

Three Ways to Build a Strong Board–Senior Leader Partnership

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The stronger the relationship between a hospital board and its senior leadership team, the better the clinical and financial performance of the organization.

This correlation has proven true at every hospital with which I have worked. But developing a dynamic relationship rooted in trust does not happen by accident. Such relationships are built by design—beginning with an effective process for engaging the senior leadership team.

This article highlights three areas where hospital boards have significant opportunity to create a strong sense of partnership with senior leaders that sets the stage for performance excellence.

Opportunity 1: CEO Selection

High-performing boards make only one personnel decision: the selection of the CEO. However, while this decision rests with the board, it is crucial for board members to remember that senior leaders are savvy and will see through any attempt to emphasize symbolism of a CEO choice over the substance of the individual selected. As a result, selection criteria should center first and foremost on the leadership acumen of the CEO. When boards prioritize broad depth in leadership and the ability to engage and guide an organization in selecting a CEO, they demonstrate high regard for the senior leadership team and earn the respect of senior executives.

Unfortunately, many hospital boards have gotten off-track in their selection of a CEO by focusing more on how their choice will be viewed by internal and community groups rather than on the CEO's leadership skill and experience. For instance, some boards believe that the way to show their communities that the hospital prioritizes quality of care and the patient experience is by hiring a physician to lead the organization. But while there are many examples of world-class leaders who are physicians, not *all* physician leaders are meant to be hospital CEOs. When boards emphasize medical training over the ability to provide a strong sense of direction and drive high levels of performance, they

miss a critical chance to help shape the organization's future.

How did some boards end up putting symbolism over substance in their CEO selection process? This trend was summarized in a December 2016 *Harvard Business Review* article, "Why the Best Hospitals Are Managed by Doctors."¹ Using rankings from *U.S. News and World Report* to make their argument, the authors concluded that because of "the emphasis on patient-centered care and efficiency in the delivery of clinical outcomes...physicians are now being prepared for leadership." Independent of the fact that there is no correlation between an emphasis on patient-centered care and physicians being prepared for leadership, the *U.S. News and World Report* data is notably unscientific and not capable of being used to draw such conclusions.

However, the concept that led to the title of the article has expanded and grown—and it has now influenced the CEO selection process of many hospitals over the past several years. Some boards have even gone so far as to state that they are *only* looking for a physician to appoint to the role of CEO. In these boards' view, such a pronouncement assures the hospital's medical staff that the new CEO will have "walked the walk" and thus will have instant credibility with the medical team, as argued by the authors of the *Harvard Business Review* article.

The problem is that narrow guidelines for the CEO search often raise more questions than the board may have anticipated. These include the following:

- Are physicians more aligned with quality than others in the organization?
- Could the emphasis on physician leadership be perceived as a slight to nurses, the majority of whom are female? If a male physician is selected, could this decision also be viewed as a lack of interest in promoting women to leadership roles in healthcare?

Key Board Takeaways

- **Base CEO selection on substance before symbolism.** Make it a priority to select a CEO who has the necessary skills and experience to lead the organization toward continual improvement; not just someone who will appease internal or community groups due to their role or status. In doing so, board members assure other senior leaders of their respect for the institution and for the expertise that other leaders bring to the table.
- **Have an effective annual board self-assessment process.** This should include an external evaluation with year-over-year performance comparisons and peer comparisons, as well as a senior executive review of the board. Conducting a thorough self-evaluation will indicate to senior executives and the rest of the hospital that everyone in the organization is engaged in improvement for the betterment of patients.
- **Establish and continually monitor action plans for boards and senior leaders.** An action plan reinforces to senior leaders the behaviors that are expected throughout the organization and builds trust between boards and senior leaders.

- If board members are really concerned about quality of care, shouldn't the board also consider hiring a nurse to fill this C-suite role?
- Do physicians care more about quality of care than administrators? Are they more prepared to create processes that address quality of care on a large scale than other healthcare leaders?
- If the board establishes that it will hire a physician, is there a particular specialty that will be prioritized? During these discussions, would a pathologist, an internist, or a physical medicine and rehabilitation specialist be held in the same regard as a cardiologist or neurologist?

These are all fair questions. They quickly show that a predetermination by boards to select a particular type of candidate raises more questions among the community, hospital leaders, clinicians, and staff than it answers. Further, when board members fail to appoint a seasoned leader as CEO, the decision can strain

1 James K. Stroller, Amanda Goodall, and Agnes Baker, "Why the Best Hospitals Are Managed by Doctors," *Harvard Business Review*, December 27, 2016.

relations with other C-suite members. It can also demotivate the team—an action that will have ripple effects throughout the hospital.

