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The Board Chair–CEO Partnership: An Essential Element of Successful Healthcare Organizations

A Toolbook for Healthcare Boards and Executives

January 2022






The Governance Institute®

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Throughout her career, Kim has been an active member of over 20 boards and has served as chair of 10 boards. Kim holds a bachelor of science in management from Purdue University and a Master of health administration from Washington University.

Acknowledgements

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The Governance Institute

The Governance Institute provides trusted, independent information, tools, resources, and solutions to board members, healthcare executives, and physician leaders in support of their efforts to lead and govern their organizations.

The Governance Institute is a membership organization serving not-for-profit hospital and health system boards of directors, executives, and physician leadership. Membership services are provided through research and publications, conferences, and advisory services. In addition to its membership services, The Governance Institute conducts research studies, tracks healthcare industry trends, and showcases governance practices of leading healthcare boards across the country.

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Introduction

As hospitals and health systems became central figures in fighting COVID-19, CEOs, medical leaders, and boards have worked collaboratively to develop innovative solutions to protect and care for our communities. While many predict that COVID-19 will never entirely disappear from the world's population, healthcare leaders are planning for the pandemic's transition to endemic status. This level of strategic thinking has inspired CEOs to reevaluate nearly every aspect of organizational work. Likewise, boards are evaluating governance leadership, practices, and processes based on the collective wisdom gained from governing through a pandemic.

The relationship between the board chair and CEO assumed even greater significance with the challenges of the pandemic. In most cases, communication increased dramatically between the CEO and board chair—especially in the early days of the

pandemic. These two leaders worked together to navigate the board's sudden transition to virtual meetings while simultaneously restructuring routine board work and board priorities. As a result of these pandemic-driven experiences, it is timely to examine the critical relationship between the board chair

Key Audiences for this Toolkit

- Directors/boards
- Governance committee members
- Current and future board chairs
- CEOs

and CEO. How is the board chair–CEO relationship changing in the post-pandemic era? What are important characteristics of effective board chair–CEO pairings? What is the pathway to success for a newly established board chair–CEO relationship?

The observations, tips, and recommendations presented in this toolkit are based upon a compilation of resources:

- A focused survey of board chairs and CEOs, conducted by The Governance Institute in June 2021.
- *Advancing Governance for a New Future of Healthcare*, the 2021 Biennial Survey of Hospitals and Healthcare Systems, conducted by The Governance Institute.¹
- Individual interviews (with confidentiality assurances) of board members, board chairs, and CEOs, conducted by the author.

This toolkit is intended to specifically address the board chair–CEO relationship. Additional resources from The Governance Institute addressing the full breadth of the board chair role and associated responsibilities can be found at the end of this toolkit. The Appendix provides the complete survey results referenced above.

1 K. Peisert and K. Wagner, *Advancing Governance for a New Future of Healthcare*, Biennial Survey of Hospitals and Healthcare Systems, The Governance Institute, 2021

The Board Chair–CEO Relationship: A Partnership

The complexities of leading and governing healthcare organizations have increased tenfold as a result of the pandemic. The CEO and the board are facing an increasing number of high priority agenda items, encompassed in a pressure-packed environment. The most effective and productive board chair–CEO relationships are evolving into a true partnership of equals. In a successful partnership, both individuals clearly understand their respective roles and responsibilities. The partners maintain deep respect for each other. The strengths and skillsets of the partners are complementary. And of course, the foundation for a relationship of true partners is open and direct communication.

When a board chair and CEO are operating at the partnership level, the board—and ultimately, the organization—are the beneficiaries. Ideally, the collaboration between the executive leader and the governance leader will create the highest level of organizational effectiveness. Given the challenging healthcare environment, achieving a true board chair–CEO partnership is a competitive differentiator.

Survey Results

The Governance Institute conducted a focused survey of board chairs and CEOs in June 2021. Respondents were unmatched and from different organizations. The 29 respondents (14 board chairs and 15 CEOs) represented 22 healthcare organizations (seven respondents did not report the name of their organization). Key survey findings were:

- The majority of board chair and CEO respondents agree that serving as a thought partner with the CEO is the most challenging and important aspect of board leadership to execute effectively.
- Board chairs ranked facilitating effective board meetings as the second most important facet of board leadership.
- CEOs ranked conducting one-on-one sensitive conversations with individual board members as the second most important component of board leadership.
- Board chairs believe that the biggest challenge regarding the relationship between the CEO and the chair is maintaining a close, candid relationship with the CEO that doesn't erode the relationship with the board; CEOs provided a lower ranking of this challenge.
- Board chairs and CEOs agree that maintaining the right separation between governance and management is a top (CEOs) or the second highest (board chairs) challenge.
- In open-ended comments, chairs and CEOs noted that the pandemic has made the board chair role even more difficult due to the increasing complexities of healthcare organizations. Many board chairs noted the difficulties of keeping up with the changes in healthcare; board chairs and CEOs both commented that chairs would benefit from more knowledge about healthcare.
- Board chairs and CEOs observed that communication frequency with each other increased as a result of the pandemic.

