

The Leadership Audit

To understand how the organization really functions on a day-to-day basis, boards need to gauge the hospital's work life and its efficacy. Board responsibilities include: (a) understanding the hospital's operating model and whether it actually performs in that mode, how critical decisions are made, and the hospital's ability to recognize its own problems and "self-correct"; and (b) ensuring that it happens.

How can a board best acquire the awareness to perform these functions? The livelihoods and primary

responsibilities of board members lie elsewhere. What time they spend at the hospital, and the information they receive, is largely controlled by the CEO. Even informed by the most well-meaning and open chief executive, board members still have to "read a lot between the lines." To meet its responsibilities, a board needs insight beyond financials and general discussions of operating issues, important as they are. Because boards don't have the time to do the work themselves, they need to be supported by informed,

competent and objective sources.

Just as the external audit with its Management Letter provides insight into financial operations and ways to improve them, boards and hospital leadership would benefit from a comparable Leadership Audit of the organization's workplace operations. The Leadership Audit produces a *Leadership Letter* with observations and recommendations for improvement, followed by board discussion with the hospital's CEO, including implementation timelines and follow-through.

Initiating a Leadership Audit

Potential resources for conducting a Leadership Audit include organizational development or HR consultants with expertise in institutional assessments and familiarity with large organizations of professionals. If a hospital has a productive relationship with a management consulting firm, the board could determine if it has the expertise to conduct the desired assessment. Another approach is an advisory panel of current or former leaders of peer organizations comparable to panels selected for departmental reviews at academic medical centers. That group might be led by an expert in human resources or organization development.

The RFP for a Leadership Audit should state both priority and general areas of concern, which will vary by organization. The following topics — grouped into broad categories — should be considered:

- **Leadership structures and positions:** Are roles, relationships and responsibilities clearly defined and appropriate? Do organization charts reflect how responsibility and accountability really flow? Are critical positions staffed with talented and motivated people? Is the organization well served by a diverse leadership team? Is there a succession pipeline for critical positions?
- **Alignment of desired behaviors and recognition:** How meaningful are performance reviews? How often are they carried out? Do senior managers get feedback on their performance — from peers and subordinates as well as from superiors? Does compensation promote the operating and strategic goals of the organization? Are individual employees recognized for outstanding performance? Is recognition private or organizationwide?

- **Critical decision-making processes:** For major resource-intensive decisions, are processes well supported with data? Do they reflect a variety of perspectives?
- **Self-correcting mechanisms:** Are grievances, complaints of sexual harassment, inequity of pay and so forth, dealt with effectively? Are there functioning, fair and accessible appeal mechanisms? Do staff know about and use them? Are HR policies and practices appropriate to 21st century issues? Is turnover within acceptable ranges?

- **The CEO as leader:** How effectively does the CEO motivate, energize and communicate with the organization? To what extent is the organization's culture shaped by the CEO in service to its mission and values? Is the CEO visible at all organizational levels? Are vehicles for two-way communication used effectively? How does the CEO allocate his/her time? Is that in line with strategy?

The board could include itself in this audit. Board self-assessments typically address limited factors such as level of familiarity with the organization's mission and business model, frequency of meetings, and quality of materials. Consider these topics:

- **Control of the board agenda:** Who sets the agenda — CEO, board chair, other? Does the chair engage board members to encourage relevant and open discussion? Does the relationship between the CEO and board chair encourage working through different perspectives?
- **Term limits and succession:** Are there limits on terms for board membership and board leadership? Is there planned succession for board and committee leadership?

- **Trustee empowerment:** Do individual board members feel empowered to (and actually bring up) uncomfortable topics they feel important or call for clarification?
- **Board structure:** Is use of committees (including Executive Committee) conducive to both board engagement and efficient conduct of board business? Do agendas address critical issues and provide sufficient time for consideration?
- **Executive sessions:** Do board members regularly meet without staff, rather than signal a crisis when such a session is called?

Conducting a Leadership Audit

Analyses and assessments for the Leadership Audit could include the following potential activities:

- Staff input via 360° performance appraisals for senior leaders and random other employees
- Review of changes in senior leadership teams (who left — voluntarily or not, and for what role — and those hired) and what this says about the CEO's working relationships)
- Review of decision-making processes for critical decisions (who is involved, level of analytic input, organizational breadth of sharing need for change, clarity of considerations leading to decisions made, and actions to be taken)
- Review of institutional metrics and alignment with strategy
- Review of major HR policies regarding performance reviews, job descriptions, and so forth
- If relevant, review of bond agency ratings reports, especially nonfinancial aspects of their assessments
- Discussion with CEO on organizational strategy, its goals, alignment with budget, annual targets and status
- Review of CEO's calendar for past three months, assessing use of time against goals
- CEO's self-evaluation and its relation to his/her job description
- CEO's career plans and any relevant personal issues
- Confidential conversations with general counsel and board leadership

Your resources conducting the audit may wish to offer their own ideas or alternative activities.

Final Report and Recommendations

Based on the results of the Leadership Audit, the Leadership Letter should include at least the following elements:

- Summary of reviewers' background, experience
- Topics the board wanted addressed
- Degree to which the organization was responsive and helpful
- Activities conducted, materials reviewed, and people (or categories of staff) involved — and their role
- Executive summary
- Findings
- Recommendations for board and management

What is working well in the organization should be highlighted as clearly as what is open to improvement. Recommendations should emphasize continuous improvement rather than serve as a performance review.

Presentation, Discussion and Action

Upon completion of the Leadership Letter, consultants should meet first with the board chair, then with the board chair and CEO together. The CEO and management team should consider the consultants' findings and recommendations before the full board sees the Leadership Letter. The CEO, with senior management, should then present a response to the full board, with open and positive discussion — a learning experience shared by all. It is imperative that the board, CEO and top management together take the final report as valuable input to strengthen the organization.

To learn more about informed, objective audits to improve management practices and processes, [click here](#).

Adapted from "Board Oversight of Culture for High-Performing Hospitals," by Mitchell T. Rabkin, M.D., and Susan Y. Friedman, M.B.A. (Trustee Insights, April 2019).