-.28**</td>
<td>.36****</td>
</tr>
<tr>
<td>5. Political</td>
<td>-.30**</td>
<td>.25**</td>
</tr>
<tr>
<td>6. Strategic</td>
<td>-.21*</td>
<td>.39****</td>
</tr>
<tr>
<td>Total BSAQ Score</td>
<td>-.22*</td>
<td>.38****</td>
</tr>
</tbody>
</table>

*p = .10. **p = .05. ***p = .01. ****p = .005.
*BSAQ = Board Self-Assessment Questionnaire
†BSAQ = Board Self-Assessment Questionnaire

Indicators are an effective measure of overall hospital performance. When hospitals have financial problems, operational and clinical issues emerge as well. Financial metrics, such as lower expenses and profitability, may be summative factors in measuring hospital performance.

The board BSAQ scores for these hospitals were significantly higher than those for more than 300 diverse non-profit organizations nationwide (see Table 3). This higher level of board performance may be the result of hospital boards strengthening their performance given the heightened scrutiny of corporate board functioning. These self-development efforts may have resulted in improved board performance and influenced these study results as well.

Another finding of interest is the correlation of the lower political factor score of the BSAQ to a favorable hospital ranking. The political factor of the BSAQ is related to how a board considers its multiple constituencies,
TABLE 3
Comparison of Current Sample BSAQ* Scale Scores to Jackson and Holland's (1998) BSAQ Norms

Aggregated Hospital Data (N = 64)

<table>
<thead>
<tr>
<th>BSAQ Scale</th>
<th>M</th>
<th>SD</th>
<th>M</th>
<th>t</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Contextual</td>
<td>0.79</td>
<td>0.12</td>
<td>0.68</td>
<td>6.83</td>
<td>.001</td>
</tr>
<tr>
<td>2. Educational</td>
<td>0.67</td>
<td>0.13</td>
<td>0.53</td>
<td>8.69</td>
<td>.001</td>
</tr>
<tr>
<td>3. Interpersonal</td>
<td>0.73</td>
<td>0.11</td>
<td>0.63</td>
<td>7.58</td>
<td>.001</td>
</tr>
<tr>
<td>4. Analytical</td>
<td>0.70</td>
<td>0.09</td>
<td>0.61</td>
<td>7.78</td>
<td>.001</td>
</tr>
<tr>
<td>5. Political</td>
<td>0.75</td>
<td>0.11</td>
<td>0.64</td>
<td>7.61</td>
<td>.001</td>
</tr>
<tr>
<td>6. Strategic</td>
<td>0.75</td>
<td>0.12</td>
<td>0.65</td>
<td>7.14</td>
<td>.001</td>
</tr>
<tr>
<td>Total BSAQ Score</td>
<td>0.73</td>
<td>0.10</td>
<td>0.62</td>
<td>9.20</td>
<td>.001</td>
</tr>
</tbody>
</table>

Note: Scale scores divided by 3 to be compatible with Jackson and Holland's (1998) norms. *BSAQ = Board Self-Assessment Questionnaire

respects the governance process, and communicates with others. Hospitals with a more favorable Solucient ranking and a lower score on the political dimension may not have been overly political and may have moved forward on their goals and strategies despite potential criticism or feedback from some stakeholders. These boards do what needs to be done to maintain excellent performance and do not let politics get in the way.

This study points to a strong strategic focus in higher performing boards, as indicated in the multiple regression model that predicted hospital ranking based on BSAQ scores. This model was statistically significant (p = .01) and demonstrated that a lower, more favorable hospital ranking was related to having a higher score on the strategic dimension. This indicates that a board with a strategic vision and that is not overly cautious when it comes to politics performs better on behalf of its hospital.

Education is also an important factor in governing board effectiveness (Bjork and Fairley 2004) and has been subject to increasing attention in the literature. This study demonstrated that of the six board competencies, the educational dimension scored the lowest and was significantly lower than the other five competencies. This finding may indicate a need for continued focus on board education in the increasingly complex and changing business of healthcare.

Because many confounding variables, on top of board effectiveness, can influence hospital performance, two additional questions were posed to survey participants. The questions related to what factor the board perceived as having a greater impact on the financial and quality outcomes of the hospital: CEO performance,
TABLE 4
Importance Ratings for Financial Performance: Individual Respondent Data (N = 151)

<table>
<thead>
<tr>
<th>Item</th>
<th>M  a</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Governing board performance</td>
<td>1.85</td>
<td>0.98</td>
</tr>
<tr>
<td>2. CEO performance</td>
<td>3.16</td>
<td>0.85</td>
</tr>
<tr>
<td>3. Clinical expertise</td>
<td>2.85</td>
<td>0.93</td>
</tr>
<tr>
<td>4. Hospital market conditions</td>
<td>2.83</td>
<td>1.10</td>
</tr>
</tbody>
</table>

* a Importance: 1 = Least important to 4 = Most important

Note: Bonferroni post hoc tests: 1 < 2, 3, 4 (p = .001); all other pairs not significantly different at p = .05

On the one hand, the board BSAQ scores were positively correlated with hospital profitability and lower expenses; on the other hand, the board members surveyed did not believe the governing board performance was strongly correlated to financial performance of the hospital. The reason for this may be that the CEO is often more visible in daily operations and is perceived as a driver of financial performance. Because management is responsible for budget and financial processes, the board may not be seen as involved. Additionally, the preponderance of CEOs who completed the survey may have influenced the response to this question, inserting the CEOs’ own biases and perception of their importance over the board.

