HTNYS

Trustee Leader

Information, policy developments, and educational opportunities for health care trustees

PARTNERSHIP OF EQUALS

By Peter McGinn, Ph.D., President, Leadership Impact, LLC

I met recently with a group of hospital chief executive officers (CEOs) from a nearby state to discuss hospital mergers, and was surprised to learn many of them shared a serious concern: how to introduce to their boards the potential necessity of a merger.

Several reported that their board members' loyalty and commitment were so strong that it made them resistant to ideas that could result in changes in local governance and autonomy. Given the range of pressures building on hospitals and health systems, it is key for board members to be engaged in dialogue among themselves and with their CEOs about mission, vision, values, and strategy. Everything must be on the table—and this requires a strong board and a productive board/CEO partnership.

That is one reason I stress the equality of boards and CEOs. A good partnership must be based on an adult/adult relationship, not a parent/child relationship; but I have seen too many board/CEO relationships tilt toward the parent/child model, with one or another being dominant.

Yogi Berra once said, "In theory, theory and practice are the same. In practice, they are not." He was right. In theory, the CEO is hired by the board, is evaluated by the board, and works at the pleasure of the board. That is not wrong, but the practice is considerably more varied and complex than that. The authority of the board and the executive evolve over time. Our current model is a patchwork of history, court decisions, and corporate models. In individual cases, the relationship is affected by personalities, strengths, weaknesses, education, and training. Therefore, the board/CEO relationship is what you make it.

To establish a good working relationship, it helps to start with a pragmatic understanding of power. The board has final authority. The board hires, fires, pays, and evaluates the CEO. That would seem to say it all. However, the CEO usually has greater content knowledge in health care and has more active engagement in the institution. In

AudioConnect

To access a replay of HTNYS' AudioConnect program on this topic, go to www.htnys.org.

About the Author

Peter McGinn is President of Leadership Impact, LLC, and author of *Partnership of Equals: Practical Strategies for Healthcare CEOs and Their Boards.* He was formerly President and CEO of United Health Services in Binghamton, New York. He served as the Chair of the HANYS Board in 2005 and received the Distinguished Service Award from HANYS in 2007.

For more information, please contact:

Sue Ellen Wagner
Executive Director
(518) 431-7837 / swagner@hanys.org

www.htnys.org

For additional copies of this publication, please contact:

Sheila Taylor
Executive Assistant
(518) 431-7717 / (800) 360-7211

addition, the CEO typically sets the board agenda and is the primary source of information for the board.

I have suggested to CEOs and boards that they use a metaphor of thinking about the CEO like a consultant to the board. A consultant works at the pleasure of a client. The consultant normally possesses some knowledge or skill that the client does not have. The consultant advises, supports, and recommends, but the client makes the final decisions. The client does not tell the consultant how to work. It is an adult/adult relationship with explicitly stated mutual expectations—not a bad model for a board and CEO.

Who Should Be on the Board?

The first task of the board is the composition of the board itself. As Jim Collins concluded in Good to Great: "First who, then what . . . . great vision without great people is irrelevant." Passion and skills are essential qualities of board members. I use the following chart to summarize how passion and skill interact.

	Low Passion for Mission	High Passion for Mission
High Skills	Talented but uncommitted. Contributes to the work of the board, but potentially disruptive.	Will sacrifice individual goals for the goals of the organization. Valuable in a crisis.
Low Skills	A board member in name but not in deed. May be looking for what can be obtained from the board, not what can be contributed. Impairs the work of the board and occupies a position that could be better filled by someone else.	Loyal and dependable, but does not add to the board process and may take the board off course on occasion. Loses credibility over time, so others may overlook valid contributions.

To find people with passion and skills, CEOs and board members need to be talent scouts, actively building networks and assessing the readiness of potential board members in the community.

Not all board members see themselves as having responsibility for identifying and helping to recruit new board members; many leave it to the nominating committee and CEO as a once-a-year exercise. However, as board members live and work in the community, as they participate in community events, and even as they serve on the boards of other not-for-profit organizations, they are in a great position to see others in action.

