

As strategic planning becomes a more intense focus for hospital boards, lessons from publicly traded companies may be instructive.

In the 2017-2018 Public Company Governance Survey conducted by the National Association of Corporate Directors (www.NACDonline.org), 600 directors of publicly traded companies were asked what they consider the board's priorities on behalf of the organizations they serve. Their top five were:

- Meaningful contribution in the development and monitoring of the company's strategy (71%).
- Oversight of risk management activity (58%).
- Improvements in the board's operational effectiveness to optimize its use of time and encourage more rigor in decision-making procedures (58%).
- Enhancement of the board's culture to enable candid discussion and meaningful deliberation (58%).
- Meaningful consideration and methodical approaches to CEO succession plans (58%).

This list reflects growing board recognition that the stakes are high for their work. And at the top of the list for the second year is increased participation in the company's strategic planning. The researchers explained:

"Many boards still struggle to move from a traditional review and concur approach to deep and continual engagement with strategy. One obstacle to more robust board engagement with strategy may simply be insufficient time allocation. Fifty-one percent of respondents indicate that the lack of adequate time during board meetings for in-depth strategy discussions is an important barrier to effective strategy engagement, up from forty-four percent last year." (Friso van der Oord, "Public Company Board Priorities for 2018," *NACD Directorship Board Intelligence* [Jan. - Feb. 2018]: 28-29.)

Higher Stakes

Like boards of publicly traded companies, hospital boards face unprecedented challenges:

- Clinical innovations are changing how and where diagnoses are made and by whom.

- Operating margins in traditional lines of business are thinning.
- Consolidation in every sector of health care is expanding the scale and scope of organizational capabilities necessary to remain viable.
- Expanding regulatory compliance poses greater risks.
- Lenders and investors are tightening access to capital and costs for their funds.
- Consumers are demanding convenience, better service, transparent costs, guaranteed outcomes and digital access.

Traditionally, local hospital boards have been composed of community representatives who donate their time and expertise pro bono. Boards with oversight over large regional health systems and multi-hospital operators (both investor-owned and not-for-profit) may include national experts and, in some cases, offer compensation.

A hospital board's role and powers are enumerated in their Articles of Incorporation, bylaws and IRS Articles of Incorporation. Many function in a purely advisory role, but most operate as the hospital's fiduciary with accountability for the well-being and success of the corporation. That responsibility is directly tied to the board's role in strategic planning to assure the sustainability of the organization.

Role Enhancement

There is no blue book of hospital strategic planning best practices. Rather, hospitals evolve their approaches over many years, usually orchestrated by an experienced CEO with support from strategic planners, legal counsel and meeting organizers. But as strategic planning becomes a more intense focus for hospital boards, lessons from publicly traded companies may be instructive. Four are worth consideration:

A dedicated strategic review committee (SRC): Most hospital boards use their executive committees for just about everything. In contrast, many investor-owned companies appoint a strategic review committee to review management recommendations and independently assess market conditions. The SRC serves as the board liaison to management for feedback as plans unfold and strategies are discussed. And ultimately, the SRC is asked by the board chair to independently opine to management's recommended strategies. An important artifact widely used by many SRCs is a dashboard that integrates internal performance data with external market and competitive tracking measures.

A deliberate year-round process: Though occasional retreats are useful, the strategic planning process in most publicly traded companies is ongoing, structured around

frequent activity in the SRC and deliberations by the full board that often consume as much as 40 percent of the board's agenda. (Christian Casal and Christian Caspar, "Building a Forward-looking Board," *McKinsey Quarterly*, Feb. 2014.)

Director competence: Effective public company boards expect members to be educated on key issues and trends. They provide resources and evaluate director competence on a formal basis as a precursor to a director's continued service to the board. By contrast, 80 percent of hospital boards report they've never had occasion to discharge a director for incompetence. (AHA Center for Healthcare Governance, "2014 National Health Care Governance Survey Report," p. 24.)

Adequate time: Investor-owned boards expect at least 40 days annually as a condition of service. Committee activity is a heavy emphasis; effective meeting orchestration by the chair is an imperative for effectiveness. Most hospital boards require much less time: the complexity of the hospital marketplace suggests more time is needed.

In the corporate world, the board's active role in strategic planning is taking on added emphasis. The same is true for hospital boards.

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