Refer to the Appendix for the complete survey data.

Key Partnership Characteristics

Transparent Communication

Open, direct, and frequent communication are foundational to building a partnership. Although communication styles will differ, the two leaders must understand each other's verbal and nonverbal cues.

Board chairs do not appreciate being surprised; the board chair relies on the CEO to initiate advance briefings on key matters. Similarly, board chairs who excel at the generative governance level expect the CEO to appropriately triage discussion topics. For the CEO, deciding when an issue should be elevated to the chair is often more art than science. CEOs are always seeking the appropriate balance in selecting the most important and/or high-risk items for chair attention.



Finally, transparent communication does not mean that the two always agree on all matters. The board chair and CEO must be able to respectfully challenge each other and work collaboratively to bridge areas of disagreement.

Mutual Respect

To forge a partnership, there must be genuine respect, on both a personal and professional level, between the two parties. Such respect generally builds over time as the board chair and CEO navigate the inevitable challenges that confront healthcare organizations.

The sounding board aspect of the partnership is often the most highly valued by CEOs.

Relationship Investment

The two individuals must be willing and able to invest time in the partnership. Of course, the board chair usually has a separate career and/or other responsibilities and the CEO has extraordinary demands on his/her time. However, one-on-one time at some regular cadence is essential to building and maintaining the partnership.

Commitment to Distinctive Roles

The board chair and CEO each has a discrete function. Both individuals must clearly understand their respective job descriptions and resist absorbing the other party's duties. A partnership will simply not occur if the board chair—with or without intentionality—begins to take on CEO responsibilities. Likewise, if the CEO attempts to directly manage the board, a partnership relationship will not materialize.

Sounding Board

Much of the time, the board chair–CEO partnership functions as a sounding board between thought partners. The pair is discussing early-stage ideas along with future strategies and multiple options. They are seeking each other's best judgment or advice, and sometimes they are simply comparing notes. The sounding board aspect of the partnership is often the most highly valued by CEOs. A strong indicator that the board chair and CEO have evolved into partnership status is when the pair naturally shifts into sounding board mode.

Trust

These partnership characteristics in combination create a high level of trust between the board chair and CEO. A trusting relationship will usually bridge the hiccups that inevitably occur in any partnership.

Board Chair and CEO: Thought Partners

"A thought partner challenges your thinking; causes you to modify or change your paradigms, assumptions, or actions; and has information or a way of thinking that provokes you to innovate or otherwise leads to value creation in your business, career, or life."²

The focused survey participants placed high importance on an effective thought-partnership relationship between the board chair and CEO. The key partnership characteristics are fundamental in developing the trust necessary for the board chair and CEO to function at this level. Tips for an effective thought partnership include:

- Mutual commitment to the organization's purpose and mission.
- This is a partnership of equals. The chair is the leader of the board, and the CEO is the leader of the organization.
- The board chair is not the CEO's boss. The full board acts collectively as the CEO's boss.
- Active listening and forthright communication, including back-and-forth brainstorming, idea sharing, and visioning.
- Ability to share different perspectives and to respectfully disagree; a zone free of "group-think."
- Willingness to say, "I don't know," to each other.
- Complementary skills: working together, the board chair and CEO produce overall better results.



Relationship with the Full Board

Board chair survey participants noted the inherent challenge in keeping his/her close working relationship with the CEO in balance with the chair's responsibilities and relationship to the full board. A track record of respect and trust between the chair and the board is a critical starting point. Tips for maintaining a productive relationship between the chair and the remaining directors include:

- There is no substitute for open, transparent communication. The chair maintains responsibility for keeping the board appropriately engaged and informed of key discussions with the CEO.
- Periodic executive sessions, without the CEO present, reinforce to the full board that the chair understands his/her board leadership role.
- The board chair should seek to connect occasionally on a personal basis with each member of the board, outside of regular board meetings.

² Barbara Stanny, "A Fascinating New Concept: How 'Thought Partners' Add Value to Your Business," *Forbes*, June 19, 2012.