Board members should keep a few questions in mind as they observe potential board recruits in the community: Who asks good questions? Do any show an active interest in health care in general and in local health care organizations specifically? Do they show their own record of success in their professions or voluntary activities?

If so, board members can take initiative to share the vision of their health care organization along with information and insight that are not confidential or proprietary, but are more in depth than generally available. This may start a dialogue leading to identifying a good match between the organization and a person with passion and skill.

A final note: with term limits being defined and more tightly adhered to now than in the past, the need for new board members is becoming more critical. In addition, and sometimes overlooked, is the need to groom new leaders of the board very early in their board membership. Identify potential officers in their first term, or service limits may come into play before they have had the opportunity to exercise formal board leadership. Under ideal circumstances, the CEO, chair, and governance committee will nominate prospective board officers to committee leadership posts by their third or fourth year on the board.

What Does the Board Do?

Boards have multiple roles—from setting direction and standards and hiring the CEO to making decisions and managing problems—but the one responsibility that often gets assigned a low priority is board self-evaluation and development. Development is seldom seen as an urgent issue and frequently gets pushed aside by more pressing obligations. Consider the following table.

	Low Commitment to Board Development	High Commitment to Board Development
Strong Board Skills	Complacent board. May drift into trouble.	High performing board that maximizes talent. Development is important, not urgent.
Weak Board Skills	Drifting and problem-prone board.	Troubled board in recovery mode. Development is urgent and important.

Boards find it difficult to devote time to self-development. In addition, members often display an ethic of courtesy that makes them reluctant to criticize either the board as a whole, or individual colleagues. As admirable as this may be, a shared ethic of self-improvement needs to outweigh the impulse to be polite.

An active governance committee is a great response to this challenge. Such a committee can dig into issues, assess performance, identify desired outcomes, and recommend improvements. A committee can focus on potential problems and improvements with greater insight and precision than can be achieved using questionnaires or surveys. The big payoff is that the board takes responsibility for itself. As members of the governance committee become more skilled in their responsibilities, they set an example for the rest of the board.

How Should the Board Do It?

"What makes great boards great? It's not rules and regulations. It's the way people work together." That's actually the title of a September 2002 *Harvard Business Review* article by Jeffrey Sonnenfeld, and I think it is a great short summary of a key factor in board performance: the quality of relationships among board members. As Mr. Sonnenfeld points out: "Team members develop mutual respect; because they respect one another, they develop trust; because they trust one another, they share difficult information . . . ." A positive cycle develops as these behaviors and attitudes become self-reinforcing.

Years ago, when I was Vice President of Human Resources at the Johns Hopkins Health System, I reviewed the progress of a large number of performance improvement teams that were part of our quality management program at the time. Some had been spectacularly successful, while some others had produced results that were much more ordinary. I found two reasons: one of which I expected, but the other initially surprised me. The expected result was that the successful teams had employed more of the formal problem-solving tools of performance improvement, while the others did so to a lesser degree. The surprising result was that the more successful teams had spent more time on team building and team process before getting down to work on the task than had the other teams. They were anticipating the formula for success that Mr. Sonnenfeld described some years later.

Boards often overlook this critical process either because they take it for granted or because they want to maintain an appearance of hard conscientious work and fear to engage in work that might be judged by others as frivolous. Therefore, they miss great opportunities like participation in conferences, retreats, or travel together. They pass up parties and celebrations or activities like meals or social hours. In a time of heightened tight operating budgets and sensitivity to the seriousness of board member responsibilities, it is easy to sympathize with this approach. However, the experience of great boards, especially those who can rally in a crisis, is that positive personal relationships and good group process are keys to success.

over

Conclusion

The board/CEO relationship is critical to both board and CEO performance, and therefore to the performance of the organization as a whole. I endorse the concept of a partnership of equals as holding the best promise for the type of adult/adult relationship that is most productive—and satisfying—for both parties. Together, boards and CEOs with such a partnership can become a magnet for new board members, can become committed to self-development, and can build high-quality relationships. Each partner will contribute to the success of the organization, while taking responsibility as appropriate and similarly sharing responsibility when that is in the organization's best interests. Trust and mutual respect among board members and between the board and CEO are critical.