Board members should adopt a rigorous process for identifying, screening, and selecting hospital CEOs. Key questions that should guide the board's efforts include the following:

- Is the CEO candidate a Fellow of the American College of Healthcare Executives? This distinction demonstrates the depth of the candidate's commitment to healthcare leadership, as recognized by leaders in the field.
- Does the individual have requisite experience in a similar organization? Such experience instantly engenders trust from other senior executives and stakeholders.
- If the candidate is a physician or a nurse, does the candidate also possess leadership training that would empower the candidate to lead teams with diverse skillsets, respond with resilience and agility as business conditions change, and motivate staff across the organization during a crisis?

The key is to select a CEO who can lead the entire organization toward continual improvement in all areas. In doing so, board members assure other senior leaders of their respect for the institution and for the expertise that other leaders bring to the table.

Opportunity 2: Conduct a Board Self-Evaluation

Annual self-evaluations of board performance go a long way toward promoting engagement with senior leaders and securing their respect and trust. These evaluations make it clear that just as board members are dedicated to providing feedback to hospital leaders, they are equally invested in assessing their own performance for the good of the organization. This process also lends credibility to all other hospital evaluation processes, beginning with the CEO evaluation.

To be effective, the board self-evaluation process should provide three meaningful data points across dozens of performance categories:

- How the board performed this year
- How this year's board performance compares with last year

- Where the board's performance stands in relation to its peers nationally

Further, an effective annual self-evaluation process by a high-functioning board will comprise both an external self-review and an internal review conducted by the hospital's senior leaders.

External Self-Evaluation

At least annually, boards should hire an outside firm to assist board members in conducting a thorough self-evaluation that includes year-over-year performance comparisons as well as peer comparisons. Following the evaluation, board members should discuss areas of strength and opportunities for improvement, developing a plan for enhanced performance in the year ahead.

For example, **Exhibit 1** shows a sample assessment overview created by The Governance Institute that can be used as part of the board self-evaluation process. The data featured in this example shows that this hypothetical board performed incrementally better in "Overall Board Effectiveness" in 2020 than it did in 2019. Additionally, we can see that the board performed incrementally better in "Overall Board Effectiveness" in 2020 than those in its peer group.

More important, this board self-evaluation gives board members a chance to review not only the overall effectiveness of the board, but also much more detailed observations about the board's fundamental fiduciary duties and core responsibilities. Each of these areas can be the recipient of further focus, detail, and review. Like this hypothetical self-evaluation, a good self-evaluation will produce for the board dozens of pages of data, back-up, industry comparisons, year-over-year trends, and much more. Any meaningful self-evaluation will be this detailed and will yield data the board can use for months to come.

Senior Executive Review of the Board

As mentioned earlier, the process of conducting a thorough self-evaluation will indicate to senior executives and the rest of the hospital that everyone in the organization is engaged in improvement for the betterment of patients. It also demonstrates that no one is above taking a hard look at their performance to benefit

the communities the hospital serves. Through this effort, board members foster higher levels of engagement with senior leaders as well as staff—and patients reap the rewards.

Many senior leaders serve on not-for-profit boards themselves and bring deep understanding of the differences in responsibilities between board members and executives. Feedback from the hospital's senior leadership team not only presents a valuable opportunity to receive performance feedback from very capable leaders, but also offers another source of objective feedback regarding ways that the board can improve its performance.

For this reason, as part of a board self-evaluation process and as a way to further engage with the senior leaders, an effective board will develop and utilize an evaluation of the board by senior leaders. This evaluation should:

