



J. Larry Tyler, FACHE,
FHFMA



Charles R. "Charlie"
Evans, FACHE



Frank D. Byrne, MD,
FACHE, FACPE

Making the Best Use of Advisory Boards

They can provide guidance and have responsibilities.

The healthcare field uses advisory boards extensively. They range from boards that meet simply to hear reports to boards that actually have duties and responsibilities.

Throughout our careers, the authors have seen great things happen through the trust developed and relationships built by deployment of a diverse and engaged advisory board. We've also seen ineffective advisory boards, seeking only affirmation and no input. And, we've seen well-executed advisory boards and their organizations outperform organizations with fiduciary boards, where community input was neither desired nor appreciated.

Advisory boards will continue to play a significant role in healthcare governance, especially with the ongoing consolidation of hospitals and healthcare institutions into larger entities. This means that local fiduciary boards will transition to a different status—that of advisory.

This change will be traumatic for some boards as their authority and responsibility are lessened. This trauma can be reduced if the advisory board is given clear instructions and a thorough orientation to the new role. With a job description for the new board members and a charter, a reconstituted board could be of immense help to the acquiring institution or to the organization that wants some insight into the community and the organization.

The Advisory Board's Responsibility

There is a misconception that advisory boards are not fiduciary boards, and therefore do not have fiduciary duties. The fiduciary duties are the duty of care, duty of loyalty, duty of disclosure and duty of obedience. Some advisory boards retain responsibility for medical staff credentialing and strategy.

In exercising those responsibilities, the board takes on fiduciary duties.

We can make a good argument that in each of the responsibilities of an advisory board, some aspect of a fiduciary duty comes into play. The board's responsibilities are simply more restricted. For example, the board may not be able to fire the CEO, but it is able to give input into the CEO's performance appraisal.

Perhaps the term "advisory board" is, in many cases, too limiting. We like the term "community board," which can be defined in many ways, but eliminates the idea that the board is only advising and has no responsibilities. Furthermore, the term community board highlights one of its greatest assets: that of providing a link to the community. In this article, we use the terms advisory board and community board interchangeably.

The value community boards create is directly related to the commitment of the CEO or senior management officer supporting the board. Calling on community volunteers to advise the organization in some capacity is a serious matter. The fact that too many community boards provide minimal value or fail is often a result of senior executives minimizing the board's role, either initially or over time.

The Bottom Line

- The advisory board does have fiduciary duties.
- Crucial to the long-term success of an advisory board is the development of a clear charter.
- Once the advisory board is established, senior management will need to support it in a way that is similar to the fiduciary board.
- Advisory board members can have significant influence without having authority and reserve powers.

Keys to Successful Implementation

The process for establishing and maintaining a successful advisory board starts with addressing critical questions that must be answered as clearly as possible: Why have an advisory board? What does the organization want from it? Will community volunteers perceive that they are playing a meaningful role as a member of the board? The answer to these questions underpin the advisory board's development and ongoing operation.

Crucial to the long-term success of an advisory board is the development of a clear charter. The following charter components are essential:

- Establish a meaningful role and focus.
- Clarify who is being advised.
- Determine competencies needed and the selection/reappointment process.
- State clearly the boundary between the advisory board and the fiduciary board.
- Document accountabilities and reporting structure.
- Set the advisory board's size and meeting frequency.

Support Is Vital

Once the advisory board is established, senior management will need to support it in a way that is similar to the fiduciary board. For example, an ongoing/systematic development plan for the advisory board members will need to be created to ensure they have the necessary information to fulfill their responsibilities. There will need to be an ongoing communication plan to enable the members to stay current and prepared for a quality meeting experience.

The executive supporting the board will need to seek periodic (at least annual) feedback from members to determine their level of satisfaction with the board's work. Similarly, the board will need to receive periodic (at least annual) feedback as to its performance.

An issue that can significantly reduce the value of an advisory board to the organization is "scope creep." The senior executive supporting the board can minimize this risk by working closely with the chairman to ensure proper discipline is exercised to function within the scope of the charter.

Similarly, executives working with an advisory board can be frustrated by a burdensome to-do list created at the board meeting. To minimize this concern, the senior executive should clarify the short list of priority follow-up items.

Advisory Board Member Expectations

Serving on an advisory board can be a fulfilling, rewarding and informative experience. Advisory board members should expect to be consulted, respected and educated. They can have significant influence without having authority and reserve powers. If they are simply expected to rubber-stamp fully formed plans and programs without an opportunity to provide meaningful input, their time is being wasted.

Advisory boards need education similar to that required by fiduciary boards to help members provide informed recommendations. Education can include outside speakers, industry educational programs, articles, trade publications and newsletters. If the

organization is part of a larger system or corporation, executives from the corporate office should attend periodically to provide industry and organizational context and receive input.

Board composition should address all aspects of diversity and inclusion. It should allow members to learn from the experience and perspectives of their colleagues to better inform their recommendations. Physicians are essential members of any advisory board. They can provide unique insights, and equally as important, they can learn from other community leaders they don't encounter normally in the course of their clinical work.

The effective use of an advisory board or a community board, both with limited responsibilities, can contribute a great deal to an organization without having to deal with the full-blown activities that accompany the use of a fiduciary board. As with any endeavor, you will usually get results out of a board from the effort that you put into it. Job descriptions, a clear charter, planning for meetings and feedback to the board will go a long way to having a community board that really works. ▲

J. Larry Tyler, FACHE, FHFMA, is chairman/CEO, Practical Governance Group, Atlanta (ltyler@pgghealthcare.com). Charles R. "Charlie" Evans, FACHE, is president, International Health Services Group, and associate, Practical Governance Group, Atlanta (charlie@ihsgroup.net). Frank D. Byrne, MD, FACHE, FACPE, is associate, Practical Governance Group, Atlanta, and president emeritus and foundation board member, SSM Health St. Mary's Hospital St. Louis (fdb3md@aol.com).