

Trustee Insights

BOARD AND CEO RELATIONS



Is Your Board of Trustees Micromanaging Your CEO?

10 tips for setting governance boundaries

BY TODD C. LINDEN

A common question and one that all boards wrestle with at one time or another is: Are we micromanaging our CEO?

After working for boards as a hospital CEO for over 30 years, serving on dozens of boards and now consulting with boards across America, one of the most important questions I hear is this: Where is the line between governance and management?

The line, I've found, is often a blurry one.

A successful board must fulfill its duties of care, obedience and loyalty by analyzing all sides of an issue, fully debating it and, ultimately, reaching a conclusion. To get there, one board may only ask a few — or even zero — questions about a major proposal by management and then vote it through. Another board may ask many probing questions, some of which might leak into “management” issues. Is the first board abdicating its duty of care and merely rubber-stamping decisions? Is the second board giving orders, getting into the weeds and making for unnecessarily long meetings?

The hard truth is each board must set its own boundaries on governance versus management decisions. In addition, boards must

continuously revisit this line. Too often boards do not take this distinction into account and bump along without taking the time to consider how effective they are in their governance activities.

How can a board and CEO work together to lead an organization well? Consider these 10 tips for helping boards stay in their lane while fulfilling governance obligations:

1] Clearly define the role of the board and the CEO.

It's important to get the roles in writing with job descriptions. The more specific the descriptions, the less likely for role wondering. Every organization typically has a CEO job description. Do you have one for board members? *See Appendix 1, page 4.*

2] Talk about it. At least annually, complete a governance performance assessment. Incorporate questions that probe the micromanagement issue. Discuss the results and make plans to improve if necessary. Another best practice is to take five minutes for evaluation at the end of each board meeting and ask the following three questions: What did we do well? Where could we have done better? Did we stay in our lane?

3] Consider both the topic and the tenure of board members. Acknowledge when it is necessary to understand an issue

at a deeper level. A difficult topic might require a discussion that gets into the weeds. A board with seven members who have an average of nine years of service and a CEO who has been with the organization for over a decade will require less discussion on an issue than a board with 15 members that includes four new members and a CEO in their first year. Obviously, strong orientation and ongoing board education programs make a difference. Younger tenured boards are going to ask more questions. Do not confuse hard questions, a good debate or a long discussion about a complex issue as micromanagement. The duty of care may require challenging and probing questions. Newer board members will need more information.

4] Understand the CEO sometimes wants advice and counsel on a management issue. There is great value in receiving competent advice from board members who care about an organization. When doing this, it is important to describe it as a nongovernance issue that will not require a vote. There were many times over my 30 years as a CEO when I had a sticky or complex management issue and simply wanted advice from my board. I wanted the collective wisdom of the room. I opened the management window and invited the board in. At the end of the discussion, I would make it clear that I was closing the management window and we would move on to the next governance issue. It takes trust to make sure the board will not use this opportunity to insert itself into other management issues uninvited.

5] Do your homework. Boards that get well-developed, concise briefing materials prior to the board meeting and thoroughly prepare will spend less time asking questions and crossing into the management lane. It seems like about a third of the board comes prepared, a third skims the material the day of the meeting and a third never opens the board book prior to the meeting. Challenge your board to do better. Challenge your administration to create tight, well-conceived board packets that are shared in a timely manner. The more time spent creating best-practice board packets instills confidence, and boards fully utilizing them will dramatically reduce any time spent in board meetings getting into the weeds.

6] Mind your agenda development and governing mode. Richard Chait, Barbara Taylor and William Ryan's work on the different governing modes have implications for keeping governance above the management line. They describe three distinct modes: 1) fiduciary, where oversight is the focus; 2) strategic, which centers on foresight; and 3) generative, which keys in on the insight the board brings to the table. In an ideal world, the board sets the priority on the "what" and management focuses on the "how." That said, depending on the governing mode, the board may need to get into the "how." For example, a fiduciary responsibility of quality or financial oversight may require some probing questions when a problem is identified. Building a robust board

education program with an annual deep dive on health care finance and clinical quality may well stave off monthly questions on routine oversight activities. Clearly framing an issue when in generative mode may well get deeper into an issue.

