



Collaborative Leadership Tools for CEOs

Collaborative Leadership: A New Model For Developing Truly Effective Relationships Between CEOs and Trustees

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Introduction

The effort to strengthen governance and make boards more accountable is paying off. Many non-profit hospitals and health systems have voluntarily adopted reforms required of for-profit firms and, as a result, their boards are feeling newly invigorated. They now expect to exercise more control and be more engaged in making decisions than they have been previously.

This poses a challenge for you, as the CEO, since it amounts to a significant change in your relationship with your board. This relationship is critical, and always entails a certain amount of risk. It tends to be defined in

terms of the boundaries between governance and management, and any change in the level of the board's engagement unsettles whatever balance has been established between the board and the CEO.

Collaborative Leadership: A New Model For Developing Truly Effective Relationships Between CEOs and Trustees is the first in a series of tools developed specifically for you, the hospital or health system CEO, to help you take the lead in dealing with this change in ways that will stabilize and strengthen relationships with your board.

The new model for the working relationship between CEOs and their boards is rooted in *collaborative*

leadership, an approach that requires a number of changes in the ways CEOs interact with their boards. Consider the following scenario:

It seemed harder each year to get the Compensation Committee to finish its business. Sometimes the committee wouldn't decide on the CEO's salary increase until it was a year overdue. It often took two or three meetings to get incentive awards approved, and goals for the new incentive plan rarely got approved until the year was almost over.

Rich, the CEO, couldn't figure out how to move things along more quickly. The organization's performance was better than it had ever been. The board frequently complimented him on his successes, but the committee seemed to always get bogged down in endless debates.

Then Rich was fired—totally unexpectedly, with no warning. He had no idea that trustees were so frustrated with his style that they would consider firing him. His performance reviews, when they finally got done, had always been positive. The feedback he received from individual board members, too, had almost always been positive. How could communication have broken down so completely that

the board couldn't have let him know what they were dissatisfied with?

This story, or one like it, plays out in hospital and health system boardrooms far too often. And, it shouldn't have happened. What went wrong, and what should have happened instead?

Rich should have been attuned to what the board was thinking. The board should have told Rich it was frustrated with his style. Rich should have encouraged the trustees to express any concerns they had. The board should have responded. If communication had been more open, this is what we would have learned: Board members didn't feel they had enough opportunity to discuss important issues, because Rich tended to dominate the discussion and either dismiss their suggestions or argue against them. They didn't feel he had any respect for their views or for their roles as a governing board. He often seemed condescending. When he answered their questions, he sometimes implied that they should do whatever he recommended, since they didn't understand health care enough to make good decisions. Trustees didn't feel Rich was using their time well or taking advantage of

their experience running their own businesses, because he seemed to fill up every meeting with tedious management presentations. And, to add insult to injury, whenever the board expressed reservations about one of his pet plans, he'd hire a consultant to tell the board he was right!

Board members probably demonstrated signs of frustration, even if they didn't want to openly discuss them. These are some of the signals any CEO should watch for:

- visible signs of impatience during board meetings;
- complaints about the length of meetings;
- repeated suggestions about what should be done differently, e.g., hire a COO;
- questions about retirement dates;
- reluctance to renew employment contracts, pay competitively, or approve incentive awards.



Sometimes CEOs get fired because the institution's performance is "bad," and the board doesn't believe the CEO can fix the problems. That's understandable.

Too often, CEOs get fired unexpectedly, or get asked to retire early, when performance *isn't* "bad." And that's regrettable. But, it's usually a result of "style," and often due to a strained working relationship between the board and the CEO. Yes, the board should have said something, and maybe the relationship could have been improved before it was too late. But as often as not, breakdowns in communication are partly due to the CEO's own signals discouraging any critical feedback.

When communication breaks down, it's often partly due to reliance on a widely used model for managing the relationship between the CEO and the board—a model that no longer works in the post-Enron world. CEOs used to view trustees as amateurs, lacking experience and expertise in understanding or managing anything as large and complex as a hospital or health system.

