

## Beating the Financial Squeeze: The Board's Role in Your Health System's Performance Transformation

By Rob Gamble, Director, and Pamela Damsky, Director, The Chartis Group

The complex realities facing health systems today require board members to be well-versed in the industry dynamics within which their health systems 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 health systems 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 cultural dimensions across the organization. This article explores each of these dimensions and the board's role in the system's performance transformation.

### Four Dimensions for Transformation

**Strategy: Positioning for system growth and success** by leveraging the system's strengths and scale to address the competitive dynamics of the market in which it competes. Strategy sets the organization's course and scans the environment for opportunities and threats along the journey.

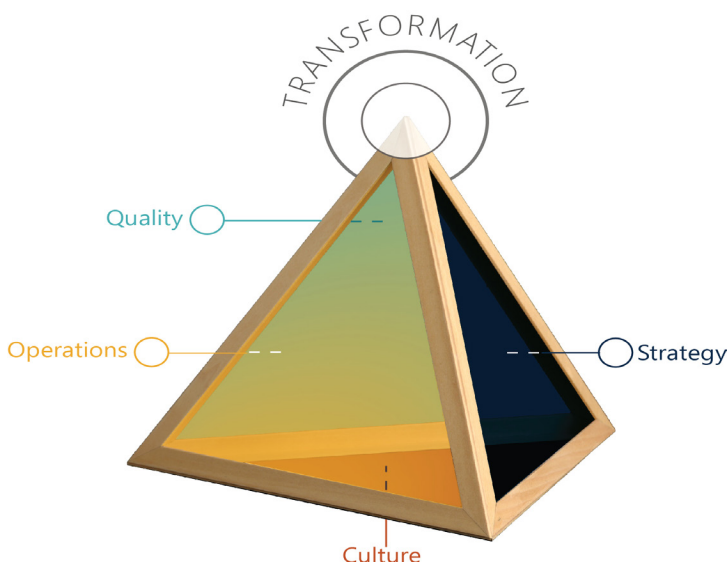
#### Key board considerations:

- How will we grow as a system to ensure we are well positioned in the future (i.e., organically, by acquisition, or both)?
- What services or health needs should we be providing to optimize our network footprint and address the needs of our communities/regions across the continuum of care?
- Are we sufficiently capitalizing on our clinical strengths in select services to promote system growth and/or brand expansion?
- Are there opportunities to partner with traditional and non-traditional organizations in order to capture synergies and provide better services to our patients?

**Operations: Organizing and aligning resources to achieve the health system'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:

- Have we optimized our "systemness," for example, to:
  - › Gain efficiencies and economies of scale?



- › Provide a consistent experience across our locations?
- › Standardize operations to reduce unwanted variability?
- › Share resources to hire the best people?
- Are we effectively deploying a discipline of continuous improvement and leading practices across the system?
- Have we standardized our technology platforms and are we optimizing them?
- How can we improve our financial outcomes to generate additional operating capital?

**Clinical quality and safety: Reflecting the system’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 at a system and local level?
- Do our clinical systems enhance decision making and promote adoption of practice standards and leading practices across our system, without creating undue burden on providers and staff?
- Have we defined system-wide and local clinical performance metrics and associated targets with the intention to excel in outcomes and safety and differentiate ourselves in the market?
- Is an ongoing commitment to clinical excellence a distinguished aspect of our culture?

## Key Board Takeaways

- Reinforce the “systemness dividend.” Articulate what the system and its member organizations (and legacy boards) can expect from this transformation journey together, and how each member organization can contribute.
- Ensure the collective board(s) get 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 how these relate to each discrete organization, and what mission, reputational, and financial benefits the member entities and the health system can expect to achieve as a result.
- Push leadership to establish strategic priorities that position the health system for growth and success through clarity around market opportunities and threats, organizational strengths and gaps, partnership opportunities, etc.
- Request an operational assessment to test if resources across the system are consistently organized and aligned to achieve strategic aims.

**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. As the system grows, it is increasingly important to ensure that local and system leaders and staff have clearly defined roles in the transformation and receive messages that are motivating and inclusive to promote a unified culture.

*Key board considerations:*

- Does our culture invoke and imbue a transformative mindset?
- How are we supporting and reinforcing a common culture across locations?
- Are our incentive systems aligned with the culture we are trying to create?
- 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 health system 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 at a system and local level that define success across the organization and a transparent reporting system to track progress, and then integrating these with system and local leadership

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## The most successful transformation efforts are grounded in a shared understanding of the need for change and the requirements for success.

incentives, is a powerful tool to align the organization around performance transformation.

- **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 system needs.

- **The strategic roadmap and defined resource plan are timed to achieve necessary results without overextending organizational capacity.** All health systems 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 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 and consideration of internal and external leading practices and benchmarks is a mechanism to promote a culture of continuous improvement and 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](mailto:rgamble@chartis.com) and [pdamsky@chartis.com](mailto:pdamsky@chartis.com).*

