

Trustee Insights

TRANSFORMING GOVERNANCE



Building Your Health Care Board as a Strategic Asset

How to maximize value in an unpredictable environment

BY KIMBERLY A. RUSSEL

The tsunami of public health challenges, payment reform, workforce shortages, consumerism, new competitors, the digital revolution and more have created uncharted territory for the health care field. Per the [AHA 2019 National Health Care Governance Survey Report](#), 71% of all boards

are spending less than half of board meeting time in active deliberation and debate. Translation: CEOs are underutilizing a significant resource — their boards. The time is now to maximize this unique asset and utilize the board as a competitive advantage.

Capitalizing on a Missed Opportunity

There are many reasons that CEOs and board leaders are missing this opportunity. Some boards focus heavily on operations, leaving little time for strategy. Board composition also can be a barrier. Large boards may unintentionally inhibit partici-

pation from all board members due to time constraints. A misunderstanding of the trustee job description can contribute to board underperformance.

Why should health care boards strive to become an even greater asset to the organization? The health care delivery system is enduring extraordinary times with uncharted pathways. It is all hands on deck — including the board — to discover new ways to thrive in an unpredictable environment. Most decisions facing boards and CEOs are in the gray zone. Combining the experience and wisdom of a diverse board with a skilled executive leadership team will ultimately result in optimal decision-making. CEOs who do not choose to use the board as an asset are bypassing a resource that, when developed appropriately, can play a crucial role in advancing the organization and its mission.

A Case Study to Consider

General Health is a \$1 billion integrated system that is proactively planning for a likely new competitor in its market. The competitor is well funded via seemingly unlimited venture capital and has attracted respected executive talent. Over time, General Health's CEO has worked in partnership with board leadership to engage the board on a strategic level. The CEO places this matter on the next board agenda

for a consultative strategic discussion. Included in the board packet for advance review is a concise, bulleted summary of the current situation. Three possible avenues for General Health are highlighted.

At the board meeting, the diverse backgrounds of individual trustees are evident in the active discussion. Board members share experiences from multiple industry sectors and angles. Trustees actively debate the merits of each option — and even discuss a potential fourth alternative. The CEO leaves the board meeting with additional questions to pose to the leadership team and new perspectives on General Health's competitive strategy. Trustees exit the meeting with renewed appreciation for the complexities of mission-based health care, plus personal satisfaction derived from offering insight to the organization that their families, employees and neighbors depend upon for health care. Some trustees note that the discussion offers helpful ideas for their own businesses when facing new competitors. The CEO will consider the board's input as he or she arrives at a final decision and formulates the annual capital allocation plan. Or, depending on the decision's scope, the CEO is well prepared to bring a final recommendation to the next board meeting.

Is this scenario just an academic exercise? Not at all. High-performing boards and senior leadership teams across the United States are striving toward this level of governance excellence. Savvy CEOs regard the board as a unique

platform for advice and counsel. And when the board encounters a major decision point, full collaboration between the board and CEO results in superior outcomes.

To achieve this synergy, governance and management must agree that with the complexities and unknowns surrounding health care, there is no single individual (including the CEO, trustees and consultants) with the "right" answer to every question. The principle of collaborative wisdom, in which pooling knowledge and insight from a group results in

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Rarely does a CEO enter office and find a knowledgeable and highly engaged board at the ready. Thoughtful and deliberate actions must be employed to propel the board on this pathway. Achieving this level of governance evolves over a period of years, not months.

First Steps Toward the Board Becoming a Strategic Asset

The board is ideally composed of trustees who are each respected by the CEO, the senior leadership team

and their fellow board members for their knowledge and expertise outside the board room. A deliberate strategy should be employed to recruit trustees with both a positive track record in their field and a willingness to embrace governance as a team sport. It is apparent that effective board dynamics have been achieved when trustees and the CEO are learning from each other throughout the course of their board engagement. Defined broadly, diversity in trustee composition is a requirement to yield active learning among board members. Thinking of

board configuration in this way may generate different trustee recruitment strategies and priorities.

Board size is a crucial factor in building the board to serve as a strategic asset. Boards exceeding 8 to 10 people are at risk for some trustees to conclude that their participation is not essential. The board should be a small enough size that each trustee

is motivated to fully participate in all meetings in order to air an unduplicated perspective on critical agenda items. Accordingly, each member of a smaller board carries a greater share of responsibility. It is difficult to have an effective strategic discussion with the typical board size of 16 to 17 members competing for airtime around the board table. With a smaller board, a diverse range of trustees — including professional field and personal background — is imperative.

A thorough understanding of the trustee job description and the role of the board is vital. This begins with trustee recruitment and

continues with new trustee orientation — reinforced by ongoing board practices. A fair representation of the needed time commitment, including meeting preparation and education, must be noted in the job description. CEOs should be transparent during the trustee recruitment process regarding time expectations. The governance/management lines of authority should be clarified and respected. A board policy detailing the financial and decision-making authority of the CEO is a must.

Key Strategies to Achieve Full Strategic Value of the Board

Crafting board and committee agendas is pivotal in turning the board into a strategic asset. Typically, strategic topics that rise to the governance level are selected by the CEO and board leadership. Board time should be devoted to strategic growth opportunities and to anticipating potential external disruptions. Additional questions for the board: What elements of strategy are we missing? What should be on the board agenda that has not yet landed? The emphasis is on devising an agenda with a long-range lens. Significant C-suite time is needed to prepare for governance-level discussions. Meaningful and compelling agenda topics will reinforce to each trustee the significance of the board's work.

TRUSTEE TAKEAWAYS

- To maximize value in an uncertain environment, boards must become a strategic asset.
- Recognize that board service is a team sport: Collective wisdom is the goal.
- Board composition and size are crucial to execute on the strategic level.
- Clarify governance versus management roles and authority.
- Consider delegation of maximum authority levels to the CEO.
- Selection of strategic agenda topics is imperative.
- Board education is never-ending.
- Invest more CEO time in board development.
- Achieving full strategic value of the board is evolutionary.

A direction to avoid is to lengthen or hold more board meetings. Instead, the board must deliberately cut from its agenda routine and borderline operational items. The board should have confidence in its CEO and executive team to handle these matters. As the collaborative relationship between the board and CEO builds, the board should strive to delegate as much authority as possible to the CEO to free agenda time for governance material.

An ongoing focus on board education also is essential. The health care sector is unique and dynamic, and board members need constant education on contemporary topics to provide the best counsel. The CEO must construct a multimodal educational initiative that stretches beyond annual retreats and national conferences.

Well-curated briefings between board meetings are another tool for the CEO to employ. For best results, effective board education requires a serious commitment of CEO time.

At this critical point, health care organizations must leverage every asset at hand — starting with the board. Changing the mindset of CEOs and boards to envision the board's potential is the first step in a long trek to turn the board into a strategic asset.

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Please note that the views of the authors do not always reflect the views of the AHA.