

GREAT BOARDS

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BOARDROOM BRIEFING

Trustee trend: Boards take more active role in strategic planning

As more healthcare trustees evaluate their duties as board members, strategic planning has emerged as a board responsibility to rival financial oversight. Once the domain of administrators who would identify critical issues and outline goals for the coming years—and then ask the board for its approval—strategic planning, more and more, is genuinely engaging the board.

“The board is more aware of its fiduciary responsibilities, and that means making sure we’re focused on the right areas and we’re good stewards of the resources we hold in our organization,” says Lynda Grimm, vice president of strategy and operations improvement at Sisters of Charity of Leavenworth Health System in Kansas. “Because of that, boards want to be more engaged. They ultimately are responsible for the strategic plan.”

The Leavenworth system of nine hospitals in four states isn’t the only healthcare organization whose trustees have taken a keen interest in setting strategy for the hospitals they oversee.

While a survey of trustees by The Governance Institute indicates that boards spend just 24 percent of their meeting time discussing strategy, that proportion is increasing, says healthcare consultant Ed Kazemek, CEO of ACCORD Limited in Chicago. “I’m pleased to see boards kind of sitting up on the edge of their chairs today and asking tough questions and asserting themselves and asking, ‘What do we need to do to get better?’”

The answer to their question, he says, is to focus on strategic direction-setting.

that boards that devote time to specific strategic issues—such as identifying potential threats and opportunities or shaping long-term goals—are more effective than those who are not involved in those activities. The move by healthcare boards toward engaging in such activities is evolving.

Indeed, many trustees consider strategic planning as a board’s second-most important responsibility, behind CEO selection.

To that end, boards are getting more involved in reviewing the hospital’s vision, mission and goals, weighing in early in the process and helping refine the plan and evaluate how the system carries it out.

Traditionally, some boards have rubber-stamped what Kazemek calls “a baked cake”—an administration-developed plan ready for approval despite a lack of board input.

Boards that have insisted on being fully engaged in the planning process, says Kazemek, “have their fingerprints all over the strategic direction of the organization. . . . You’re seeing board members acting as more effective fiduciaries.”

As boards take more responsibility for strategic planning, some have carved a unique niche for themselves in the process. Among them are St. Alexius Medical Center in Bismarck, N.D.; Banner Health in Phoenix; and Middlesex Health System in Middletown, Conn., which shared their stories with *Great Boards*.

An evolution

As the Dakotas’ oldest hospital turns 120 this year, its

Boards spend just 24 percent of their time discussing strategy.

The Governance Institute

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board is breaking its ages-old tradition of dividing its attention among too many operations. Instead, the 15 trustees of St. Alexius Medical Center in Bismarck, N.D., are focusing on strategic planning.

“We have evolved,” notes Nancy Willis, vice president of marketing and development, who helps oversee the planning process.

Indeed, the board and administrators whittled the traditional plan from 34 corporate goals to 10—and aim to slash five more. They sorted operational goals from strategic ones so trustees can devote meetings to board business rather than to tinkering with jobs they should leave to the staff. And they focus monthly meetings on strategy discussions instead of committee and staff reports.

The result, says Willis: “The issues are more global. People are more focused. It has made everybody feel we’re doing a better job of being effective and getting where we want to be.”

That was the board’s goal when trustees told administrators they felt ineffective and unsure of their role. So trustees scheduled a retreat, invited a facilitator and reinvented itself.

In the process, trustees agreed to focus board discussions on strategy, to adopt a calendar that signals which strategic planning issue dominates each board meeting and to broaden the scope of board committees so they do more work outside of full board meetings. Perhaps their greatest departure from tradition was the adoption of a consent agenda, which requires them to study and approve

Board’s role in planning

- Initiate the strategic planning process.
- Authorize members of the strategic planning committee.
- Share their opinions about the critical strategic issues facing the organization.
- Provide feedback on the draft strategic plan.
- Approve the final strategic plan.
- Help communicate the plan to key stakeholders.
- Monitor progress toward the plan on a regular basis.
- Authorize updating of the plan.

Source: *Setting Strategic Direction: The Key to Board Performance*, The Governance Institute, Fall 2003. Download a copy from www.governanceinstitute.com.

committee and staff reports before meetings rather than during them and frees meeting time for talk of strategy.