Even if some trustees are executives in their own right, health care is different enough that a

hospital CEO has a difficult time seeing the relevance of lessons from other fields. So, CEOs haven't always respected trustees enough to value their advice. Instead of engaging trustees in debates over strategies and priorities, CEOs framed issues as recommendations with no alternatives, requiring only an up or

The partnership between CEOs and their boards is so critical and so sensitive that it's imperative that CEOs recognize how much trustees' expectations are changing

down vote. As a result, board meetings often turned into just getting business done and maintaining those boundaries between management and governance.

The Changing Nature and Role of the Trustee

Governance reform has increased trustees' accountability and exposed them to personal liabilities they never anticipated when they agreed to serve on the board. Relentlessly bad publicity on patient billing, clinical quality, and executive compensation has

exposed them to criticism and questions from friends and family members, skepticism that well-intentioned volunteers often struggle to cope with.

Boards continue to insist on being more in charge—and not of just budgets, executive compensation, and recruiting trustees, but also of meeting agendas, allocation of meeting time, use of executive sessions, strategic plans, quality improvement, and leadership succession planning. They're less willing to "rubber stamp" whatever management proposes, and even less willing to concede that the CEO is always right.

As a result, the old model, where the CEO's role is to lead the board toward the "right" decisions, isn't going to work as well as it has in the past. Savvy CEOs and boards require a model of **collaborative** (or co-) leadership, one in which the board plays a much stronger role in shaping the board's agenda and the organization's view of what's in the best interests of both the institution and the community.

The partnership between CEOs and their boards is so critical *and so sensitive* that it's imperative that CEOs recognize how much trustees' expectations are changing in the aftermath of governance reform, Sarbanes-Oxley, and

congressional criticism of not-for-profits. If CEOs recognize the problem and help their boards find ways of feeling more engaged, they will probably achieve better results than if they simply maintained the status quo.

Challenges Exist on Both Sides

Board meetings are often frustrating for both CEOs and trustees. CEOs often complain to other CEOs, or to their own subordinates, about how frustrating it is to deal with their boards. Trustees often complain to each other about how frustrating it can be to deal with the CEO, and how dissatisfying board meetings are. True, some of the dissatisfaction is due to the difficulty of forging consensus among trustees, all of whom have their own points of view. Some of it is also due to misuse of trustees' time and the underutilization of their talent. And, some of it is due to having to put up with trustees who talk too much, lead discussions astray, ask irrelevant questions, or don't bother to read board materials. But some of it is also due to the friction inherent in having outsiders, who are volunteers *and* perceived as amateurs, supervising a seasoned executive who is a true specialist in a highly specialized institution within a complicated field.

The friction is more evident in health care than in other fields, because health care is so specialized, because trustees are community leaders, and because boards of non-profit hospitals and health systems need to attend to a broader set of imperatives than simply maximizing shareholder return.

From the CEO's perspective, dealing with boards is often burdensome. On top of everything else they need to do, dealing with board business and trustee relationships takes a lot of time. As if leading a hospital or health system wasn't already a full-time job, the board's demands on the CEO's time have expanded. As a result, CEOs have often had to focus on getting the board's business done, rather than engaging trustees in debates about major issues, which only consumes *more* valuable time.

Board service isn't as satisfying as it should be for trustees who are leaders in their own right and bring more talent to the task of governance than they get the chance to use. Good trustees want to have plenty of opportunity to offer guidance and advice. They also want to have opportunities to exercise leadership. In general, they relish the opportunity to work with the CEO to forge consensus in support of a major



new initiative, or to learn enough about clinical quality to work with management and the medical staff on quality improvement processes.

CEOs who understand this are *at the forefront* of the trend toward more collaborative relationships between themselves and their boards. They understand that the old model can't work, particularly when their trustees *want* to be more involved.