- Opportunity for annual feedback from each director (such as via the board self-assessment process) on the chair’s effectiveness.
- The chair must not usurp routine full board practices, such as the compensation and CEO evaluation processes.
- A reasonable term limit for board leadership.

The Governance–Management Boundary

“The board chair must be able to respectfully challenge the CEO.”
–Health System Director

A blurring of roles may happen unless both individuals are vigilant in remembering that the organization needs both a board leader and an executive leader. With intentional effort by both parties, the governance and executive boundary can be maintained. Tips for maintaining role separation and a strong board chair–CEO partnership include:

- Clear job descriptions are a must.
- Constant vigilance along with honest dialogue between the two individuals—“Am I venturing outside of my lane?”
- Most of the CEO–board chair conversation should be at the governance, not management, level.
- The CEO can reinforce the two separate job descriptions by appropriate selection of big picture, governance-level discussion topics.
- If the CEO does seek advice on a specific management issue, the conversation should be appropriately flagged, “I recognize that this is my decision, but I value your past experience in this area.”

Healthcare Industry Knowledge

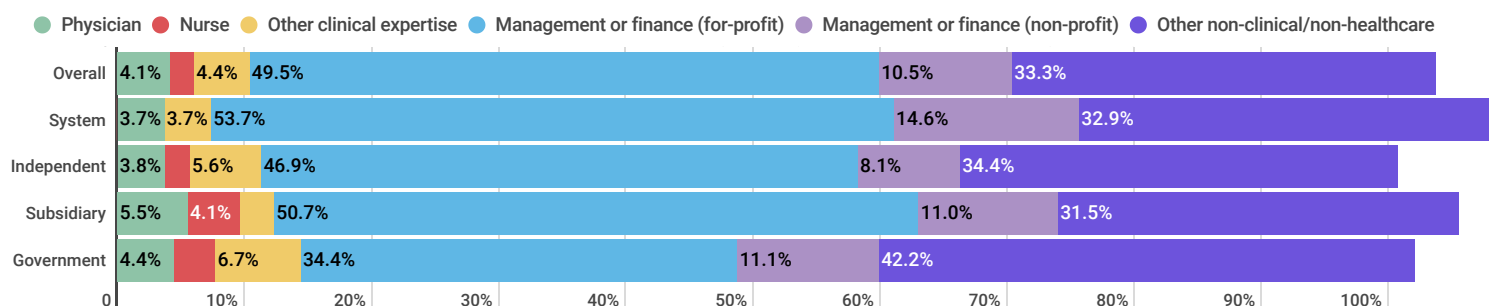
“The complexities of how the healthcare industry is changing (and the pace of that change)...requires that the board chair have a deeper knowledge of the industry than was needed in the past. It is no longer sufficient just to be a smart and strong leader.”

–Board Chair Survey Respondent

There were numerous open-ended comments in the focused survey from chairs and CEOs about the need for board chairs (and all directors) to ramp up their working knowledge of the healthcare industry. Most board chairs are from outside the healthcare sector. The Governance Institute’s 2021 Biennial Survey reveals that 10 percent

of board chairs have a clinical background—a slight dip from the 2019 Biennial Survey in which 14 percent of board chairs had a clinical background (see chart below).

Background of the Organization's Board Chair



"Today's board chair must be better read in [healthcare] industry trends, metrics, and changes than ever before."

—CEO Survey Respondent

Prioritizing a clinical background for future hospital and health system board chairs is an oversimplified solution. In personal interviews, CEOs frequently note the added value of a chair with professional experience in a sector other than healthcare. Given that CEOs live full-time in the healthcare world, a chair from a different field of expertise results in a complementary, rather than duplicative, skill set. A specific clinical background also does not guarantee an understanding of the healthcare sector's broad spectrum. Rather than emphasizing a particular background for board leadership, a universal commitment to continuous learning about the rapidly changing healthcare field is the preferred approach. Tips for boosting healthcare industry knowledge of board chairs include:

- Realize that even the most experienced healthcare CEOs must devote significant time to keeping pace with this highly complex, rapidly changing field.
- Depend upon the CEO to recommend key subject areas and associated resources for ongoing learning.
- The board leadership development strategy should include an educational plan to enhance healthcare knowledge.
- Take advantage of conferences, podcasts, Webinars, and on-demand learning opportunities.
- Require a rotation among all board committees prior to serving as chair.
- During board deliberations, ask specific questions of your CEO and other directors (such as physicians) who have a healthcare background.

