Conflict Manager: The Board Chair's Unsung Role

by Barry S. Bader

Board chairs are often chosen based on peer respect, professional knowledge, demonstrated commitment such as chairing a board committee, and willingness to put in the time required. A somewhat surprising finding to emerge from the AHA's 2011 Governance Survey (see *Great Boards*, Spring 2012 issue) is that conflict management is an important yet seldom discussed role of the board chair.

When asked to describe the most important competencies that should be present in a chair, CEOs and board chairs ranked conflict management fifth among 14 qualifications, behind only such obvious criteria as knowledge of finances, strategic planning and quality, plus previous board experience.

Given all the turmoil of today's health care markets, perhaps it's not so surprising that besides a gavel, the board chair's job comes with a referee's stripped shirt and a whistle.

"Wherever people with strong convictions work together to make a difference, there will be conflict," writes E. Grant MacDonald, one of Canada's top authorities on not-for-profit leadership and conflict management. In today's hospitals and health systems, the most common sources of conflict that could involve the board chair are related to:

- *Doctors:* Conflicts involving disgruntled physicians, such as physicians complaining about unfair competition from the hospital, lack of resources for their specialties, unfair subsidies for other doctors or favored programs, and inadequate compensation for required duties such as on call coverage and committee service.
- *Trustees:* Conflicts involving strong-willed trustees who disagree over organizational priorities, as well as matters of trustee conduct, such as disruptive behavior in the boardroom, breaches of confidentiality, use of proprietary information for personal gain, public criticism of the hospital, or failure to acknowledge a conflict of interest.
- *CEO:* Conflicts involving dissatisfaction with the CEO's performance or style, concerns related to the CEO's ethical conduct, or disagreement over how much the CEO must consult the board before acting.
- *Community:* Conflicts involving the community, such as misunderstandings about the hospital's billing practices, outreach to poor and vulnerable populations, encroachment of neighborhoods with new facilities, and closure/consolidation of treasured facilities or clinical services.

When such situations arise, the chair's effectiveness as arbiter and healer can spell the difference between a constructive, principled, "win-win" outcome and a divisive confrontation that leaves permanent scars. Consider two examples.

At one hospital, a talented and energetic new CEO set about negotiating with the anesthesiology group over a new exclusive contract that, among other things, increased weekend and evening availability to meet patient demands and adjusted compensation to reflect payer pressures. The CEO relied on sound expert advice and kept the board informed. But vocal physician supporters of the anesthesiologists engineered a "no confidence" vote in the CEO at a medical staff meeting. The board chair tried but failed to convince the board to publicly support its CEO while working to resolve the contract issues. Instead, most board members listened to their doctor friends, refusing to support a CEO who was executing a strategy they'd approved. The board chair was likable and articulate – but ultimately unable to rally board support. Within a few months, the CEO resigned, as did the board chair and several other trustees.

By contrast, when a fabled basketball coach at a major university was caught on video roughing up a

player among other angry outbursts, the board chair didn't flinch. Knowing that firing the coach would incur the wrath of fans and alumni and possibly cost the university president his job, the chair protected the president by having the board lead an independent investigation. After finding the coach's conduct "unacceptable by any faculty member," the board eventually dismissed him. The chair and the board stood tall on behalf of academic values over athletics, kept an outstanding executive, and continued its basketball program with a new coach. There was barely a ripple in alumni donations.

In the first scenario, the chair lacked the skills and peer credibility to persuade the board to put principles and hospital interests first. In the second scenario, the chair was willing to take heat and inspire the board to understand that its decision about the popular coach had to place ethics above athletics.

Board Chair Succession Planning Process

Trustees accept the chair's position because they want to put their stamp on the organization's future direction and success, not because they're eager to get involved in conflicts. Yet, conflicts occur that require or would benefit from the chair's intervention. Therefore, when choosing a chair, the board or governance committee should consider conflict management qualifications.

However, that presumes that the board has established a clear, competency-based succession planning process for board chairs. Too often, that's not the case. In the AHA's governance survey, just 5 percent of respondents said their boards use a "full-board approved set of criteria/competencies for selecting new chairs." Board chairs are chosen

based more on personal relationships and board seniority than on an objective assessment of defined leadership competencies.

