

GREAT BOARDS

January 1, 2011

10 New Year's Resolutions for Boards

The year 2011 may be the “year of governance” for hospital and health systems. The sweeping changes envisioned by the Affordable Care Act (ACA) and the uncertainties of implementation make it clear superior governance is a necessity.

ACA came without an instruction manual, road map or even a GPS to the future. Some 1,968 times the law says “the Secretary of HHS will determine” how the law will be implemented. Recent court rulings and Congressional action add further uncertainty. To govern in turbulent times, boards must be informed, engaged, visionary, and able to assess risk and accept the full responsibilities of leadership. Here are “10 New Year’s resolutions” to consider for bolstering your board in 2011.

10 New Year's Resolutions to Make 2011 a Successful One for Governance

1. **Recruit someone who'll add a new dimension to the board.** Use a competency-based succession planning process to identify someone who'll add a new, needed competency, fresh perspective, and critical thinking to

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the board. Be willing to look in new places such as among minorities and women leaders, outside the local community, and in the ranks of accomplished healthcare industry leaders, physicians, and nurse leaders from non-competing organizations. (Read how Presbyterian Healthcare Services in Albuquerque, NM, transformed its board in a terrific article titled “Competency Based Governance” by Mary Wicker in the November 2010 issue of *Trustee* magazine.)

- 2. Name the directors who are your board’s future chairpersons.** If the board or its Governance Committee can’t name two or three (of about 15) current directors who have skills, temperament, time, and inclination to rise to the top spot during their tenure, then board chair succession planning should vault to the top of this year’s board development priorities. While you’re at it, be sure every major board committee has a vice chair who can take over if the chair is absent and has the skills to chair the committee in the future.
- 3. Lose some weight.** Cut the size of the board packet by 20 percent by ditching reports of questionable value and by making sure that the dashboard and decision support information contain key information the board needs to understand the issues, spot red and yellow flags, and act appropriately. If you’re not using a board portal,

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investigate and adopt one this year. Consider giving every director a customized iPad or other tablet or laptop to access the portal and do board business more efficiently. And while you're streamlining, if the board has more than 18 or 20 members, or is a health system with lots of subsidiaries who don't have much meaningful work to do, form a task force to redesign governance to be sleeker, more nimble, and more effective.

4. **Trim management presentations.** Directors commonly complain that executives talk too long, recite facts that directors could have read in advance, and consequently allow too little time for board discussions. Adopt a 20-80 guideline: a management presentation should not occupy more than 20 percent of the time an agenda item requiring action is expected to take. So, for instance, if 30 minutes is allocated for approving the annual budget, the CFO should plan on up to five or six minutes of remarks to set the context. Note to senior executives making board presentations: think of at least one policy- or strategy-level question you would pose to the board, for which you genuinely want input or feedback.

5. **Abolish your committees.** Yes, all of them. Then decide which ones you really need. Write new charters and annual committee goals. Consider rotating chairs and members occasionally to encourage fresh thinking.

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6. **Really evaluate your CEO.** Not in a perfunctory way to merely determine his or her bonus, but using a thoughtful, candid, and mutually supporting process that engages directors in a discussion of the CEO's performance and future goals. Without a dynamic feedback process, the board and CEO risk drifting apart on organizational priorities.

7. **Hold executive sessions.** Board meetings typically include a lot of executives and invited guests. A board needs to take time for candid "directors only" discussions of matters unlikely to be raised in more public settings. Consider holding executive sessions including the CEO at every board meeting, plus at least one executive session a year without the CEO to discuss his or her evaluation.

8. **Approve a written, top management succession plan.** Hiring a great CEO is the board's number one responsibility, and 14% to 18% of hospital CEO jobs turn over every year—yet fewer than one in four hospitals and health systems has a current, written CEO succession plan, according to The Governance Institute. Don't be caught unprepared. Engage the CEO in a succession planning process of what would happen in case of an unexpected vacancy at the top: Who would assume the reins immediately? Who would perform their job in the interim? Is a permanent

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successor on the senior leadership team? If not, which search firm would we use? Organizational anxiety rises when a CEO unexpectedly leaves. The board should be ready to assert timely, definitive leadership.

9. **Use provocative education to challenge the board's thinking about the future.** With healthcare reform looming, 2011 is a good time to revisit not only the near-term (3-4 year) strategic plan, but also the long-term (10-20 year) strategic vision for the organization and its physicians.

For example, one of the toughest problems in extending healthcare to millions more Americans is the shortage of primary care physicians. Hospitals need innovative strategies to address this, and boards should be evaluating whether their plans are sufficient. To inform discussion, directors could read a great article titled "Recruit, Reward, Reengineer" by Geri Aston on best practices to "recruit, reward, and retain" primary care physicians in the November issue of *Trustee*.

Directors could expand their thinking by reading and discussing a provocative article by David Lawrence in the November-December 2010 issue of *Physician*

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Executive. The former CEO of Kaiser argues that physicians are plentiful but poorly deployed. “Healthcare delivery needs to be reconfigured,” Lawrence writes, from a “physician-centric hierarchical model” to a constellation of multidisciplinary “care platforms” ... that free physicians to “focus on critical work where ambiguity is greatest, and where diagnostic and therapeutic judgments require their unique preparation and skills. More predictable work can be shifted to nonphysicians,” he writes.

Your board can use articles like these to preface strategic discussions of a primary care strategy for your community.

10. **Hold your board to a higher standard.** For example, two recent commentaries posit a higher bar for governance performance, among corporate and hospital boards, respectively.

In “The Case for Professional Boards” in the December 2010 issue of *Harvard Business Review*, corporate director Robert Pozen argues that corporate boards should be smaller, have directors who are industry experts, and expect directors to spend two days a month on board work, including visiting company sites.

A new report from Moody’s Investors Services, “Governance and Management of Not-for-Profit Healthcare Organizations: A Key Driver of Ratings,” (for

Consider reorganizing physicians into divisions of medical services united by common work . . . rather than diced up according to organ systems or medical specialty. — David Lawrence, former CEO of Kaiser

subscribers only) reaffirms its belief that “effective governance and strong management are both necessary for the continued viability and competitive positioning of not-for-profit hospitals”

Moody’s identifies five broad factors and 30 practices it looks for when assessing governance and management. Among them:

- Board and senior management team leadership capability in stable and stressful times.
- Oversight and disclosure processes to reduce risk and enhance operational effectiveness.
- Execution of long- and short-term strategy to reduce resource use.
- Commitment to self-assessment and benchmarking.
- Effective management of governance relations.

These pieces could provide a challenging framework to spice up the board’s usual self-evaluation exercise.



All in all, perhaps a few of these ten resolutions will be applicable to recharge your board for the New Year. If not, create some resolutions of your own to make 2011 “the year of governance.”

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