Board Chair Time Commitment and Compensation

As boards and CEOs contemplate the essential role of the board chair, it is natural to leap to the conclusion that serving as a hospital or health system board chair is a full-time job. However, this is a red-light blinking danger signal that indicates a board chair overlapping into an executive management role.

The time commitments noted above do require more “outside of the boardroom” time. However, the additional time required for board chair–CEO consultation should not rise to a full-time assignment for the board chair. Of course, the time requirements are situational. There are circumstances in which a board chair and CEO are engaged in frequent personal dialogue. There may be other times in which a few weeks pass with just an occasional email or text. Board meeting frequency and cadence is also a factor. Balance, which will differ among boards, is the goal for adequate time commitment.



A relevant question relates to compensation for the board chair. As described in The Governance Institute’s 2021 Biennial Survey, most hospital and health system board chairs serve without compensation: just under 13 percent of all organizations provide compensation to the board chair, with government-sponsored hospitals (20 percent) followed by health systems (15 percent) most likely to compensate the board chair. The survey notes that organizations providing compensation for board chairs are reporting slightly higher amounts compared to prior years (47 percent reporting compensation of over \$10,000 per year).

The subject of board compensation usually generates strong opinions among all constituents. Each board will need to navigate this decision based upon its own organizational and community dynamics.

Percentage of Organizations that Compensate the Board Chair

	2021	2019	2017	2015	2013	2011
Overall	12.6%	7.1%	12.2%	11.1%	11.8%	12.0%
Systems	15.2%	7.1%	10.6%	18.0%	17.5%	21.3%
Independent Hospitals	12.3%	7.6%	12.8%	6.5%	5.8%	5.2%
Subsidiary Hospitals	10.1%	3.8%	6.6%	4.9%	6.2%	7.1%
Government-Sponsored Hospitals	19.8%	12.0%	18.3%	17.8%	23.5%	22.9%

Establishing a New Partnership

"How can I help?"
—A specialty hospital CEO's favorite
question from a new board chair

Given CEO turnover and board term limits, there will be a natural cycle of newly established board and executive leadership dyads. Partnership effectiveness is forged over time—rarely does a team immediately perform at the highest level. Annual board chair turnover will not breed a partnership with the CEO, due to shortened tenure. Similarly, scenarios in which a chair serves without term limits are unlikely to sustain the appropriate balance of power between the two leaders. Tips for starting a new board chair–CEO relationship with the goal of evolving into a successful partnership include:

- Spend one-on-one time together.
- Agree on a regular meeting schedule, including time, place, and estimated meeting time interval.
- Schedule some interactions away from the hospital or health system campus.
- Understand each other's full-person context by establishing a personal relationship; learn about one another's background, family, and hobbies.
- CEOs should spend time learning about the board chair's professional expertise, including his/her company, role, and professional challenges. Ask the board chair to personally provide a tour of his/her company to the CEO.
- Review the board chair and CEO job descriptions and agree upon any needed updates or changes.
- Discuss and agree upon your mutual expectations.

Board Chair Selection

"A good board chair doesn't happen by accident."
—Health System CEO

There is a wide array of factors to consider when selecting board leadership. Additionally, governance and executive committees must consider the likelihood of establishing an effective partnership with the CEO as a priority in board chair selection. Tips for board chair selection relating to establishment of an effective partnership with the CEO include:

- Consult the CEO. Clearly, selection of its own leadership is the board's purview. However, the board should place great weight in the opinions and recommendations of the CEO.
- Assess previous experience the potential chair brings from working in a professional partnership arrangement. Does the chair candidate have successful experience working with peer partners, or is his/her experience primarily based on "command and control"?
- Previous experience chairing other boards is often insightful. Individuals with corporate board experience may also bring additional expertise to the hospital or health system boardroom.
- Consider the CEO's strengths. Are the potential chair's strengths overlapping or complementary?
- Has the chair candidate demonstrated an understanding—both inside and outside the boardroom—of the difference between governance and management?
- Does the chair candidate have strong meeting facilitation skills? Has this been directly observed, such as via service as a board committee chair?
- Is the potential chair a role model for other directors with respect to ongoing learning about healthcare?

Retention Benefits

CEO turnover in hospitals and health systems has historically been quite high.³ Predictions are for even higher rates of CEO turnover in the post-pandemic era. Talented healthcare leaders are in high demand for both traditional settings (hospitals and health systems) and non-traditional settings (corporate and entrepreneurial ventures). Boards are keenly interested in retaining high-performing CEOs. When the board chair and CEO are functioning at the partnership level, the risk of unanticipated CEO departure is mitigated. Working in tandem with a board chair at this level is highly attractive to most CEOs.