The retreat signaled another break with the past: Board members, who typically waited to join the strategic planning discussion until the hospital’s administrative team offered a list of critical issues for consideration, came up with their own list first.

That activity sparked a discussion

about the board’s role in planning, which led the rest of the changes.

It turned out that the board’s list of issues and the administration’s were similar, notes Willis, who says the new process has improved the dialogue between the two groups.

“It was an interesting perspective for the administrative team, which might have felt that the board didn’t always understand what we’re struggling with,” she says. “This reinforced that they do.”

Willis credits her board for what she foresees as a permanent change to the planning process at St. Alexius.

“Boards have to be courageous,” she says. “If they’re not satisfied with the way things are, they should take the lead and go in the direction that they want to go.”

She admits that’s not easy. “When organizations have done things a certain way for a long time,” she says, “you kind of get complacent in those processes. It’s a little bit of an evolution to go from where you’ve been ... to a different

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direction where you're changing the way you've always done things."

A cultural change

At Banner Health in Phoenix, the board's role in strategic planning didn't evolve. It erupted.

"The planning process was a cultural change," says Susan Doria, senior vice president of strategic development. "It was a real jolt to the organization that allowed us to get started" after a two-system merger in 1999 created Banner Health.

Indeed, board members had to stage what Doria calls "an intervention" in order to carve out an identity for the new system, whose individual pieces dabbled both in hospitals and home care, spanned 14 states and had two corporate centers.

Before the 15-member board—including seven members from each original system and one new trustee with no ties to either—could settle on a strategy for the future, it took nine months to decide what kind of organization it had become.

That done—today, the system has 20 hospitals in seven states—the board could look ahead. It did so with a twist: It involved more than 500 people from from the hospitals' communities to help decide how the new system should divest and grow.

Led by the hospitals' CEOs, the participatory exercise "got people really excited about who Banner could become and this new thing we were creating," says Doria. "It was a release of the old, a coming out of a merger. I recommend it to anybody making a

major change."

The board, which Doria describes as "very engaged ... every step of the way," approved a plan, which developed in four phases: First, planners, with input from the community, identified critical issues for the system to consider. Second, they looked at possible futures for the company. Next, they selected which of those visions they should include in the mission and values of the new company. Then they again asked the 500 participants for feedback.

Finally, the planners crafted strategies to move to the organization toward accomplishing the goals it identified in the plan. The board approved it.

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Riveting Retreats

6 Ideas for Energizing a Board Strategic Planning Retreat

Barry Bader, a governance consultant and the publisher of *Great Boards*, offers six ideas for engaging a board's creative potential at a board retreat.

1. Stimulating speaker. Invite a provocative and knowledgeable speaker to kick off the retreat and jump-start a discussion of the future. The Healthcare Advisory Board and The Governance Institute are good sources. A mistake: Scheduling a visionary speaker and then devoting the rest of the agenda to mundane objectives like a routine update of the strategic plan.

2. Far-reaching vision. Spend time articulating a vision for the future, an inspiring and enabling activity.

3. Good to Great. Distribute Jim Collins' best-seller on how average companies achieve greatness. Have a facilitator lead a discussion of how the organization can go from *Good to Great*. Or select another visionary book, such as the Institute of Medicine's *Crossing the Quality Chasm*.

4. Pre-retreat interviews. Gather perspectives from participants in pre-retreat interviews. Have a

facilitator summarize the major themes, which will put worries about the future, dangerous undercurrents and innovative ideas on the table quickly in a non-threatening manner.

5. Scenarios for planning. Develop various scenarios—at the retreat or in advance—to focus leaders on alternative futures and critical choices. Ask participants to assess and improve their preferred scenarios.

6. Prioritize and resolve. Take time at the retreat to set priorities and agree on a follow-up action plan that includes assignments and deadlines.

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But the board's job was just beginning.

"Governance drives everything," says Doria. "We start everything at the top."

To that end, a new board planning calendar dictates which strategic planning issues trustees will discuss at each two-and-a-half-day quarterly meeting. March, for example, ends the system's performance quarter, so trustees concentrate on whether the organization's financial performance is keeping pace with the strategic plan. In June, trustees assess what the hospitals are doing—or could be—that is innovative. Trustees devote September to reviewing the strategic plan via a balanced scorecard

*"Governance
drives everything."
Susan Doria,
Banner Health*

and metrics to look at finances, services, quality, operations and capacity. At this meeting, trustees set the agenda for the upcoming year's meetings.

