

Beating the Financial Squeeze: The Board's Role in Your Hospital's Performance Transformation

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The complex realities facing hospitals today require board members to be well-versed in the industry dynamics within which their hospitals are operating. Success in the current environment requires that the board understand and ensure that the organization is performing across multiple dimensions, including delivering market-leading services with the utmost quality and safety; providing a great experience for patients, providers, and staff; and operating efficiently and effectively to generate sustainable financial capital. Market-leading organizations and their governing boards recognize that transformational improvement can only be unleashed through a unified

and comprehensive approach that enjoins the strategic, operational, clinical quality, and, perhaps most importantly, cultural dimensions of the organization. This article explores each of these dimensions and the board's role in the hospital's performance transformation.

Four Dimensions for Transformation

Strategy: Positioning for organizational growth and success appropriate to the organization's intrinsic market identity and the competitive dynamics in which it competes. Strategy sets the organization's course and scans the environment for opportunities and threats along the journey.

Key board considerations:

- How will we grow to ensure we are well positioned in the future?
- What are our clinical strengths and how do we leverage them to thrive?

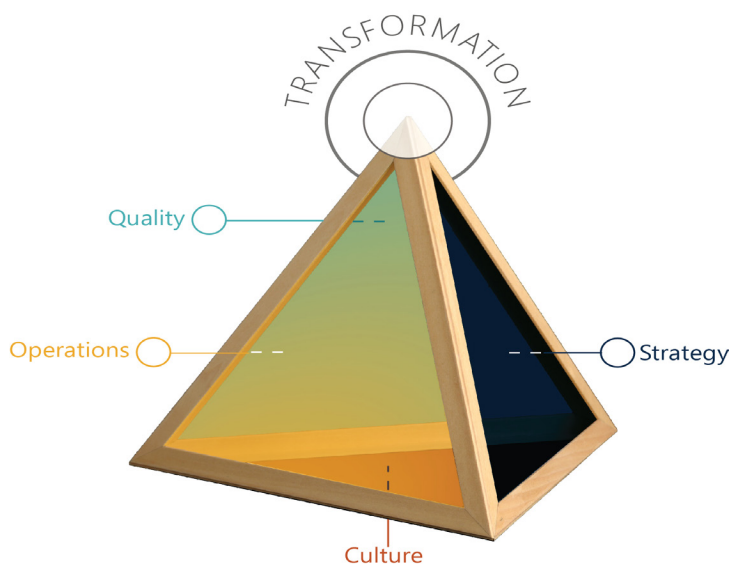
- What fundamental gaps must we address?
- Are there opportunities to partner, in order to capture synergies and provide better services to our patients?

Operations: Organizing and aligning resources to achieve the hospital's strategic aims. Operations considers the people, processes, and technology that must come together to effectively and efficiently serve patients. When optimized, providers and care teams are able to generate strong financial results to reinvest in strategic initiatives.

Key board considerations:

- Do we have an efficient and effective operating environment, aligned in support of our strategies?
- Have we successfully deployed a discipline of continuous improvement?
- Do we have the appropriate technology in place and are we optimizing it?
- How can we improve our financial outcomes to generate additional operating capital?

Clinical quality and safety: Reflecting the organization's commitment to reliable, consensus-driven, and evidence-based care at all times. Quality encompasses robust capability in defining practice



standards (clinical and operational), managing clinical variation, and deploying necessary clinical leadership. In many respects, clinical quality and safety should be the board's prime objective.

Key board considerations:

- Are our clinicians and staff sufficiently engaged and accountable for problem-solving on critical issues, for example, access to care?
- Do our clinical systems enhance decision making and support practice standards without creating undue burden on providers and staff?
- Have we defined clinical performance metrics and associated targets with an intention to excel in outcomes and safety in a manner which differentiates us in the market?
- Is an ongoing commitment to clinical excellence a distinguished aspect of our culture?

Culture: Representing the fabric and foundation of the organization, and ultimately driving performance of the strategic, operational, and quality dimensions described above. Ensuring leadership alignment and frontline engagement in the transformation initiative will nurture the critical cultural requirements necessary for successful execution and sustainability.

Key board considerations:

- Does our culture invoke and imbue a transformative mindset?
- Are our incentive systems aligned with the culture we are trying to create?

Key Board Takeaways

- Ensure the board gets a “full picture” of the transformation effort and how it is progressing toward defined, measurable goals through regular governance updates to all relevant board committees—strategic planning, clinical quality and safety, finance, and executive committees.
 - Position leadership for success by making sure they have the resources and tools needed to be successful, and that all improvement initiatives promote the desired long-term vision and culture of the organization.
 - Ask management to specify the operational and financial requirements to achieve strategic initiatives, and what mission, reputational, and financial benefits the organization can expect to achieve as a result.
 - Push leadership to establish strategic priorities that position the organization for growth and success through clarity around market opportunities and threats, organizational strengths and gaps, partnership opportunities, etc.
 - Request an operational assessment of your organization to test if resources are consistently effectively organized and aligned to achieve strategic aims.
- Does our workforce development strategy support the needs of a transformative organization?
 - Is our leadership development and succession planning sufficient for our future needs?

The Board's Role

Breaking through to the next level of performance requires strong alignment between leadership and governance to ensure the organization is hyper-focused on the mission-critical initiatives that keep it thriving. The board can do their part by ensuring:

- **Clear goals and timely measurement are in place across all dimensions of performance.** Leadership at all levels will focus on those goals for which they are held accountable. Creating a cascading set of measurable goals that defines success across the organization
- **The board and leadership are committed to aligning the organization around the future requirements for success and to improving all dimensions of performance.** The most successful transformation efforts are grounded in a shared understanding of the need for change and the requirements for success. The board can facilitate this by addressing any leadership gaps and by aligning the governance structure and leadership strengths with the needs of the organization.
 - **The strategic roadmap and defined resource plan are timed to achieve necessary results without overextending organizational capacity.** All hospitals are challenged by initiative overload. Organizational transformation must be a strategic priority that commands sufficient leadership time, attention, and resources focused on those areas that represent the greatest potential

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for improvement. Careful attention to culture, planning, and prioritization, with a robust roadmap will ensure strong footing and momentum.

- **Leadership continues to raise the bar on expectations and performance.** Leadership teams with low turnover and limited infusion of different experiences are valued for their stability but risk becoming stagnant. The board should ensure that the current leadership suite has the skills to drive transformation and fosters a culture of seeking excellence in everything they do. Comparison to leading practices and external benchmarks is a mechanism by which to promote a culture of continuous learning.

Achieving transformational performance requires extraordinary governance and organizational leadership and commitment, but the results are undeniable—a lasting impact on community health and an enduring legacy for its leaders.

The Governance Institute thanks Rob Gamble and Pamela Damsky, Directors of the Chartis Group and leaders of the Financial Performance Improvement Practice, for contributing this article. They can be reached at rgamble@chartis.com and pdamsky@chartis.com.

