CENTER FOR HEALTHCARE GOVERNANCE™

Collaborative Leadership Tools for CEOs

Clarifying Expectations: A First Step in Developing Truly Effective Relationships Between CEOs and Trustees

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This is the second in a series of collaborative leadership tools for CEOs. The first one presented a new model of collaborative leadership. This one focuses on clarifying trustees' and CEOs' expectations of each other. It includes a simple exercise for helping trustees and CEOs refine the way they work together.

Overview

Boards of non-profit hospitals and health systems expect to be more engaged now than they were in the past. Because boards in all sectors are being held to higher standards of performance and accountability, they want to be more actively involved in setting organizational strategy and goals, resource allocation, capital financing, investments, and executive compensation and have significant influence on executive succession planning, clinical quality, and external relations.

Recent efforts to strengthen governance and corporate accountability all have led boards to believe they need to be more engaged. They have come to believe that the board's role is to help shape, not just approve, major decisions about mission, vision, goals and priorities, as well as the best ways to meet community needs.

Maybe boards should have been this engaged all along, and all that this renewed focus will amount to is better performance by the board. But to CEOs it is likely to seem like a shift in boundary: a shift in the boundary between governance and management, intrusion onto management's turf, and even a reduction in the CEO's responsibility.

The best way for governing boards and CEOs to deal with this change is to candidly discuss mutual expectations: What do trustees expect of the CEO? What do they expect to do themselves? What does the CEO expect of the board? And what does the CEO expect to have the latitude to do without prior approval from the board?

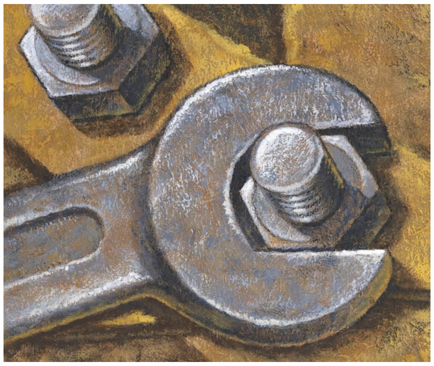
When you stop and think about what causes friction between CEOs and boards, ask yourself: How often do CEOs get surprised because they didn't know what the board expected? And how often do boards get surprised or frustrated because they didn't share the CEO's expectations?

Consider these situations:

- *The chair of the finance committee of a large system, who is also the CEO of a major bank, first learned that the hospital had just refinanced its debt with a new bond offering when the CFO reported this information to the full board. The matter had never come to the finance committee, because the system CEO didn't want to take up trustees' time with what seemed like a routine matter. Neither the system CEO nor the CFO thought the finance committee chair would be concerned about it, since he dealt with bigger transactions every day. However he was concerned, and he resigned shortly thereafter.*
- *The CEO of a small rural hospital asked the finance committee if it cared whether a new bond offering had a fixed or variable rate. Until then, the committee didn't know about the bond offering. The CEO assumed that the finance committee understood that the hospital needed to borrow money to finance the new tower it was building but hadn't bothered to bring the discussion to the committee until the details were worked out enough to explain.*
- *The CEO of a major teaching hospital asked its consultant to draft a brief summary of its lengthy report on executive compensation. The CEO thought committee members wouldn't want to have to read the report as a whole and decided to distribute only the summary. Early in the consultant's presentation, a trustee asked why the full report hadn't been distributed ahead of time, so that the committee would be better prepared to make decisions.*

In all three cases, the CEOs misunderstood the expectations of trustees. Years later, the trustees of these organizations still repeat these stories with expressions of disbelief.

Most of the time, misunderstandings like these can be resolved through frank discussion. Sometimes, however, especially when there has been a pattern of missed cues, they play a big part in ending the board-CEO relationship or the relationship between the CEO and at least one board member. It's generally far better to clarify expectations ahead of time than to have to fix problems after they arise.



Sources of Misunderstanding

These are four common sources of misunderstandings between CEOs and trustees:

- The CEO believes board members are too busy to want to spend enough time to deal thoroughly with an issue. The CEO insists that material sent to the board ahead of time be short and simple, and that more detail will be distributed later only if trustees ask for it.
- The CEO believes trustees prefer to respond to recommendations rather than open-ended questions. Therefore, the CEO doesn't bring issues to the board until he or she is ready with a specific recommendation.
- The CEO believes trustees don't understand how different health care is from their own businesses. The CEO responds to their suggestions by explaining why they wouldn't work in a hospital.
- The CEO dominates the board and keeps it relatively passive.

Trustees often misunderstand their roles in ways that confound CEOs, too. Consider these situations:

- *The chair of a public hospital authority used his on-site office to meet with physicians and employees to hear their grievances, without telling the CEO anything about it. The chair's on-site office should have been used only for conducting board business with the CEO, the board's secretary, or other board members.*

It's generally far better to clarify expectations ahead of time than to have to fix problems after they arise.

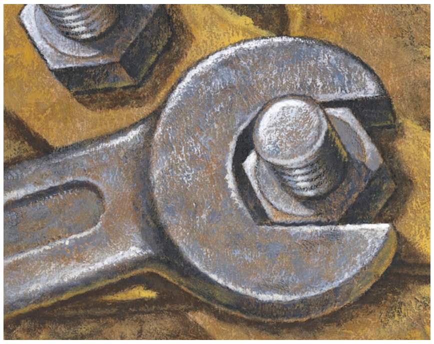
- *The chair of the board's quality committee began going to meetings of the staff quality committee, without informing the CEO or the chair of the board. The CEO had to ask the chair of the board to tell the trustee to stop going to management meetings.*
- *The chair of the board's finance committee insists that the hospital comply with all pertinent requirements of Sarbanes-Oxley, even though there is no history of audit problems and the hospital needs the money it would spend on such compliance for improving clinical quality and patient safety.*

In all three cases, the board member misunderstood the role of a trustee as well as the CEO's expectations of board members.