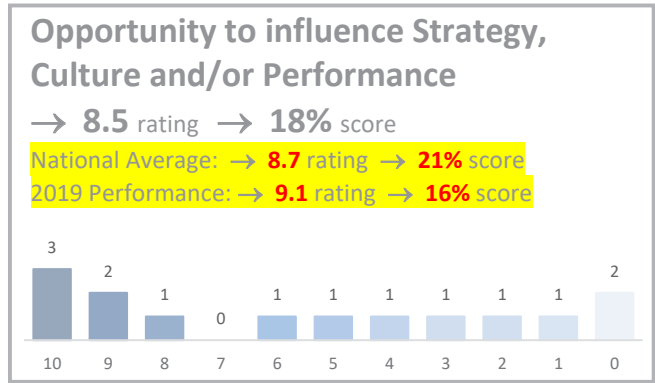
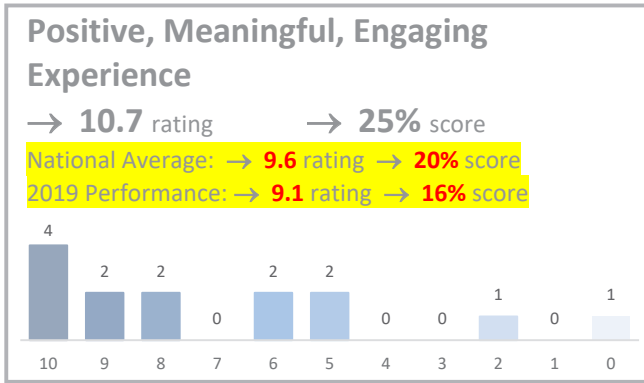
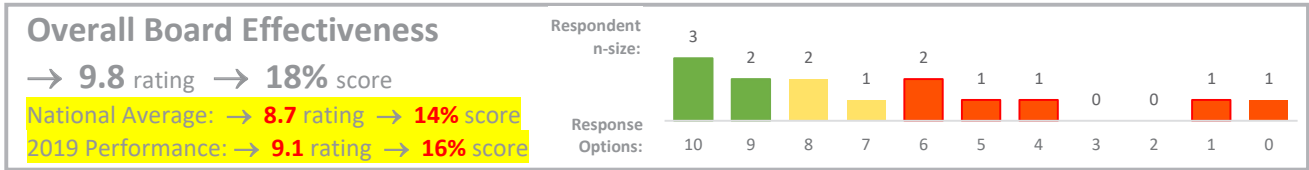
- Be identical from year to year to show trends.
- Allow confidentiality for each senior leader.
- Ask meaningful questions of senior leaders, such as:
 - » Does the board fully understand the difference between governance and management?
 - » Are all board members equally engaged in the process of governance?
 - » Does the board listen to advice and counsel from senior leaders?
 - » Is the board fully engaged in the process of strategy?
- Allow for written comments in support of the numerical answers.

After receiving the results of the self-evaluation and the senior leader evaluation, a board that is intent on creating a meaningful relationship with its leadership team will hold itself accountable just as the board holds senior leaders to account. This is done by creating an action plan each year as a regular part of an annual board retreat and discussion.

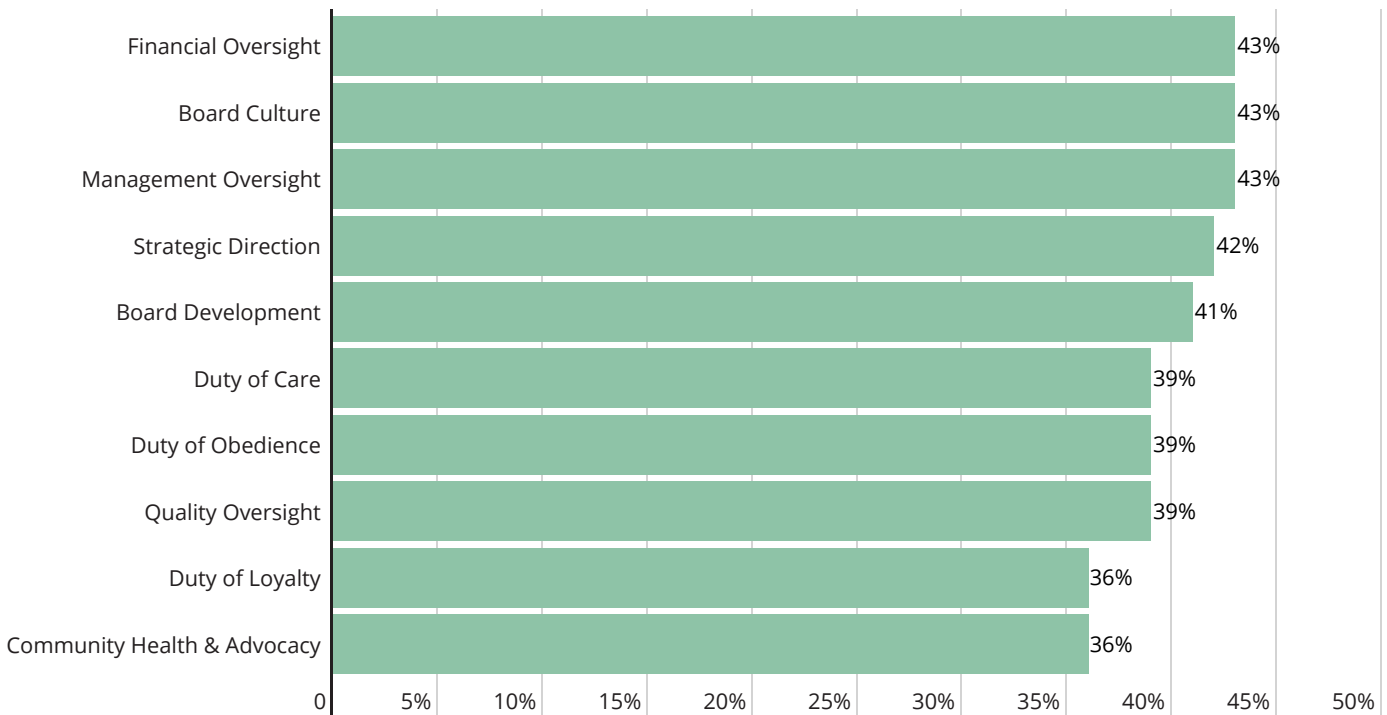
A meaningful action plan for improvement is essential. **Exhibit 2** shows an example of what an action plan might look like and how to establish a schedule for appropriate follow-up. Such an action plan reinforces to senior leaders the behaviors that are expected throughout the organization. It also builds trust between boards and senior

