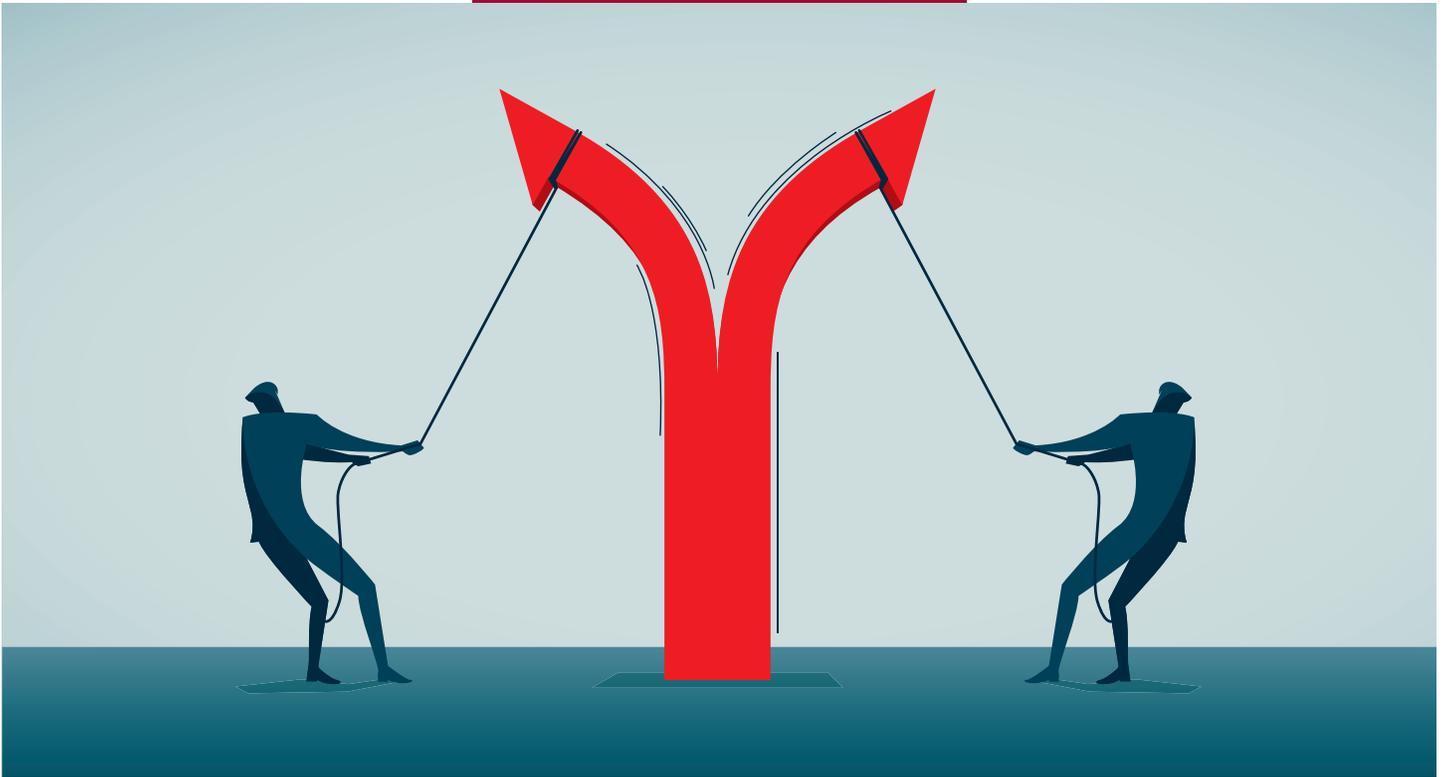


# Trustee Insights

VIEWPOINT



## Preserving the Distinction Between Management and Governance

Clarifying accountabilities is essential for high performance

BY STEPHEN L. MANSFIELD

One of the most difficult aspects of effective governance is understanding the distinction between the roles of management and the board, and how that demarcation varies among different organizations. After three decades of working for boards and serving on many myself, I have learned that clarifying these roles is imperative to well-functioning organizations and their boards. Fundamentally, the distinction answers

the questions: How do boards excel at governing without stepping into management? And how do CEOs ensure that boards have what they need from management in order to govern effectively?

