

## CHAPTER 1

# BOARD SELECTION

SOME CEOs TRY to pack their boards with their friends or allies. Others defer completely to their boards on the question of selection. Board selection is properly the province of the board, but the CEO should not take a hands-off approach. A CEO who does that is missing a great opportunity to aid the board in its work. On the other hand, a CEO who stacks the board is undoubtedly subverting the board's authority and independence and likely limiting its overall quality and diversity.

What would a CEO do if he or she were consulting the board? A consultant would look at the challenges the board faces and is likely to confront in the future and would advise the board regarding criteria and candidates that would serve its needs and the community best. This means the CEO must be deeply engaged in the process, taking the long view and carefully analyzing alternatives.

I once served on the board of a troubled, not-for-profit hospital. Because of errors, bad luck, and a difficult environment, the hospital had found itself on shaky financial ground. It had lost the community's confidence. Serving on the board required a deep commitment to the hospital's community mission.

When it came time to replace retiring board members with new ones, the obvious candidates in the community demurred when offered the opportunity to serve, because of the magnitude of the hospital's problems. The governance committee then dug a little deeper and developed a second slate of candidates. Each of them, in turn, passed on the opportunity, for the same reasons. The committee persisted. It looked beyond the usual candidates and identified several potential nominees who would not typically have been sought out for board positions. I was delighted. These candidates were more diverse than the initial two sets, they had deeper allegiance to the community, and they felt privileged to serve. The board strengthened itself in ways that would have been unlikely if it had been able to recruit its first choices.

For me, this experience provided three lessons. First, greater diversity and talent were available than had initially appeared. Second, we should not have waited until crisis struck to undertake efforts to strengthen the board. Third, the CEO and the board could have, and should have, been cultivating some of these unrecognized potential board members far in advance of the impending retirement of the outgoing board members.

## GETTING THE RIGHT PEOPLE ON BOARD

In *Good to Great*, Jim Collins (2001, 41–42) the concept of “first who, then what.” Here is how he puts it:

The executives who ignited the transformations from good to great did not first figure out where to drive the bus and then get people to take it there. No, they first got the right people on the bus (and the wrong people off the bus) and then figured out where to drive it. . . . [I]f you have the right people on the bus, the problem of how to motivate and manage people largely goes away. The right people don't need to be tightly managed or fired up; they will be self-motivated by

the inner drive to produce the best results and to be part of creating something great. . . . Great vision without great people is irrelevant.

A board and CEO who follow Collins's advice will understand that they must get the right board members on the bus in addition to hiring the right employees. If the wrong people are on your board, they may actually impede your progress and draw you off course. As the body that approves budgets, plans, and policies, an ineffective board will undermine the performance of even the most talented and committed staff. An effective board, however, can open new doors, sponsor innovation, and accelerate growth and development. Therefore, the selection of board members will influence every other activity down the road.

## THE CROSSWORD PUZZLE

Selecting the right board members is like completing a crossword puzzle. In a crossword, each word fills a special need (solves a clue) while simultaneously interlinking with several other words. Each word solved becomes, in turn, a partial clue for other words. No word stands by itself; each one has meaning and makes a special contribution to the solution of the whole puzzle. In some cases, an individual word becomes a key that unlocks the theme of the puzzle by how it leads to recognizing patterns in the other clues and solutions. Boards work the same way. No individual board member can do the work of the whole board. The interrelationships among the members create a dynamic energy that furthers the board's work. In some cases, individual members become catalysts who energize other board members.

A CEO who is consulting with the board on the identification and selection of members should keep this metaphor in mind. Just as no one would expect a crossword puzzle to be solved by using the same word over and over, no one should expect a great

board to consist of clones. Because homogeneity of members may occur if board members recruit new members who are friends and colleagues, a CEO can enrich the process by uncovering candidates who might otherwise be overlooked.

Most boards find it useful to create a skills and attributes grid to summarize skills possessed by board members and to identify skills or attributes it will seek when it recruits new members. A common mistake, however, is to specify skills needed for managing the organization. Except for new or small not-for-profits, such an approach can mislead the board and actually set the stage for board and management roles to become blurred. It is desirable to recruit people with good business and financial skills because of the judgment and perspective they can bring to board deliberations, not so they can act as unpaid technical advisers or doers. Think about skills broadly and at a high level of analysis rather than as functional responsibilities.

## PASSION AND SKILLS

Here is an important qualifier. Whatever other types of criteria may be established for board positions, two are essential: skill and passion for the mission of the organization. Consider Table 1.1.

Occasionally a board or a CEO may be tempted to overlook one factor or the other, figuring skills can be developed or passion can be nurtured. Sometimes the gamble pays off, but there should be no doubt that it is an expensive gamble. Economists have coined the term *opportunity cost* to describe this. Whenever a less desirable alternative is chosen, the cost of that alternative includes the missed benefits of the choice not made. Because board seats are limited in number, any weak board members cost not only in terms of the errors or impediments they generate, but also in terms of losing the contributions of potentially more productive board members. As consultant to the board, the CEO should help the board avoid this common error.

