A Strong Board–Executive Partnership Can Achieve Bolder Goals

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How aspirational are your organization's mission and vision statements? Do they call for improving the health of the communities you serve, being the health system of choice for area residents, reimagining healthcare, and/or providing exceptional quality? In a rapidly changing environment, these aspirations cannot be achieved by incremental improvements alone. Instead, they require bolder, innovative transformation—actions that intrinsically are more overtly risky.

Meanwhile, does it seem that each year your organization focuses primarily on slow, incremental progress, centered on financial performance and quality? If so, it may be time to revisit how the board–executive relationship is enhancing or hindering achievement of bolder goals—goals that, while riskier, hold the potential to fundamentally improve strategic positioning, quality, and long-term financial viability.

Two conditions enable an organization to achieve bolder vision-driven goals: first, a competent, effective chief executive and his/her team and second, a strong relationship between the board and executive built upon trust, mutual respect, and open communication.

This article focuses on enhancing the board's ability and willingness to pursue bolder goals by strengthening its strategic alignment with the executive team.

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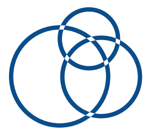
Tips to Support Bolder Goal Setting and Achievement

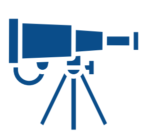


Align board and management culture, risk tolerance, and risk appetite.

"Culture eats strategy for breakfast" is an adage often attributed to management guru Peter Drucker. It is critically important that the board's and executive team's culture and risk preferences align, and match the overall strategic direction. Consider:

- How much risk does your board prefer (its "risk tolerance")? Is your board's culture one that regularly selects initiatives with little chance of failing or causing disruption? If so, management may default to recommending a limited set of low-risk options to the board, perhaps unintentionally precluding the board from considering bolder approaches.
- How much risk is your board prepared to accept in pursuit of the organization's mission, vision, and strategic objectives (its "risk appetite")? What is management's risk appetite? How aligned are the two? Achieving bolder goals requires that the board and executive team be aligned on and willing to accept some degree of prudent risk.

Hospitals and health systems are unlikely to achieve an audacious vision without an aligned board and executive team willing to assume some risks, properly resource bolder long-term initiatives, and effectively manage strategic, financial, and reputational risks.



Build a common worldview with the executive team.

Although it may be tempting to skip, this step underpins a strong board–executive partnership and effective plan development and implementation.

All strategy builds on assumptions about the future. Does your board have a worldview and, if so, does it match that of management? Devote time with your leadership team to define together what you expect the healthcare landscape to be in five years and, more importantly, to agree on the implications for your organization. What will the market require your organization to be doing more of or very differently? What would be the greatest threats to achieving the hospital's stated mission and vision?

As part of this exercise, identify "wild cards" that could essentially upend your market, as well as what would be required to remain viable should any of those occur.

Unflinchingly and collaboratively identify major strategic gaps.

Building upon a common worldview, candidly assess where your organization needs fundamental change and innovation to address a strategic gap.

››› KEY BOARD TAKEAWAYS

- Recognize that an aspirational mission and/or vision cannot be achieved by incremental improvements alone.
- Align your board's and executive team's culture and risk preferences and ensure that these are congruent with your overall strategic aspirations.
- Commonly identify the "vital few" strategic priorities that require bolder goals and utilize workplans with milestones and contingency plans to mitigate implementation risks.
- Identify where and how the board may be unintentionally discouraging management from recommending bolder goals for board consideration, including but not limited to the executive incentive compensation plan.

For example, one health system had articulated a 2030 vision wherein it would excel in quality and patient experience. This organization performed in the lowest quartile nationally and had set targets to very slowly inch its way up to the median. The board should challenge management to identify what excelling in quality means, the changes required to reach top-quartile or top-decile performance, potential risks of setting the bar high, investments needed, and risks of *not* improving.

Since no organization can change everything simultaneously, the board and executive team should agree on a "vital few" priorities that require bolder goals and outline the "who, how, when, and what (expected outcomes)" for each. Additionally, the workplans should incorporate contingency plans and short-term milestones that will allow the board and management to mitigate risks by monitoring ongoing progress and implementing corrective actions early.

Create a culture of safety around strategic implementation.

Pursuing bolder goals increases the likelihood of something going wrong, whether minor or catastrophic. Has the board created a culture of safety around strategic implementation, recognizing that despite well-laid plans, things may go off course? Does the management team feel safe sharing bad news with the board or does the board, perhaps unintentionally, discourage management from even attempting to achieve riskier, bolder goals?

Ensure that the executive compensation plan supports achieving bolder goals.

Most organizations have adopted executive compensation plans that include bonuses for the executive team based upon achievement of annual targets set by the board. The annual incentive compensation plan must be tied directly to the longer-term objectives in your strategic plan.

If you do not already do so, ensure that the incentive plan rewards not only achievement of incremental performance improvements but also progress against bolder goals. While many plans incorporate "stretch targets," often it is far better for the organization to have achieved a portion of a bolder goal than to have exceeded a relatively low-bar stretch performance target.

Conclusion

The cornerstone of a strong board–executive working relationship is trust. When your organization needs to actively pursue bolder goals, trusting your partner is especially essential. Trusting the executive does not mean that the board serves as a rubber stamp, passively accepting all of management's recommendations. Instead, both parties should understand their unique and complementary roles in setting strategic direction, be aligned around their willingness to accept and manage strategic risks, accept their responsibilities and accountability for strategic successes as well as setbacks, and stay in their own lane.

TGI thanks Marian C. Jennings, M.B.A., President, M. Jennings Consulting, and Governance Institute Advisor, for contributing this article. She can be reached at mjennings@mjenningsconsulting.com.

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