Overloading an agenda with all oversight items and lots of reports may get boring and seem like all a leader wants is a board to rubber-stamp items. Too many generative agenda items will lengthen meetings and could be overwhelming, especially to new board members. Being thoughtful about crafting an agenda with the right mix of fiduciary, strategic and generative items can greatly enhance the work of the board and reduce the opportunity for micromanagement. One additional tip: Label agenda items as "oversight," "foresight" and "insight" to give board members a sense of which governing mode they will be using.

7] Assign a "micromangement detective." Many board chairs are responsible for constantly assessing the meeting and watching for governance creep into the management realm. If that is the case, has the role clearly been spelled out in the board chair's job description? Some boards prefer to assign this role to someone other than the board chair. Either way is fine, just make sure at least one board member has the responsibility to constantly monitor the board's activity and call it out when the discussion gets off track. In your organization, who is responsible for monitoring and asking, "Are we getting off track?"

8] Keep the communication channels open with the CEO about micromanagement.

It can be hard, especially for a new CEO, to tell their bosses that they are stepping over the line. The board needs to ask and encourage the CEO to share their thoughts when it feels like the board is venturing into the management lane. The more trust established, the easier it is for the CEO to be honest and direct with the board when micromanagement occurs. Pay attention to this issue. No one likes to be micromanaged, and it is one of the leading reasons CEOs leave hospitals.

9] Guard against a perception that board members feel pressured to not ask questions.

Board members, especially if new, should feel comfortable asking questions if they do not under-

stand the issue or its complexity. I have sometimes heard board members say, "I was afraid I would be accused of getting into the weeds." High-performing boards have mentors who can work with new board members outside the meeting to help with this. Encourage new board members to jot down questions during meetings to share with their mentors. This supports new board members through the steep learning curve hospital board leadership requires.

10] Consider adopting a "meeting code of conduct" or "trustee pledge."

I use a set of guiding principles to help with this. The 12 points in the principles outline the role of governance and meeting best practices. It has helped the boards I've worked with stay in governance mode and

serves as a constant reminder of how the board can follow good practices. *See Appendix 2, page 8.*

Board dynamics greatly influence how governance and management are handled. Really great boards work at it, constantly assessing their performance. The truth is the governance versus management line is blurry and always changing as the dynamics of a board evolves. Using these tips will help your board find the line, refine it and continuously improve it.

Todd C. Linden (tlinden@lconsult.org) is a partner of Linden Consulting, adviser for GHI governWell and CEO emeritus of Grinnell (Iowa) Regional Medical Center.

Please note that the views of authors do not always reflect the views of the AHA.

APPENDIX 1: JOB DESCRIPTION

[Hospital Name]
Board of Trustees
[Executive/Governance and Nominating] Committee
Board Member Job Description

The Role of the Board of Trustees

Trustees are responsible for leading and overseeing the progress and success of the hospital in achieving its mission and vision in a manner guided by the hospital's values. As a not-for-profit organization, the board is accountable for ensuring that the hospital provides benefits and services that will help meet the health care needs of the community it serves.

The board has a number of critical responsibilities. Among them, the board oversees the development, approval and successful implementation of the hospital's strategies, and is responsible for hiring, determining the compensation of and evaluating the CEO. The board of trustees has ultimate responsibility for the quality of care and patient safety provided by the hospital, and is accountable for the appointment and performance of the medical staff. Trustees are also responsible for ensuring sound and successful fiscal performance by the hospital.

Responsibilities of the Board

Mission, Vision and Strategy

The board adopts and periodically reviews the hospital's mission, vision and values, and ensures that they drive strategic plans and board decision-making. The board determines the programs and services provided by the hospital, and makes sure that they address community needs and the fulfillment of the mission. The board is responsible for ensuring adequate resources are available and allocated in support of these efforts. It is also responsible for clear communication of the hospital's mission, goals and accomplishments, both internally and externally, generating confidence in and loyalty to the hospital.