Knowing how to govern well differs in many respects

### Board Culture

from knowing how to lead or manage an organization capably and is perhaps more art than science. Formal education and training, as well as daily practice, equips organizational managers and leaders for their roles. However, best-practice governance principles are perhaps less well studied and applied; and most of us who serve on boards evolve our governance skill sets

over time through participation in periodic board and committee meetings.

Setting policy and direction for the organization, overseeing performance, imparting wisdom, fulfilling the fiduciary responsibilities implicit in governance — and equipping and supporting management to execute the board's adopted strategy, mission and vision — is challenging work. Doing so without micromanaging the execution is in some respects unnatural and even more challenging, especially because most board members are themselves successful CEOs or senior executives of organizations and are usually "executors extraordinaire" in their own right.

It's understandable, therefore, that some board members are uncomfortable with executing through management while holding management accountable to deliver desired results; yet effectively discharging this role is central to effective governance. I've always viewed governance as disproportionately owning the "why/what" and sharing the "when/where," but relying on management for the "who/how" associated with organizational initiatives.

### Defining the Distinction at Methodist Health System

While the board and management share overall responsibility for organizational leadership, essential duties can and must be clearly defined as either the board's or management's responsibility.

As CEO of Methodist Health System, I've developed a [grid](#) to define roles for governance, leadership, and management in working

through major organizational initiatives. This grid seeks to create a clear distinction and identify optimal roles for governance and management in each area.

For example, consider the development and implementation of the organization's strategic plan. While the board is heavily involved in developing an aspirational strategy, based on our system's stated mission and vision, management must establish an operating model and develop a team capable of

it allows management to focus full attention on the complexity of operational excellence and strategic success without being hampered by micromanagement from the board.

### Building and Maintaining a Shared Understanding

Defining the distinction between governance and management, and successfully adhering to it, depends on a shared understanding and agreement upon which the

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executing the plan effectively. In my view, it is unhealthy for the organization if management develops the strategic plan without sufficient input and guidance from the board; and likewise, the board oversteps its responsibility if it dips down into actual execution of the plan.

Alternatively, boards and management can come together to lead the organization by jointly participating in local, state or federal advocacy efforts. In this situation, the board reviews, adjusts as necessary, and approves management's plan; and then everyone performs his or her role in this key function.

Having clarity around related but very different accountabilities is imperative for a high-performing board and organization for many reasons. Perhaps most importantly,

distinction is based. In order to avoid confusion, we have agreed at Methodist Health System to a few key principles that underlie how we have defined our relative roles:

- The CEO works for the board of directors as a whole, not for any individual board member and not even for the board chair. Understanding the need to manage based on the consensus of the board avoids having management focus on tangential priorities that do not reflect the will of the board as a whole.
- Board members work through the full board and CEO. Intelligent, well-intended board members can wreak havoc in the organization if they engage and advise members of the management team apart from the CEO and outside the consensus of the board. It is important that all

board communication to management go through the CEO instead of individual executives. Imagine, for example, if a board member wants a consultant to do some work for the organization's human resources department, and the board member

tial benefit for the organization, the chair raises it with the full board and then with the CEO, who decides whether to pursue it.

- The CEO is usually the only employee of the board of directors. (Some organizations such as ours

boards and management change. We use a [board chair/CEO compact](#) that describes the delineation between board/governance and CEO/management roles and responsibilities in detail. We discuss this compact extensively with incoming board chairs as they prepare for their roles. At regular intervals during their relationship, board chairs and CEOs should review the compact and discuss what is and is not working well and how to improve.

Few things are more important for a CEO and board than achieving a clear and consistent balance between governance and management. Otherwise, a lack of balance can become a distraction to the challenging and complex work at hand.

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## Even with sound principles and clearly defined board and management roles and responsibilities, the distinction can blur, especially as boards and management change.

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brings his or her recommendation directly to the chief human resources officer. How does/should the CHRO react? In our organization, we encourage board members to make such a recommendation to the board chair; if the chair deems the recommendation to have poten-

have staff dedicated to assisting the governance process; but they are part of management's structure, not the board's.)

Even with sound principles and clearly defined board and management roles and responsibilities, the distinction can blur, especially as