This new model (*see diagram on page 5*) of collaborative leadership is well-established in many organizations. When boards hire new CEOs, they often look for someone who is not only comfortable with collaborative leadership, but also demonstrates an interest in engaging trustees in serious discussions about mission, vision, strategy, information technology, and clinical quality, in addition to helping address the strictly financial decisions.

Board/CEO Collaborative Leadership



Today's model of collaborative leadership expands opportunities for CEOs and boards to work together. CEOs can take the lead by inviting more board participation in shaping meeting agendas, strategic plans and capital allocation decisions and giving trustees more time to discuss issues they deem important.

Tools You Can Use

Collaborative Leadership: A New Model For Developing Truly Effective Relationships Between CEOs and Trustees launches a series of tools on developing and maintaining effective working relationships between CEOs and trustees. The full series aims to present the collaborative leadership model, show CEOs how it improves trust and communication

between them and their boards, and demonstrate how it can be applied in a number of areas where CEOs and boards interact, including: budgeting, planning and goal-setting, board self-evaluation, management development and succession planning, quality improvement, and CEO performance appraisal.

The goal of this series is to show CEOs how to adapt to the board's expectations for more engagement

in leadership, and how to help shape the board's approach to doing just that. Individual tools will identify ways to reduce unnecessary conflict between the CEO and trustees, improve communication, increase the effectiveness of the board, and help trustees achieve more satisfaction from board service, without changing the important and necessary boundaries between governance and management.

In some ways, this new model isn't all that different from the old model. It still requires the CEO to exercise leadership in framing issues for the board, providing the information the board needs to make decisions, evaluating alternatives, and proposing the best course of action.

The difference between old and new comes primarily through inviting more board participation in shaping meeting agendas, strategic plans, and capital allocation decisions; giving trustees more time to discuss issues they deem important, in every meeting, in occasional executive sessions, and in board retreats; and in encouraging boards to, (1), define or reassess the role they want to play and, (2), have a say about the kind of working relationship they want to have with their CEO.

Collaborative leadership starts with clearly defining expectations—the board's expectations for its own role, the CEO's role, and the working relationship between them, as well as the CEO's expectations for the board's role, the CEO's role, and the CEO's relationship with the board. This will be addressed in the next collaborative leadership tool. These other key topics will also be addressed:

- how to get the board more involved in shaping its own agendas and use of meeting time;
- how to get the board more engaged in business planning, goal-setting, and shaping priorities;
- how to get the board to bring “stakeholder perspective” to bear on major decisions;
- how to make performance appraisal more meaningful;
- how to restructure executive compensation and governance thereof to meet new standards and reduce risk of criticism;
- how to leverage trustees' talent and experience to improve planning and decision-making;
- how to leverage trustees' interest in clinical quality improvement efforts;
- how to leverage trustees' talents in communicating community benefit;
- how to get boards engaged in improving the governance process itself; and
- how to help boards feel that they have a meaningful role in leading the organization.

Self-Evaluation Exercise

Let's begin by evaluating the effectiveness of your current working relationship with your

board, and then ask your trustees to do the same. The differences between your responses and theirs could be the basis for a worthwhile discussion on building a more open, collaborative leadership process. It can help you understand how involved they want to be in making different types of decisions, and it can help you pick up any signals that they want something to change.

There are two versions of the self-evaluation exercise on pages 7 and 8, one designed for CEOs, the other for trustees. The one designed for CEOs should help you assess your relationship with the board and identify some of the ways in which it could be improved. The one for chairs and trustees should help uncover any concerns they may have, so *you* know what to focus on.