CEO Selection, Evaluation and Support

The board is responsible for appointing a competent and experienced CEO and for ensuring he or she has the support needed to ensure responsibilities can be successfully carried out. The board determines the CEO's responsibilities and conducts an annual evaluation of the CEO's performance. It is also the board's responsibility to establish the compensation structure for the CEO.

Board Membership

The board must define the terms of service for board members, including length of terms, limits on consecutive terms served, requirements for board and committee meeting attendance, and compensation for travel, conference attendance, governance education and board meeting service.

The board is responsible for developing a well-thought out succession planning process for the selection and appointment of new trustees that will fill gaps in governance experience, expertise and diversity and build overall governance capacity. The board must also ensure that new board members are well-oriented to their governance responsibilities.

Governing Board Performance Improvement

The board must adopt and adhere to a conflict of interest policy, including annual written disclosure of existing or proposed outside financial interests and business connections or transactions which might influence or appear to influence a trustee's official duties or actions.

The board is responsible for providing access to governance education programs that will ensure board members are knowledgeable about key issues. The board is also responsible for the conduct of an annual assessment of board performance, taking action when board performance does not meet established standards.

Organization

The board is accountable for adoption of an organizational plan for the board of trustees, administration and medical staff, and for the election of board officers and establishing board committees in accordance with provisions of the bylaws. The board must ensure that each committee has a specific purpose and written charter and approves appointment of trustees to committees. The board also enables establishment of a volunteer Auxiliary.

Medical Staff

The board is responsible for ensuring the medical staff organization includes a responsible administrative unit and adoption of bylaws, rules and regulations, etc. for governance of their practice in the hospital as deemed by the board to be of the greatest benefit to the care of patients within the hospital. The board must approve the medical staff bylaws and any proposed revisions.

It is also incumbent upon the board to credential qualified medical staff, and to appoint, reappoint and approve privileges for all medical staff members. The board also reviews and takes final action on appeals involving termination of medical staff appointments and/or privileges.

The board must ensure it develops meaningful mechanisms for interaction between the medical staff and the governing board.

Quality of Care

The board's responsibility for the quality of care and patient safety provided by the hospital is a fiduciary duty of care. The board must review and approve organization-wide quality assurance, quality improvement and patient safety plans and ensure the hospital and board employ mechanisms for monitoring and evaluating

quality, identifying and resolving problems, and for pursuing opportunities to improve patient care. The board must make sure the hospital has a process for ensuring the competence of all individuals who provide patient care services. The board also approves mechanisms to ensure a single level of patient care is provided in the hospital. The board allocates resources and establishes support systems for quality assurance and risk management, and provides the support and the resources necessary to enable the medical staff to fulfill its role.

Financial Oversight

The board controls and manages the property, affairs, funds and expenditures of the hospital. It approves policies governing the financial affairs of the hospital, ensures that financial controls are in place, and assumes ultimate responsibility for the financial soundness and success of the hospital, protecting the limited resources of the hospital and the community. The board also has a role and responsibility to actively encourage philanthropic support for the hospital.

The board approves an annual operating budget and a capital expenditure budget, confirms long-range and short-range financial plans, evaluates the hospital's performance against plans, and reviews regular financial reports, ensuring that adequate capital is available for the hospital's investment strategies.

The board is responsible for selecting the hospital's independent auditors, receiving and reviewing reports of the hospital's independent auditors and their performance.

The board authorizes officers of the hospital to act for the hospital in the execution of financial transactions.

Legal and Ethical

The board is responsible for ensuring the hospital's adherence to legal standards and ethical norms. The board regularly reviews and approves the hospital's compliance plans, Form 990 filings and its community health needs assessment reports.

Planning

The board sets the strategic vision and direction for the hospital, ensures effective organizational planning, monitors implementation, progress and achievement of plan goals, and ensures that the hospital's long-range strategic plan is reviewed regularly to assess the organization's ability to meet goals and objectives and further the mission.

The board approves long-term plans for development, expansion, modernization and replacement of the hospital's facilities, major equipment and other tangible assets and approves the acquisition, sale and lease of real property. The board also assesses and approves plans for acquisitions, mergers, affiliations and other partnerships.