Exhibit 1: Sample Assessment Overview

- 14 of 15 board members responded to your board’s self-assessment, resulting in a 93% participation rate.
- The Board gave an overall effectiveness rating of 9.8 out of 10, with 18% of the board selecting the highest possible rate.
- This report utilizes top-box scoring, which is the percentage of respondents that selected “Very Effective”.



Fundamental Fiduciary Duties and Core Responsibilities



Source: Board Compass®: The Governance Institute’s Board Self-Assessment, 2021.

leaders by letting senior leaders know: “We’re in this together.”

This process is in addition to the formal review of the CEO that board members conduct at least annually. Board members also traditionally receive feedback from the CEO on the reviews that the CEO provides to the rest of the senior leadership team.² These processes offer meaningful opportunities to reinforce desired behaviors. They also present a vital opportunity to establish a concrete plan for improvement, where needed.

Opportunity 3: Look for Ways to Eliminate Variation in Processes

One of the key steps toward improvement of any process—or, by association, any organization—is the ability of that organization to identify best practices and to drive adoption of best practices throughout the entire entity. As the literature has shown, the best way to achieve this outcome is to identify and eliminate any variations in best practices as well as eliminate duplicate processes.

For a board to secure an optimal relationship with the hospital’s senior executive team, the foundation of processes built on best practices must be formalized and replicated over and over. As variation is driven out, meaningful relationships between the board and senior leaders can be “hardwired” into the leadership system of the organization. The best way to ensure this is by establishing an annual process by which board members and senior leaders take the lessons learned from the board self-evaluation and other strategic planning opportunities and work together to apply them.

For example, after completing the board self-evaluation, undertaking the strategic planning process, and creating a balanced scorecard, board members and senior leaders should design a matrix to drive discussion around the topics that are central to performance improvement. (See the example in **Exhibit 3**.)

As reflected in **Exhibit 3**, to decrease variation in board discussion topics and reduce confusion around senior leadership assignments, the board should create an annual board agenda process template. This template enables the board—with input from

senior leaders—to identify the most important topics to be discussed during the year, including topics that are mandated by law. It also sets topics for discussion well in advance. The benefits of a board discussion template include:

- **Clarity from the board as to what the board will look for in specific reports:** This process helps eliminate confusion among the senior leadership team and facilitates a process for communication between the senior leadership team and the board.
- **Clear priorities:** The template in **Exhibit 3** gives the board and senior leadership team an at-a-glance view of the priorities of the organization. This reduces the potential for senior leaders to engage in projects that are not in keeping with the board’s strategic vision.
- **A vision for clinical and financial improvement:** The primary objective of the board is to protect and enhance quality of patient care. However, absent healthy financial performance, the ability to provide patient care is compromised. This template gives the board, physicians, and

A Way to Promote Trust: Invite Senior Leaders to Evaluate the Board

Leading hospital boards invite senior executives to evaluate the board’s performance. It’s a process that facilitates higher levels of collaboration and engagement and promotes an atmosphere of respect and trust. To be effective, these written reviews should:

- Be replicated each year to show trends in feedback received.
- Include both numerical scores as well as areas for open feedback.
- Take great care to anonymize the feedback given by senior leaders.

senior leaders a visual representation of the work that is needed to secure the organization’s clinical performance and financial health. It also provides a timeline for the board to address specific issues.