Similarly, directors have many competing demands on their time and multiple options for community service and board involvement. An engaged, well-functioning

3 American College of Healthcare Executives, "[Hospital CEO Turnover Rate Shows Small Decrease](#)," (press release), September 15, 2020.

board is a product of an effective executive leader and board leader partnership. Boards that function in this manner are attractive to potential directors who value their time and limit their personal commitments to the most meaningful endeavors. An effective board chair–CEO partnership sets the stage to attract top-level director talent. Current directors who have developed respect for the CEO and have observed a partnership culture are also more likely to accept an invitation to lead the board.

When the board chair and CEO are functioning at the partnership level, the risk of unanticipated CEO departure is mitigated. Working in tandem with a board chair at this level is highly attractive to most CEOs.

The Post-Pandemic Board Chair–CEO Partnership

“The best board chairs are supportive and challenging.”
—CEO Survey Respondent

The pandemic has had a lasting impact on considerations surrounding the board chair–CEO partnership. The high stakes and intensity of this critical relationship quickly elevated during the first COVID-19 wave in Spring 2020. As the myriad of pandemic-related challenges continued apace, there was no diminishment of the weightiness of this key relationship. Indeed, the board chair and CEO pairings that have weathered this crisis together are battle-tested and even better prepared for a future with many unknowns.

Board chairs and CEOs universally agree that the pandemic circumstances required an additional time commitment from the board chair—more meetings, more communication, and sometimes simply a valuable listening ear for stressed CEOs. More frequent communication between the board chair and CEO was necessary—and many relationships strengthened as a result.

The pandemic has increased day-to-day complexity for everyone; this is especially evident in the healthcare environment. Likewise, the role of the board chair has become more complex—requiring even more prowess in leading healthcare boards. Time availability plus a continuously updated working knowledge of the dynamics of healthcare have become requirements for the chair who is committed to sustaining an effective partnership with the CEO. And as the pandemic has demonstrated, there is simply no substitute for strong communication and facilitation expertise.

Fortunately, CEOs and current board leaders have recognized these pandemic-related changes. Many organizations are using the knowledge gained about board leadership throughout the pandemic as they plan future board recruitment, development, and education strategies.

Final Thoughts

The pandemic has demonstrated to society at large the full value of excellent governance and executive leadership in healthcare organizations. It has also visibly illustrated both the strengths—and the gaping weaknesses—in our nation’s patchwork quilt healthcare system. Healthcare organizations are facing immense challenges and more unknowns than knowns as they consider new strategies to serve the nearly overwhelming medical, public health, and social service needs in their communities. Innovative thinking, risk-taking, and superior relationship-building skills will be the hallmarks of success.

Navigating the pathway for healthcare organizations will be more challenging than ever before. When the executive leader and the governance leader form a partnership, this quest will have a much higher probability of success. Moving from colleagues to partners requires commitment from both parties, and it does not occur without intention. Board chairs and CEOs who create an effective partnership will provide compelling leadership and an increased ability to meet the organizational mission.

Key Board Takeaways

- The pandemic has increased both the role complexity and the potential impact of the board chair.
- Board chairs and CEOs are communicating more frequently.
- Forging a true partnership between the board chair and CEO can generate a competitive advantage for the organization.
- Board chair selection should be informed by the likelihood of developing a productive board chair–CEO partnership.
- A partnership approach can be an effective CEO retention strategy.
- Both the organization and the board will benefit from the board chair–CEO partnership relationship.
- With intention, the risks inherent in this partnership can be effectively mitigated.

Additional Resources

[Board Leadership Succession Planning: An Intentional Governance Guide](#)

[Elements of Governance®: *The Role of the Board Chairperson*, 3rd Edition](#)

[Elements of Governance®: *Effective Board Meetings*, 2nd Edition](#)

[Elements of Governance®: *Board Job Descriptions & Committee Charters*, 3rd Edition](#)

[Elements of Governance®: *The Distinction Between Management and Governance*, 2nd Edition](#)

[“Supporting Transformation: Clarifying the Roles of Governance and Management”](#)

[The Post-Pandemic CEO](#)