The performance ratings for quality of care showed that respondents most closely associated it with clinical expertise (of physicians and nurses), followed by CEO performance and board performance respectively (see Table 5). The four importance ratings were significantly different from each other for the quality of care (.001). This confounding variable may be attributed to the collaborative role so many hospital teams play in providing quality care. The perception that the practitioners closest to the patient are most influential in quality-of-care outcomes seems rational. Although the CEO is associated with financial stability and clinicians are associated with quality of care, the governing board is ultimately responsible but not as directly involved or visible in these functions.

SUMMARY
A number of findings from this study validate the importance of governing boards to the performance of organiza-
TABLE 5
Importance Ratings for Quality of Patient Care: Individual Respondent Data (N = 151)

<table>
<thead>
<tr>
<th>Item</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Governing board performance</td>
<td>2.23</td>
<td>0.78</td>
</tr>
<tr>
<td>2. CEO performance</td>
<td>2.97</td>
<td>0.65</td>
</tr>
<tr>
<td>3. Clinical expertise</td>
<td>3.89</td>
<td>0.34</td>
</tr>
<tr>
<td>4. Hospital market conditions</td>
<td>1.48</td>
<td>0.77</td>
</tr>
</tbody>
</table>

Note: Bonferroni post hoc tests: 3 > 2 > 1 > 4 (p = .001)

The strong correlation between more effective boards and positive financial performance in hospitals was significant. Notably, the factor analyses revealed a general, unified factor related to board performance that would support the need for overall competence and teamwork to create an effective board. This unifying theme may support emerging theories about governance effectiveness that come from a sense of teamwork and cohesiveness of purpose.

The single-factor results from this study reflect a more recent notion of effective boards that transcends concerns about factors such as board size, composition, and term limits to a model that views boards as social systems (Chait, Ryan, and Taylor 2005; Charan 2005; Nadler 2004; Porter-O’Grady 2000; Sonnenfeld 2002). This is a broader concept that goes beyond regulatory compliance, audits, and board education factors, espousing excellent working relationships between board and management, individual board members who are competent and engaged, and conscious attention to the social dynamics of board interaction (Nadler 2004). These effective boards are strong, high-functioning work groups whose members trust and challenge one another and engage directly with senior leaders on critical issues facing corporations (Sonnenfeld 2002). Chait, Ryan, and Taylor (2005) describe this advanced level of board functioning as “governance as leadership.”

The governing board through creative and deliberative processes provides valuable leadership to the organization. Board members no longer are chosen based on their social standing or financial capacity but rather for their ability to think creatively and contribute as a member to the team. Governance as leadership suggests a new approach to trustee recruitment, one that stresses quality of mind, a tolerance for ambiguity, an appetite for organizational puzzles, a fondness for robust discourse, and a commitment to team play (Chait, Ryan, and Taylor 2005). Charan (2005) describe these types of progressive boards as having more energy, liveliness, inquisitive interactions, and thoughtful engagement by CEOs, all of which demonstrate an emerging collective desire to do something meaningful. This dynamic
process also strengthens the balance between the CEO and the board so that the CEO still stands as the leader of the organization while providing leadership for the board. Progressive CEOs appreciate the importance of engaging and challenging their boards, whereas more traditional CEOs are more inclined to marginalize or shield their boards (Chait, Ryan, and Taylor 2005). The study results support an overall strong factor that represents this new collaborative and socially dynamic view of boards.

The role of governing boards has been pervasive in our society; yet, boards are often understudied and underdeveloped (Carver 1990). Research studies that examine various aspects of governance and their impact on organizational performance are beneficial in better understanding and improving board functioning.

**RECOMMENDATIONS**

Several recommendations based on this study and the researcher’s work with a variety of governing boards have implications for policy changes, application in healthcare management, and future research on governance.

Boards that work on their development should not focus solely on structural considerations, such as committee charters, board size, and board composition. The overall dynamics and effectiveness of the board should also be examined, taking into account how the board collectively practices all of the board competencies and works as a cohesive team.