Programs and Services

The board approves long-range plans for development of hospital programs and services, provides counsel to the CEO in the implementation of program and service plans, monitors progress and evaluates program and service results based on established goals and objectives, and the organization's mission and vision.

Community

The board is responsible for ensuring the hospital's commitment to community benefit and community health. It oversees conduct of community health needs assessments, identification of health needs, approval of initiatives to address health needs and allocation of resources to support implementation of those initiatives. The board also ensures community health needs assessment reports are made readily available to the public and that the hospital's community benefits are also well-communicated.

External Relationships

Board members must stay well informed about public policy issues and decisions, and assess possible effects on the hospital. Board members need to participate in ongoing relationships with various segments of the public and serve as an advocate, educator and ambassador on behalf of the hospital, communicating with local business, industry, and professional and civic organizations. The board also acts as an advocate for the hospital with local, state and federal government representatives and agencies.

Trustee Qualifications

Trustees must possess the leadership skills and expertise required to ensure the hospital's achievement of its vision and fulfillment of its mission. Highly qualified board candidates will possess the following experience and personal attributes:

- Understanding and willingness to adhere to the fiduciary duties of trusteeship, including freedom from unresolvable conflicts of interest
- Commitment to the hospital, board and fulfillment of the mission and vision; including a willingness to limit other obligations to ensure availability to devote the time needed to the hospital board's responsibilities
- Integrity and moral ethics, confidentiality, strong personal and professional reputation, and commitment to the community
- Demonstration of strategic and visionary thinking with a focus on goals and outcomes
- Experience, expertise or competency that will contribute value to the board's leadership capacity
- Informed and knowledgeable, keen intellect and sense of inquiry, coupled with a willingness to engage in constructive confrontation, ask difficult questions and make challenging decisions
- Strong communication skills and ability to establish collaborative working relationships
- Contributes to the board's diversity, including age, gender, religion, ethnicity, skills, experience and knowledge

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One Mid America Plaza, Floor 3 Oakbrook Terrace, IL 60181 630-613-7580
blorsbach@governwell.net

APPENDIX 2: TRUSTEE PLEDGE

Trustee Pledge Meeting Code of Conduct

Governance excellence is the life blood of a high-quality board of directors. It is vital that each board member take their responsibilities seriously and pledge their best efforts to follow this code of conduct.

In pursuit of governance excellence, I pledge to:

- A. Refrain from micromanagement and focus on strategic leadership and policy, not on administrative and operational detail. I will respect distinctions between board and staff roles and will manage any overlap between the respective roles in a spirit of collegiality and partnership that supports the authority of staff and maintains the proper lines of accountability. I will not discuss significant operational concerns or issues with employees or members of the medical staff without the knowledge of the CEO.
- B. Attend board and committee meetings regularly and come prepared to fully discuss and deliberate all matters important to the business of the board.
- C. Listen carefully to my fellow board members and be willing to consider all points of view during board discussions.
- D. Share my point of view, do not dominate discussions, be respectful and courteous in debate, but do not shy away from difficult or contentious issues.
- E. Fully support the decisions of the majority once a decision has been reached, even if I am in the minority.
- F. Be inquisitive and ask any questions important to the discussions at hand. Strive to push the organization to continuous growth and excellence. Challenge the status quo.
- G. Keep board discussions and decisions confidential, unless directed to solicit stakeholder feedback on specific topics of interest to the board.
- H. Take all opportunities to be a good ambassador for the hospital and advocate on behalf of the hospital in matters of important public policy issues and encourage philanthropic support that would advance the mission of the hospital.
- I. Be a continuous learner and look for opportunities to stay abreast of current topics and trends in healthcare delivery and policy.
- J. Follow the conflict of interest policies and practices of the hospital.
- K. Conduct myself in an ethical, moral and legal manner at all times.
- L. Celebrate the success of hospital and the role I play in its mission!

SIGNED _____

DATE _____

Linden Consulting, Inc

tlinden@lconsult.org

www.governwell.com