Finally, December is budget time, so trustees use the strategic plan to align the system's resources.

At each long, quarterly meeting, board committees meet and focus on the same quarterly task—assessment or performance, for instance—as the full board. "That's how we keep the plan alive," notes Doria.

Over the year, trustees also look well beyond the three-year plan.

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"We realized we could do better if we had a longer horizon," notes Doria, who led the board to consider the "legacy you intend to leave this organization with." As a result, the board agreed the system would focus, in five-year chunks, on performance, growth, innovation and transforming healthcare.

"This was a big, hairy, audacious goal," admits Doria. But by breaking it into quarterly steps and then five-year chunks, she says, "we got it down to the specific level of work. We have an action-oriented focus."

The key to the system's strategic success, she notes, is the board's focus on strategy.

"They know what they need to be working on because all of the gears are moving in the same direction at the same time," she says. "Having ... things revolve around them aligns the whole company."

Doctor's orders

The board at Middlesex Health System has an unusually friendly relationship with the physicians who tend to the hospital's patients.

Indeed, the board chair is a practicing cardiologist in Middletown, Conn., where the hospital is located.

So trustees welcomed a suggestion by the medical staff's president, who said he wanted to improve the system's clinical quality, by asking doctors to dissect each of the hospital's clinical services, recommend improvements and make the changes happen.

That was five years ago. Since then, what's known as the Middlesex Imperative has upgraded services from orthopedics to gastroenterology by scrutinizing each department's strengths, weaknesses, threats, opportunities, financial performance, patient access and customer satisfaction.

The group, including about 10 physician leaders, the system's CEO, the board chairman and another physician-trustee, has empanelled a committee of doctors to review each clinical service. The result has been some major changes that CEO Bob Kiely admits administrators could not have made without physician support.

In fact, says Board Chairman Dr.

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Bud McDowell, administrators *shouldn't* have made the changes without input from doctors. And the same goes for the system's strategic plan.

McDowell recalls his father, an emergency-room director at the same hospital years ago, complaining when the powers-that-be dug the foundation for a new ER before asking him what he thought of the plan.

Later, McDowell says he “had the distinct impression ... that when [doctors] were called into a meeting, the decisions were already made before we had a chance to have any input.”

The Middlesex Imperative changed that. It also changed the way the system does its strategic planning. Through the effort, says Kiely, “we developed an infrastructure of engaging physicians in almost a constant, real-time planning effort.”

So rather than forming a board committee to create a strategic plan for the system, “this physician team that's been working on planning for four or five years is the logical group to lead the planning process,” he says.

The board agreed. “The board has felt very comfortable with passing to this committee the initial work,” says McDowell, who notes that the plan will be “brought forward to the board rather than having the planning be decided by the board and then bringing it to the physicians.”

Even the board's non-physician members support the new routine, says longtime trustee Hugh MacKenzie, chairman of the board's finance committee.

“It's the best of all worlds,” he says. “We're getting the value of the doctors' experience, they know the

hospital, the facilities, they know what's needed down the road—sometimes better than the board does. Then we'll make decisions to fund things collectively.”

He stresses that the board has not put the doctors in charge of strategic planning. “It's really a cooperative effort between the medical leadership and the hospital management team,” he says. “We've been working on it in a collaborative way.”

Kiely makes sure every trustee is on board with the plan as it develops. He meets one-on-one with each of the system's 11 board members every month to make sure every trustee knows the status of the planning process and can offer feedback.

“We've gotten strong validation that that's the case,” says Kiely. **GB**

“Role” Model

There's no ‘magic bullet,’ but here's how to start

Consultant Ed Kazemek of ACCORD Limited in Chicago admits there is “no magic bullet” when it comes to modifying a strategic planning process in order to better engage the board. But he offers this template as a starting point:

1. Trustees should help shape the process that the system will use for strategic planning. An early discussion among board members and administrators should result in a policy statement that will serve as an official road map for the planning process.

2. Trustees help identify the critical strategic issues facing the hospital and narrow down which ones the system should include in its long-term plan.

3. A planning team of administrators, physicians and other stakeholders, after agreeing on some preliminary, overarching goals for the corporation, returns to the board for feedback. Trustees should devote at least three hours offering revisions.

4. The board offers final feedback and approves the revised plan.