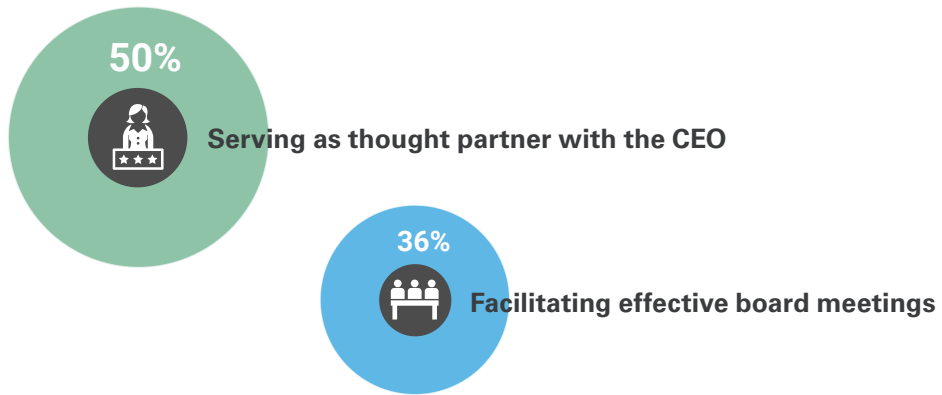
[Crisis Leadership: The Critical Role of the Board Before, During, and After a Crisis](#)

Appendix: The Governance Institute Focused Survey

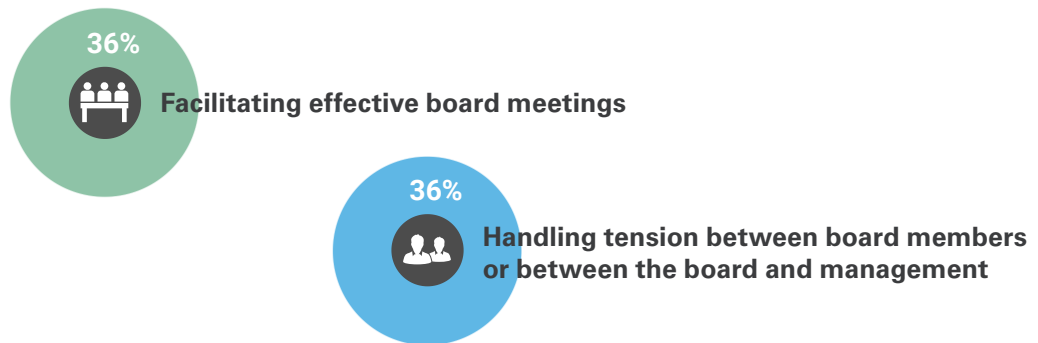
Board Chair Responses (N=14)

Which of the following aspects of board leadership do you consider to be most challenging and therefore most important for a board chair to execute effectively?