**Table 1.1 Passion and Skills Are Essential Qualities of a Board Member**

|                    | <i>Low Passion for Mission</i>  | <i>High Passion for Mission</i>  |
|--------------------|---|--|
| <i>High Skills</i> | Talented but uncommitted. Contributes to the work of the board, but potentially disruptive.   | Talented and dependable. Will sacrifice individual goals for the goals of the organization. Valuable in a crisis.  |
| <i>Low Skills</i>  | A board member in name but not in deed. May be looking for what can be gotten from the board, not what can be contributed. Impairs the work of the board and occupies a slot that could be better filled by someone else. | Loyal and dependable but does not add to the board process and may take the board off course on occasion. Loses credibility over time, so others may overlook valid contributions. |

## CULTIVATING BOARD MEMBERS

The CEO should act as a talent scout for the board. Part of the CEO's role in the community involves developing a network of relationships from which board members are likely to be recruited. When board vacancies develop, a prepared CEO will have become familiar with a broad range of possible candidates. Under the best circumstances, the CEO will have already evaluated potential board members through informal discussions and observations. In addition, the CEO will have shared enough about the organization and its mission to stimulate candidates' interest and get a reading on their reactions.

Candidates who raise relevant questions or who inquire about the organization's actions and challenges are sending positive signals. Those who demonstrate an interest in the larger political and economic environment as it affects healthcare are demonstrating

an intelligent awareness of context. Likewise, those who make comparisons to their own challenges and experiences show that they are thinking beyond the surface and making connections. Individuals who have been successful in their own businesses or careers often bring perspectives and judgment that are reflected in the ways they understand issues and grasp implications.

The CEO, in turn, should be sharing more about the vision of the organization and describing problems that challenge the board, management, and staff. As time goes on, the CEO lets the prospective candidate in on things that happen behind the scenes, providing a view that is not normally seen by outsiders—excluding, of course, information that is confidential or proprietary. Each of these steps helps the CEO gauge the skills and passion of the potential board member. This cultivation process helps nurture interest in participating on the board.

When the nominating or governance committee meets to consider possible candidates, the CEO will be able to serve as a knowledgeable partner. The CEO can suggest possible board members and can comment helpfully on many of those raised as prospects by other board members. By doing so, the CEO is likely to stimulate more ideas, perspectives, and options by the members of the committee. The CEO is not controlling the process, but rather is seeding it in a way that builds the confidence of the board and increases the likelihood of good outcomes.

## **APPLICATION GUIDELINES FOR THE CEO**

1. Be proactive in all respects concerning the board. Just because the board has authority in an area does not mean you should merely wait for the board to act and to instruct you. You are engaged in this work full time. You live and breathe it. That should lead to good ideas, deep insights, and refined analyses. The board depends on you for those benefits; don't bury your assets by excessive deference.

2. Never forget that the board prerogatives are theirs, not yours. The board, not you, has the ultimate authority for certain decisions and directions. You are a trusted adviser. That is a position of influence, not authority.
3. As CEO, and as a partner of the board, you should have great interest in getting the right people on the bus as board members. You should encourage and facilitate board self-evaluation and ensure that proper attention and lead time are provided for the nomination process. You can recommend processes, identify role models, suggest educational opportunities, and propose schedules that help the board fulfill this responsibility. That is part of your “consulting” role. The quality of your relationship with your board chair will be a major factor in your ability to advance these ideas.
4. Creating a skills and attributes grid to summarize the desired characteristics of board members and to identify how the board stacks up is not a job that can be done completely in committee. It requires staff work to prepare a good draft for review, comment, and completion. The key words here are “staff work” and “draft.” Your role is to facilitate the work of the board and to engage them in the process. By doing so you provide them with a tool they can use and, through modification, come to own.
5. Advance the cultivation of new board members by focusing on building relationships when you are engaged in community activities. The process of building relationships gives you an ideal opportunity to assess readiness for board membership and to grow the sense of organizational affiliation among community leaders without usurping the board’s role in the actual selection. This way, you increase the likelihood of success in member selection, which creates a win-win for you and the board.

## APPLICATION GUIDELINES FOR THE BOARD

1. Embrace the CEO's activism on behalf of the board, but do not allow yourself to become lulled into a passive state, looking to the CEO to assume your responsibilities or to make decisions that are yours to make. Considering the CEO a trusted advisor does not mean suspending your own judgment.
2. Focus first on the mission of the organization and then on the results that are achieved by management and the medical staff. As not-for-profit board members, you are the trustees of the community's interests. Focusing on the mission will ensure that you do not get sidetracked into administrative work or responsibilities. Your passion for the mission will be a great attractor for the people you want on board. Focusing on outcomes will fulfill the responsibilities to the community you have as board members.
3. Look beyond the usual and obvious candidates for board positions. Identify people with backgrounds, skills, and perspectives that will enrich your board. Do not limit the board, the CEO, and the organization by narrow choices. Stretch them instead by seeking candidates with a broad range of skills and experiences.
4. Assessing board skills can be a difficult process for the board and CEO in terms of objectivity about the abilities found or not found among the current members of the board. Both may avoid making assessments that hint of criticism or deficiency. As board members, you should signal your willingness to be objective about yourselves as individuals and as a group. (See Chapter 7, "Board Appraisal and Development.")



5. The CEO is not the only one who should actively cultivate potential board members. You should understand this as one of your inherent responsibilities. You are in an excellent position to recruit by being open and positive about the health system and your experiences as board members. It is a virtuous cycle. Good people attract more good people.

## REFERENCE

Collins, J. 2001. *Good to Great*. New York: HarperCollins.