Trustees sometimes misunderstand their role and the CEO's expectations of the board in these ways:

- The chair of the board or a committee mistakes leadership of a governing body for a position with executive authority.
- The trustee wants the hospital or health system to do something the way his or her company does it.
- The trustee feels obligated to represent the interests of a particular constituency (such as the medical staff, or nurses, or the labor union) more than those of the institution as a whole.
- The trustee brings to the board an inclination to fix problems and decide how to do things and has difficulty sticking to governance issues and policy.

If CEOs recognize that boards' expectations are changing and then help their boards find ways of being more engaged, their relationships with their boards will likely improve. And, if CEOs work with their boards on clarifying mutual expectations, they



will have a better chance of avoiding misunderstandings.

Conversely, if trustees recognize that their changing expectations may feel intrusive to the CEO, they will be more likely to find a way to realize their expectations without threatening the CEO's prerogatives. If they work with the CEO on clarifying expectations, they will probably find board service far more gratifying.

Expectations are rarely clear. They vary from one person to another, from one situation to another, and from one arena to another. Sometimes they can be defined as principles: the board should do this; this is the board's duty; this is management's responsibility, not the board's. More often, however, they are nuances: more of this, less of that. Textbook answers are usually too general to help, so to get it right, boards and CEOs need to wrestle at the boundaries of what's enough and what's too much.

Clarifying Expectations: A Simple Exercise for CEOs

Here are several steps that you as the CEO can take to begin clarifying and refining your expectations of the board and the board's expectations of you.

- Think of your expectations of the board and of your role in relation to the board. (The list of typical expectations below may help you organize your thoughts.)
- Then list things that you'd like the board to continue doing; things you'd like it to stop doing; and things you'd like it to start doing, or do more of.
- Ask the board to make the same list about you.
- Share your list with the board and ask the board to share its list with you.
- Decide what you can do to better meet the board's expectations.
- Ask the board what it can do to better meet your expectations.
- Later, come back to this discussion and ask whether the working relationship has improved and what could make it even better.

About the Author David A. Bjork, Ph.D., is Managing Director, Clark Consulting—Healthcare Group, a firm that helps health care organizations build better relationships with their executives, physicians, trustees, and employees. Services include compensation planning for executives, physicians and employees; management succession and leadership transition planning; labor relations; employee surveys; recruiting; and human resource management. The author can be reached at david.bjork@clarkconsulting.com.

Typical Expectations that Trustees and CEOs Have of Each Other and Their Working Relationship

The Board's Role

- ◯ Brings community values to bear on major decisions.
- ◯ Comes to meetings well prepared to discuss issues and make well-informed decisions.
- ◯ Manages the board's business effectively so as not to impose inappropriate burdens or extra work on management.
- ◯ Puts the institution and its mission first—never represents just one of its constituencies.
- ◯ Keeps board business confidential and keeps discussions in the board room.
- ◯ Resolves issues and disagreements in board meetings, with other trustees—not outside of board meetings, and not with outsiders.
- ◯ Sticks to board work, working with other trustees and the CEO, and avoids working directly with physicians or employees unless asked to do so by the CEO.
- ◯ Learns enough about health care to get engaged in discussions about finance, strategy, and clinical quality.
- ◯ Adds significant value to discussions of strategy and clinical quality.
- ◯ Other: ____

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- ◯ Other: ____

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The CEO's Role with the Board

- ◯ Informs trustees of major issues as they arise, so they know before the public does.
- ◯ Helps chair organize meetings to keep the board focused on major issues, rather than on retrospective reports.
- ◯ Frames issues and alternatives clearly, and presents decisions as choices between realistic alternatives.
- ◯ Provides enough information to allow the board to make well-informed decisions.
- ◯ Gets information to trustees far enough before meetings to give them ample time to get prepared.
- ◯ Provides information in a user-friendly format that allows trustees to grasp it quickly and focus on the key issues.
- ◯ Keeps reports and presentations short to save ample time for deliberation.
- ◯ Encourages trustees to learn enough about health care to be deeply engaged in discussions of finance, clinical quality, and compliance.
- ◯ Other: ____

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- ◯ Other: ____

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The Relationship Between the Board and the CEO

- ◯ The board respects the boundary between governance and management and stays focused on governance and policy issues.
- ◯ The CEO respects trustees and welcomes their advice and counsel on major issues.
- ◯ The board respects the CEO's expertise in clinical, competitive, and business issues.
- ◯ The CEO engages trustees in setting and prioritizing goals.
- ◯ The CEO engages trustees in planning and shaping all major initiatives, so that they reflect the community's best interests.
- ◯ The CEO lets the chair run board meetings and lets trustees do most of the talking.
- ◯ The CEO respects the limitations on the board's time together and uses it well.
- ◯ The CEO encourages the board and its committees to meet in executive session (without the CEO) to identify issues needing attention and to discuss the board's relationship with management.
- ◯ The board tells the CEO what was discussed in executive sessions promptly and openly.
- ◯ The board communicates the board's expectations of the CEO clearly and openly.
- ◯ The board tells the CEO of trustees' concerns about the CEO's performance or effectiveness in working with the board.
- ◯ The board respects the CEO's expertise in clinical, competitive, and business issues.
- ◯ Other: ____

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- ◯ Other: ____

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