Most important



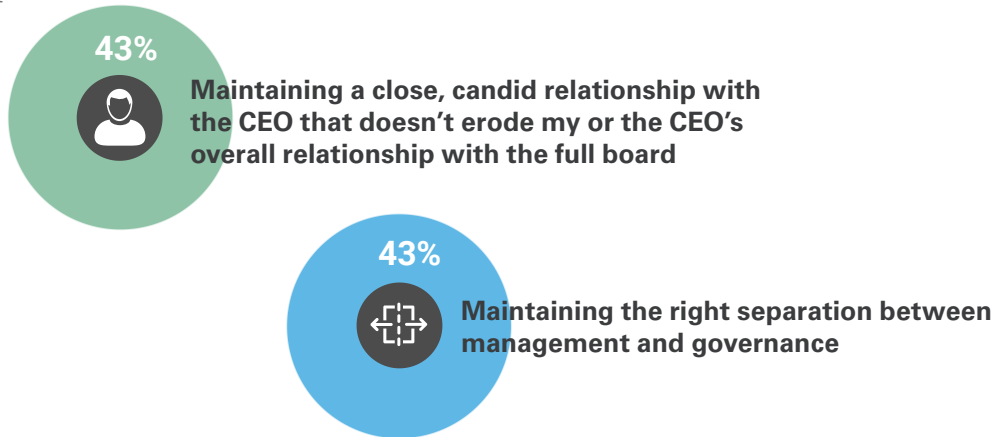
Second most important



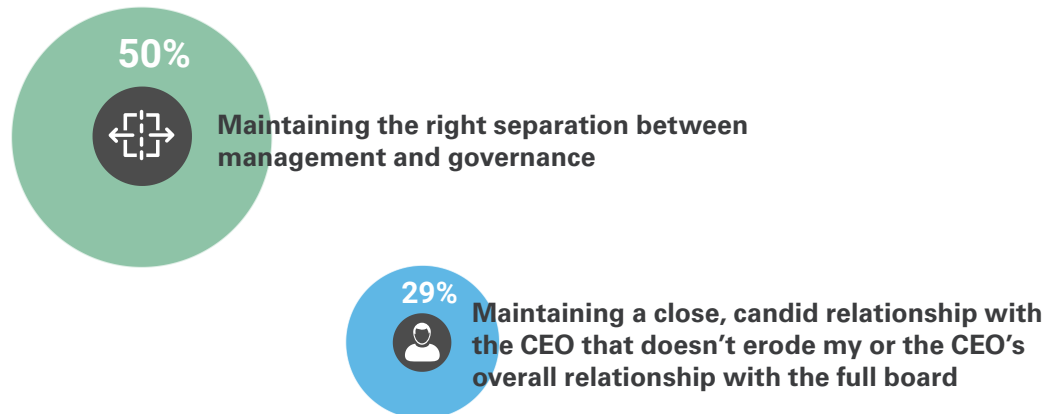
Board Chair Responses (N=14)

Which of the following do you feel, in your experience, are the biggest challenges regarding the relationship between the CEO and board chair?

Most challenging



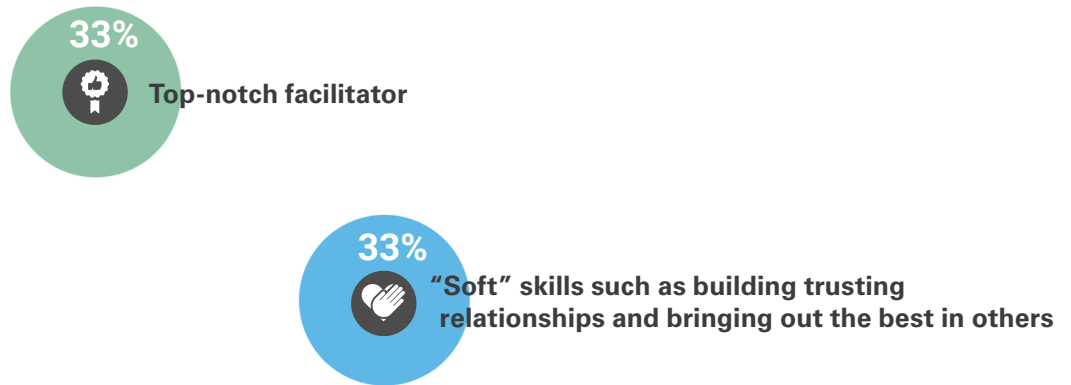
Second most challenging



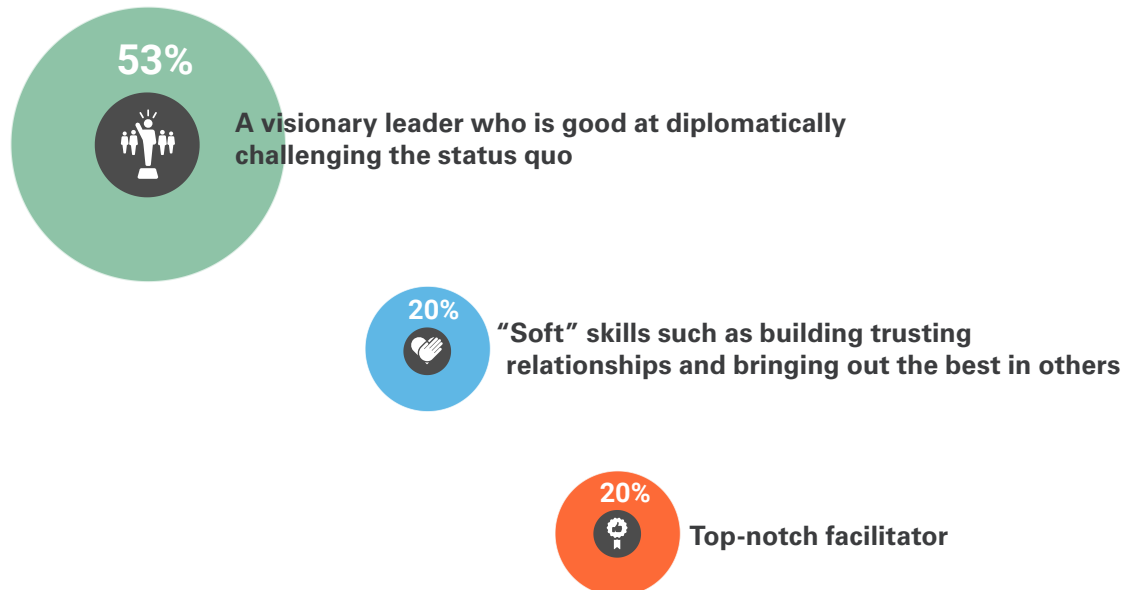
CEO Responses (N=15)

What do you feel are the essential qualifications for an excellent board chair, now and in the future?

