

Trustee Insights

TRANSFORMING GOVERNANCE



Demystifying and Optimizing the Executive Session

Executive Sessions can Enhance and Strengthen Board Culture

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Negative or exaggerated assumptions are often made when an executive session shows up on a board agenda and, even more so, if one is announced during a regular board meeting without advance notice. Board members frequently imagine something bad has happened or that significant confidential news is about to be

announced. Meanwhile, the executive team commonly fears they, collectively or individually, are being discussed in some undesirable light.

When trustees and management teams start to view the executive session through a different lens, however, unease is significantly diminished, and governance practices and relationships can be meaningfully strengthened.

While the purpose, participants, frequency and overall process of executive sessions vary widely across hospitals and health systems, the perception and value

of these sessions can be greatly enhanced with intentionality and communication.

Purpose

Fundamentally, the executive session provides an important venue for maintaining board independence and protecting confidentiality as the governing body carries out its fiduciary duties. When planning board meeting agendas, there are certain recurring items to bring forward at an executive session. These discussions may include a review of the annual audit and discussion with the outside auditor, the annual CEO performance review and compensation discussion, review of the annual board self-assessment survey and an annual review of the executive team succession plan. These items will typically occur at the same time each year and should be included on the annual board calendar.

Additionally, issues often arise that are most appropriately discussed in executive session. These items require utmost confidentiality and may span sensitive personnel issues, provider credentialing, board related conflicts of interests, crisis situations, or major strategic discussions. Not surprisingly, these are the topics that most often cause worry within the leadership team and within the board. However, with a shift in perspective, improved communication and strong leadership, angst can be

minimized, and board culture can be strengthened.

While regularly scheduled agenda items and sensitive topics requiring confidential discussions as they arise are the primary purposes of an executive session, there are other meaningful benefits that should not be discounted. An executive session can help to build openness and trust within the board. The executive session setting encourages open dialogue among directors and with the board chair. While the goal is for trustees to always be comfortable speaking up in board meetings, some simply will not. When everyone in the room is a peer, these individuals will be more open to sharing their perspectives. These more intimate discussions can be invaluable to the chair, providing feedback on what is most important to the board. They also provide a venue for the board to discuss how to support the executive team most effectively. This is especially valuable in times of challenge when the executive team is consumed with supporting the remainder of the organization.

Participants

There are two primary debates over how to best structure an executive session. The first debate relates to who should attend. Practices vary widely across organizations. It is not uncommon for a regular board meeting to include the board and the CEO, several staff members and even outside guests. There are many positives to having this broader audience, but it demonstrates the need for a much smaller group to review sensitive and confidential matters. The key is to

Sample Annual Calendar for Executive Sessions

The sample calendar below assumes the organization has quarterly board meetings and holds an executive session in conjunction with each meeting.

MEETING #1

- Review annual board self-assessment survey results and action plan (from prior year end) (open session)
- Q&A with CEO — Sensitive strategic and operational updates, top challenges for the management team (open session)

MEETING #2

- Review of annual audit and meeting with external auditor (open session)
- Q&A with CEO — Sensitive strategic and operational updates, top challenges for the management team (open session)

MEETING #3

- Discussion with Chief Compliance Officer (closed session)
- Discussion with Chief Information Security Officer (closed session)

MEETING #4

- CEO performance evaluation and compensation review (closed session)
- Q&A with CEO — Sensitive strategic and operational updates, top challenges for the management team (open session)

balance candor and transparency with fiduciary responsibility and discernment. Most organizations will utilize a combination of open executive sessions and closed executive sessions. An open executive session will include board members and the CEO. A closed executive session will excuse the CEO and only include board members.

A common example of when to use a closed executive session is in review of the CEO's annual performance or in rare cases where sensitive personnel matters relate directly to the CEO. A closed session can also be used by the chair to obtain ongoing feedback on board performance or CEO performance. When a closed executive

session is held, it is imperative that the board chair follow up with the CEO immediately to share all appropriate feedback. The large majority of sensitive or confidential conversations should include the CEO in the room to provide context and any recommendations for action. These sessions can build trust and deepen the relationship between the CEO and the board. Depending on the topic at hand, it may be appropriate to have other individuals in the session including an outside auditor, chief compliance officer, or chief legal counsel. The organization's bylaws should outline procedural expectations for calling an executive session and any requirements for documentation.

Frequency

The second debate related to managing executive sessions is how often to hold them. Some organizations rarely call an executive session, except under the specific circumstances outlined above. Others include an executive session as part of every board meeting and others utilize the session on some regular cycle, such as quarterly. How often an executive session is used can greatly impact the perception and culture regarding these sessions. When called infrequently, anxieties and assumptions are heightened. When executive sessions are held regularly, they become a normal course of the governance process for the organization, demystifying the intent and providing additional opportunities to build trust and relationships across the board and with the CEO. If there is no set agenda for a particular executive session, use it as an opportunity

to ask the CEO what their top challenges and their top pride points are right now. This format facilitates a free-flowing dialogue that can provide unique insight for board members that does not come during a highly structured regular board meeting.

Optimizing Success

There are several success factors to keep in mind to optimize the effectiveness of executive sessions. First and foremost is leadership from the board chair. The chair will set the agenda with discernment and guide the meeting to ensure it does not become a venting session or a means of deferring important topics without the management team present. Second, it is important to protect time allotted for the executive session. It is common for an executive session to be held at the end of a board meeting, putting them in jeopardy if the initial meeting runs long. It is the

chair's role to manage accordingly and protect this time. It is essential to maintain open communication with the CEO to ensure the use of executive session does not foster a culture of secrecy or lack transparency. Lastly, the CEO must be seen as an advocate for the benefits of an executive session.

The executive session does not have to cause fear and angst. It is an important governance tool to provide confidentiality and board independence and can be structured and led in a way that simultaneously strengthens relationships and board culture. Doing so requires strong leadership, intentionality and communication.

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