A Matter of Trust

The extent to which the board effectively engages the organization’s senior leadership team will greatly influence the hospital’s clinical and financial

Exhibit 2: Sample Board of Directors 2021 Action Plan

Action Plans	How the Action Plan Will Be Accomplished	Action Assigned To
Improve board diversity selection score from 60 percent to no less than 75 percent within 12 months.	Create a board skills matrix to be used by the next nominating committee cycle.	Nominating Committee Chair
Improve the score on self-evaluation for topic “spends more than 50 percent of board meeting in deliberation and discussion as opposed to hearing presentations” from 40 percent to 60 percent.	Create consent agenda so that committee meetings are discussed less and strategy is discussed more. Develop a feedback report for each board meeting so that real-time data can be gathered to see if this goal is being met.	Board Chair and CEO
Improve the score on self-evaluation for topic “monitors clinical performance in top 20 clinical areas regularly” from 60 percent to 90 percent.	Create Balanced Score Card with top 20 clinical goals. Establish in advance when these goals will be discussed at board meetings.	Quality Committee Chair and CMO
Improve senior leader evaluation score on whether or not all board members are equally engaged from 50 percent to 70 percent.	Executive Committee and CEO will address this topic with response from senior leaders and discussion in executive session.	Board Chair and CEO

² Note: Evaluation of senior leaders should occur no less than annually. However, under certain circumstances and in the event of a crisis, boards should consider speeding up the timeline for performance reviews—such as moving to monthly or quarterly check-ins—and setting goals for changes in behavior, where needed. For more information, see Rulon Stacey and Wayne F. Cascio, “Assessing Senior Leaders’ Performance during COVID-19: 11 Questions for Boards,” The Governance Institute, September 2020 (available at www.governanceinstitute.com/COVID-19-Resources).

Exhibit 3: Sample Board Agenda Process Template

Agenda Topic	J a n	F e b	M a r c h	A p r i l	M a y	J u n e	J u l y	A u g	S e p	O c t	N o v	D e c	Report Presented	Creator	Presenter
Balanced Scorecard	X			X				X				X	Board of Directors	VP Quality	VP Quality
Code of Conduct	X												Board of Directors	Chief Compliance Officer (CCO)	CCO, Chair Compliance Committee
Community Benefit									X				Board of Directors	Assigned Senior Team Member	CEO/Assigned Senior Team Member
Compliance Report		X			X			X				X	Board of Directors	CCO	Chair, Compliance Committee
Compliance Training	X												Board of Directors	CCO	CCO
Confidentiality Agreements	X												Board of Directors	CCO	Governance Support Professional (GSP)
Conflict of Interest	X												Board of Directors/ Senior Executive Team	CCO	GSP
Employee Culture Survey								X					Board of Directors	CHRO	CHRO
Environment of Care Report			X		X			X				X	Board of Directors/ Board Quality Committee	VP Safety/Env of Care	CHRO/CNO
Financial Balanced Scorecard	X			X				X				X	Board Finance Committee	Controller	CFO
Philanthropy Report		X						X					Board of Directors	Foundation CEO	Foundation CEO
Grievance Report		X			X			X				X	Board of Directors	VPHR	CHRO
HR Report					X								Board of Directors (or Board HR Committee)	VPHR	CHRO
Joint Commission Scores			X										Board Quality Committee	CNO, CMO, COO	CEO
Litigation Report		X						X					Board of Directors	General Counsel	General Counsel
Nursing Staffing/ Provider Staffing Effectiveness						X						X	Board Quality Committee	CNO, CMO	CNO, CMO
Employee Income/ Revenue Sharing				X									Board of Directors	CHRO/CFO	CHRO/CFO
Performance Excellence						X							Board of Directors	VPPE	VPPE
• Performance Improvement Report	X												Board of Directors	VPPE	Operational Executives
• PDCA Teams Update					X								Board of Directors	VPPE	VPPE
Physician Satisfaction Survey		X											Board of Directors	CHRO	CEO
Quality Committee Report	X			X				X				X	Board of Directors	CQO	CMO

performance. By focusing on these three opportunity areas for strengthening relationships with senior leaders and building trust, board members can create an environment that fosters excellence from the top down in 2021 and beyond.

The Governance Institute thanks Rulon Stacey, Director of Graduate Programs in Health Administration at the University of Colorado Denver, a Partner at Guidehouse, and a faculty member for The Governance Institute, for contributing this article. He can be reached at rulon.stacey@ucdenver.edu.