Getting Started

You, as the CEO, can take the lead by following these two key steps:

1. Identify two or three important issues in the relationship that both you and the board chair would like to resolve.
2. Raise these issues with the chair and ask if he/she is willing to work on one of them along with you. Choose one that seems relatively simple to

Self-Evaluation Exercise

Start with yourself and your impressions:

Questions for the CEO

	Almost Never	Rarely	Sometimes	Often	Almost Always
Do trustees believe meeting agendas are “their” agendas?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Do you ask the board what they want included in meeting agendas?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Do meetings allow ample time for broad-ranging discussions by trustees?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Do you keep presentations short to save time for discussions?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Do you let trustees do most of the talking?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Do you ask trustees to evaluate management’s presentations?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Do you ask trustees what they want management to change to improve meetings?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Do you encourage trustees to discuss important issues in executive session?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Does the chair tell you immediately after executive sessions what was discussed?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Do you tell the board your expectations for trustees and their performance?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Do you ask the board what their expectations are for its working relationship with you?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Do you expect trustees to add significant value to discussions of strategy?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Do you expect trustees to contribute significantly to discussions of quality?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Do you respect trustees and the advice and guidance they provide you?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Do you frame important decisions as a choice between reasonable alternatives?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Do you try to persuade the board to do things it is reluctant to do?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Self-Evaluation Exercise

Now, ask your Chair and Trustees to provide their perspectives:

Questions for the Chair and Trustees

	Almost Never	Rarely	Sometimes	Often	Almost Always
Do trustees believe meeting agendas are “their” agendas?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Does the CEO ask you what you want included in meeting agendas?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Do meetings allow ample time for broad-ranging discussions by trustees?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Does the CEO keep presentations short to save time for discussions?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Does the CEO ask you to evaluate management’s presentations?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Does the CEO ask what you want management to change to improve meetings?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Does the CEO encourage trustees to discuss important issues in executive session?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Does the CEO tell you what kind of working relationship he /she wants with you?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Does the CEO ask you what kind of working relationship you would like to have?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Does the CEO expect trustees to add significant value to discussions of strategy?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Does the CEO expect trustees to contribute significantly to discussions of quality?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Does the CEO respect trustees and the advice and guidance they provide?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Does the CEO frame important decisions as a choice between reasonable alternatives?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Does the CEO try to persuade the board to do things it is reluctant to do?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Now, compare your impressions to those you receive from your chair and trustees. Do yours seem to be “in sync” or “out of sync” with theirs? If your opinions on these issues seem to be similar, that’s one important indicator of the presence of collaborative leadership. If your impressions are clearly polarized, there is significant work to be done!

resolve, preferably one that would let you work with a committee, rather than the entire board.

Here's an idea for an issue you could choose:

- How to get the board to feel more ownership of a major decision by getting the trustees to debate alternatives, without getting lost in endless discussion, so the board can still reach a decision by the end of a meeting.

Here's another:

- How to get the board to identify the one change in its working relationship with you that would make the biggest difference in the board's effectiveness.

And yet another:

- How to get the board to improve its own effectiveness by keeping focused on the issues at hand, so that all board members (yourself included) believe that time in board meetings is well spent.

Or finally:

- How to structure executive sessions so that you feel comfortable letting board members have discussions on their own, so long as they share the gist of the discussions with you.

Using Assessment Results to Strengthen the CEO/Board Relationship

Compare your assessment of the issues, and your suggestions for resolving them, with the board chair. Try to reach consensus on how to proceed, ensuring that the ideas of both parties are incorporated into your action plan.

If a particular issue needs to be worked out by a committee, bring the committee chair into the discussion and try to reach consensus on how to proceed.

Present your assessments of the issue, and your suggestions for resolving it, to your chair, and ask him/her to take the lead in presenting your joint findings.

If the board chair isn't the best person to start with, select one of

the committee chairs or the trustee with whom you have a positive working relationship. Pick an issue that's comfortable for you to address, and one you'd really like to resolve. And stick with it; if it doesn't work the first time, try it with another trustee and with another issue.

Conclusions

Governance reforms that call for more active, engaged and accountable boards are bound to change the traditional dynamic of CEO/board relationships. CEOs that understand this impact can take the lead in forging a more meaningful and productive relationship with their boards. By taking the time to periodically assess governance practices and mutual expectations and by fostering board participation in shaping a model for more collaborative leadership, CEOs will not only build stronger relationships with their boards, but also enhance the board's value and contribution to achieving the organization's mission and goals. ■

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