Most important



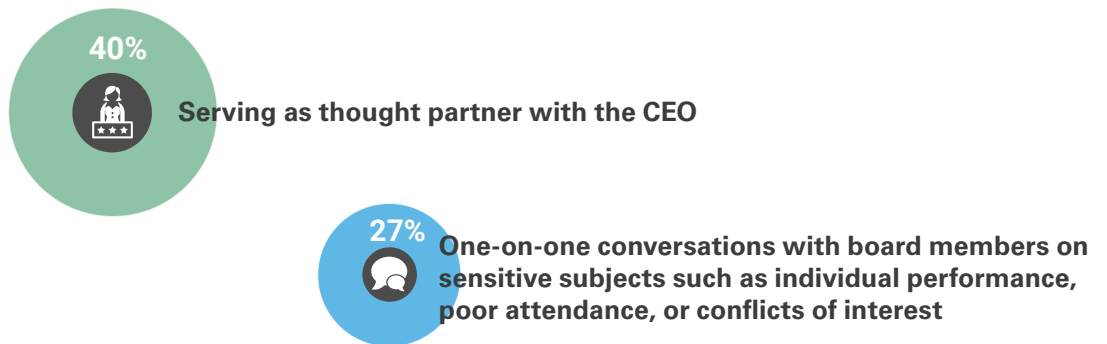
Second most important



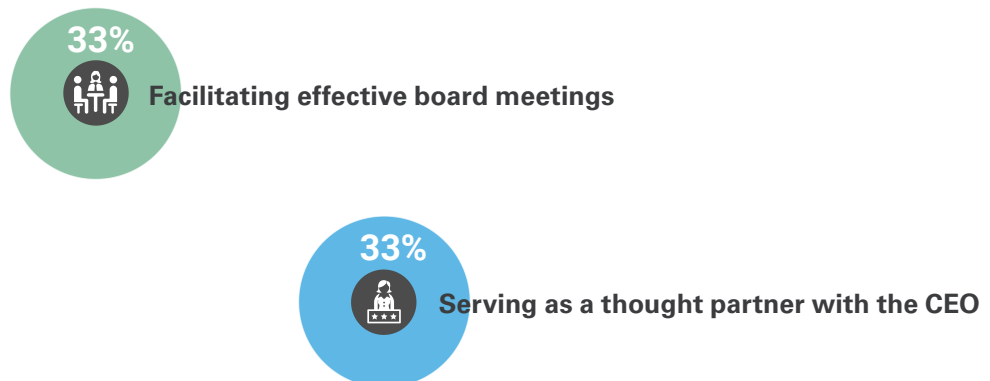
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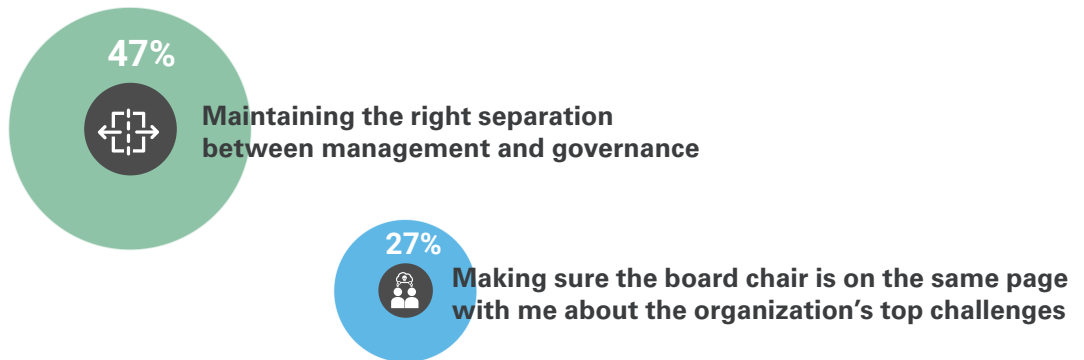
Second most important



CEO Responses (N=15)

Which of the following do you feel, in your experience, are the biggest challenges regarding the relationship between the CEO and board chair?

Most challenging



Second most challenging