One of the better approaches I've seen for selecting a new chair involves several steps:

1. Adopt a position description and competencies for the board chair. Include conflict management in the chair's position description. Prospective chairs should understand it's a role they may have to fill.

2. Set a realistic limit on the chair's tenure, such as three one-year or two, two-year terms.

3. When a vacancy in the chair is anticipated, interview all directors about which of their peers best fulfills the competencies of a chair. The outgoing board chair or the Governance Committee Chair (if not a candidate) usually conducts the interviews.

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4. Discuss the interview results in the Governance Committee. When evaluating an individual for the chair's job, ask, "How effective would this person be at resolving likely conflicts? Does this individual listen to all sides of an issue before taking a stand? Has he or she demonstrated the ability in other settings to stay centered in heated situations, focus on facts and principles not personalities, earn credibility from all sides, and reach solutions that above all serve the organization and its mission?" Imagine the potential chair in conflict situations. Trustees who, regardless of other attributes, are

too mild mannered to engage and reconcile warring parties are not the ideal choice as chair. Conversely, beware of individuals who believe all conflicts should land on their desk for action. Effective leaders support the principle of subsidiarity: making decisions at the lowest level possible where the requisite knowledge and authority reside.

5. Recommend to the board the candidate who best meets the competencies for election as the next chair. Consider naming a "chair elect" a year ahead before the current chair's term expires, to allow time to prepare the next chair. Always have at least two individuals who have suitable skills and backgrounds in the pipeline.

Preparing for and Addressing Conflicts

Conflict management is part art and part science. There are generally recommended practices for resolving conflicts, but it's up to leaders to mold the tools and techniques to their leadership and communication styles. Here are a few helpful ideas:

1. Ask the CEO to brief incoming chairs on the potential conflicts that might arise on their watch, and keep them informed of brewing issues on a regular basis. A surprised board or chair is less likely to support the CEO.

2. Establish conflict avoidance and management mechanisms in advance. For example, regular executive sessions at board meetings (both with and without the CEO) can prevent avoidable conflicts from festering unnoticed. Chairs can encourage open discussion of important issues at board meetings so concerns about strategic decisions get a productive airing.

A regular CEO goal-setting and evaluation process that engages input from all board members can unearth concerns over the CEO's performance or strategic decisions before uneasiness erupts into open conflict. A code of conduct policy should clearly spell out how complaints concerning ethics violations involving trustees or the CEO will be handled. Mechanisms for communication with medical staff leadership should surface concerns for amenable resolution, but when intractable differences arise, a formal process for resolving conflicts with the medical staff should be in writing.

3. When conflicts arise, the chair should objectively listen to the background facts, avoid snap judgments, and candidly assess the situation:

- What's at the root of the conflict?
- What are the barriers preventing amiable resolution of the conflict?
- What are the best interests of the hospital, and what are the principles that should guide resolution of the conflict?

- How should the chair leverage the board's authority: e.g., by encouraging the parties to 'talk it out" in alignment with the principles; referring the matter to a new or existing committee; or getting personally involved as a facilitator or mediator?

4. Think about both the short-term and long-term consequences of conflict resolution. When conflicts arise, the actions of the chair and full board send a message: Does this board support its CEO? Does this board care more about profits or quality? Are ethics taken seriously or are conflicts of interests ignored when favored individuals are involved?

5. Beware of the "Goodfellas" syndrome. Attorney Michael Peregrine wrote recently in the New York Times *"DealBook"* about the Best Buy chair who learned the CEO was having an "inappropriate personal relationship with a female subordinate" but accepted the CEO's denial and failed to inform the audit committee. When board chairs become aware of ethical conduct involving individuals who are also friends, they must put organizational interests first. Unlike Robert DeNiro's character in the movie Goodfellas who declares, "Always keep your mouth shut and never rat on your friends," the board chair's seat comes with higher expectations.

The chair is the board's leader. Chairs set the tone for ethical conduct, strategic thinking and diligent oversight. They represent the board with the community and key stakeholders, take the point in CEO interactions, and motivate fellow directors to tap their skills and enthusiasm. Handling conflicts is only one part of the job – but because conflicts can take on outsized proportions, the way the chair handles conflicts leaves a clear and long imprint on his or her tenure.

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