A policy recommendation for graduate programs in healthcare administration is to offer more robust courses and case study analysis related to governance. This area is crucial for executives, particularly those moving into CEO positions. A need exists for both theoretical education and practical applications to board dynamics. The CEO plays such a pivotal role in effective governance as the leader of the organization and the board that this subject needs greater attention in graduate curricula as well as in continuing education for executives. In addition to educational offerings, new board members should be assigned a board mentor to assist with their new role and responsibilities. This study indicates that such mentorship was not offered frequently but that it may be a way to improve board member performance.

Another recommendation for boards is the consistent use of scorecards to measure performance. Hospital boards should be regularly monitoring scorecard indicators to measure progress in quality, service, financial, and community-need goals. If performance standards are not being met, the board should determine what to do to support management in accomplishing these goals. Because this study shows a relationship between board performance and hospital performance, particularly in the financial area, boards should examine their own effectiveness and how that relates to the overall organizational performance. Boards should assess their own performance annually or biannually and conduct discussions based on the findings. Tools such as the BSAQ or other published board-assessment tools may...
be used to identify specific areas of concern. An action plan should then be developed and implemented with oversight from the board. Consistent use of one tool would also provide comparative data to monitor board performance improvement.

The board executive committee or board development committee should oversee board self-renewal and ensure that continuous improvement is a built-in process for the board. The board development function should include the development of board goals, board member education, new board member-mentor assignments, board member roles and responsibilities, individual as well as group board assessment, and board leadership cultivation and succession planning.

An important recommendation for boards is to “ask the tough questions” and scrutinize how and why board decisions are made so that learning can occur and future decision making can be enhanced. This study reveals a tendency of boards to avoid discussing mistakes or critical decisions, which represents a lost opportunity for learning and improved performance.

A limitation of this study was the lack of ability to track whether the same board leadership was in place at the time the survey was completed and when the Solucient data were obtained (from a 2004 database). Other limitations were also present, such as the use of nonrandom convenience sampling methodology and the relatively small sample size, both of which suggest that future research studies would be beneficial to substantiate findings in this study and to further explore this topic.

Although governance and its effect on hospital performance is a complex and multidimensional concept to study, this research yields findings of interest to the healthcare field and leaders interested in the governing process. Stronger performing hospitals are a benefit to communities everywhere that depend on effective hospital performance. Thus, it is important for governing board leaders to understand their contribution to organizational performance so that they can enhance it and ensure that the communities they serve can further benefit. Governing boards are in a state of growth and transition (Charan 2005). The researcher hopes that this study contributes to a better understanding of and provides direction for the future evolution of governing boards.

References
PRACTITIONER APPLICATION

Richard J. Umbdenstock, CHE, president-elect and chief operating officer, American Hospital Association, Washington, DC

Hospital performance is being measured, compared, publicly reported, and rewarded. All major elements of the hospital are being examined to assess their contributions to the institution’s overall success.

For the chief executive officer (CEO), the findings of this research are very important: (1) there is a link between governing board performance and organizational performance and (2) the CEO is the primary driver of the board’s collective competency and effectiveness. The CEO’s ability to deliver essential information to the board; leadership in ensuring that the board is comfortable with its visioning, deliberating, and critiquing functions; and willingness and encouragement to objectively measure and openly report organizational performance are all vital to the board’s capacity to learn, grow, and perform.

The CEO is the most important determinant of the board’s ability to realize its potential as an interactive team that can truly be accountable to its constituencies. CEOs who facilitate board development and decision making contribute directly to board success, organizational success, and their own success. On the other hand, CEOs who shield their boards from facts, because the information may be unfriendly to management at that moment, or who block board engagement with outside sources of information endanger the organization, not to mention their own careers. Why did so many CEOs contacted for this study fail to involve their board members and decided to respond to the survey for the sake of their boards? This issue alone calls for research to understand CEO views on their contributions to (and their ability to shape) their board’s effectiveness.

Fundamental to governance is the source from which a board derives its organizational authority, sometimes referred to as how the organization is “sponsored.” The study did not investigate the differences in board effectiveness or the linkage to organizational effectiveness across the forms of nonprofit sponsorship—that is, private, governmental, and faith-based. While this too is ground for additional research, CEOs must appreciate how the board derives its authority, how members become part of their boards, and how all of these factors affect the board’s ability to gel as an effective decision-making body.

Board politics can emerge from a multitude of sources, but sometimes it all begins with personal agendas that enter the boardroom as a new member joins who has his or her perceived duties to one or more constituencies. Thankfully, this study should help CEOs and boards understand that politics are different from healthy debate and that they detract from board effectiveness.
Leaders and managers who are interested in strengthening their board’s ability to govern the organization are well advised to review the extensive references in this article. In addition, executives should keep current with proposals from the IRS, congressional bodies, state attorney generals, and private organizations that strengthen nonprofit board performance and public accountability. Emerging policy proposals clearly indicate that the executive’s success in building and supporting an effective board not only has an impact on improved organizational performance but also on the organization’s ability to retain its most cherished assets: its charitable mission and tax-exemption.