

# Trustee Insights

## CEO AND BOARD RELATIONS



## Building an Effective CEO-Board Partnership

### Tips for new CEOs on working better with boards

BY JAMIE ORLIKOFF

**C**ongratulations! You have just accepted an offer to become the new CEO of a hospital or health system. You are part of a massive generational leadership turnover as “boomer” CEOs retire and younger leaders step in.

The past few years have only made things harder for new CEOs, with the impact of COVID-19 creating a volatile, politicized environment on top of existential organizational challenges. Even with all that, a big surprise for a new CEO is how much time and energy are required to establish and nurture an effective strategic partnership with your board so as to add value to the organization.

Here are some tips on how to do that.

### Handling the Honeymoon

Every new CEO has a “honeymoon” period with their new board, and your first task is to determine how to use it wisely. Start by choosing how to spend your limited “honeymoon” political capital with your board. To do this you must first determine who your REAL boss is.

This is far more complex than it sounds and has different implications if your organization is part of a system. If so, you likely have a local board that you regularly work with, but you formally report to the system CEO or regional executive. Getting clarity in terms of who can hire, fire, evaluate and compensate you is crucial. It is likely that some of these authorities are shared between the system CEO and your local board.

If, on the other hand, you are the new CEO of a stand-alone hospital or a system where you report exclusively to your board, it is tempting to think that the answer is much clearer: The board is my boss. While it should be, unfortunately it often is not. In an effective board, the authority of the board derives from the group as a whole — not any committee or individual board member. But many boards function well below this standard.

You need to assess such questions as: Does the board chair think or act like they are your boss? Even worse, does the full board feel that the board chair is your boss?

Did a previous board chair fire the past CEO? Does the executive committee have the authority to fire you, along with the full board? (Don't guess — read the bylaws.) Is there a board compensation committee with delegated authority to perform your performance evaluation and set your compensation? If so, is that committee your boss?

You need to thoughtfully triangulate the bylaws, board culture and recent board history to answer this critical question. If the true answer is the board as a whole is your boss, congratulations! You can go to the next tip. If the answer is anything other than that, you have important work to do to. Your first priority in spending your honeymoon political capital is to facilitate a governance transformation to make the full board your real boss — on paper and in practice.

## Lessons Learned

Next, identify the skeletons in the board's closet. Hopefully you did this during the interview process, but if not, do it soon after you start as CEO. Determine what, if any, governance trauma resides in the cultural memory of your board, and then in individual board member's histories.

Often, you will struggle to identify and transcend the dynamics of past relationships between your board and the CEOs that preceded you. For example, if the board was misled by a previous CEO, your board will be hypersensitive to and aggressive in response to any hint — real or imagined — of this from you.

As another example, if your board chair leads a bank and experienced embezzlement there, it is

a safe bet that chair will be overly focused on financial controls. If there was a high-profile series of preventable patient deaths and regulatory sanction, the board will expect you to be extra focused and transparent in your leadership of patient safety. Learning the cultural traumas of your new board and its members will heighten your sensitivity to the board's flashpoints and help you develop strategies to avoid triggering them and to heal residual governance trauma.

Now that you know who your real boss is, and what the board's flashpoints are, you are ready to clarify the parameters of your authority. Engage the board in discussions regarding what you believe your authority will be and what the board believes it will be. Delineate what your role is, what the board's role is and how the two roles differ from, yet depend on, each other.

When are you the strategic leader? When is it appropriate that the board act as your employer, and what are the defined mechanisms for it to do that? With the board's input, put these descriptions in writing, establishing the working relationship and rules of engagement you will have with your board. This should result in two written job descriptions: one for you as CEO, and one for your board.

## The Art of Saying No

Now that the foundations of a solid CEO-board strategic partnership are in place, the next tip may seem a bit counterintuitive, but it is critical: Practice saying no. Practice saying no to the full board, to a board

member and to your board chair. Be clear and concise when you disagree with a directive or suggestion given to you by the board or, more challenging, by a member of the board.

There are many ways to say no; learn to be facile with several of them so you can make your board comfortable with this critical CEO skill. For example, if during a board meeting an individual board member gives you a direction, an effective response is: "I hear what you want me to do, but I need to hear what the whole board wants me to do." Here, you are clearly, but appropriately, saying no to an individual board member by asking the full board to do its job — to speak to you with one voice.

This is a key reason you spent some of your political honeymoon capital facilitating a specific definition of the distinction between your role and that of the board. Now you must ensure that you and the board respect the agreed-upon boundaries. You do this by saying no at appropriate moments. To be prepared, define as many of those moments as you can in advance and rehearse how you will say no.

A related tip is to know when to tell the board you plan to do something, and when to ask them for permission or advice. If early in your tenure you need to make a difficult decision that clearly falls within your defined role and authority, inform the board of your decision, but do not ask for permission. If a board member gives you a directive regarding this decision, be prepared to say something like: "I appreciate the advice, but this is my decision and I have made it." You may soften

this a bit by following it up with “I know the executive I need to terminate has been here a long time and has a relationship with many of you, and that is why I am giving you advance notice of my decision. I will do this in a professional and ethical way, and the executive will be respected and taken care of, but I have determined this is necessary.”

Your use of language with the board is very important here. Be very clear when you are informing the board of a decision or action you will or have taken as distinct from when you are asking the board

for approval of an action that you recommend be taken. When your relationship with the board becomes more defined and stable, you will get more comfortable asking the board for nonbinding *advice*.

Role confusion and conflict with your board can cost you a loss of trust, wasted time and, ultimately, it can lead to your derailment as CEO. As a new CEO, building a strong and strategic partnership with your board is one of your most important tasks. Such an effective partnership is a key driver of a healthy and effective

hospital or system. Spend your honeymoon wisely to build this partnership.

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