

Governance Education: Board and Management Roles

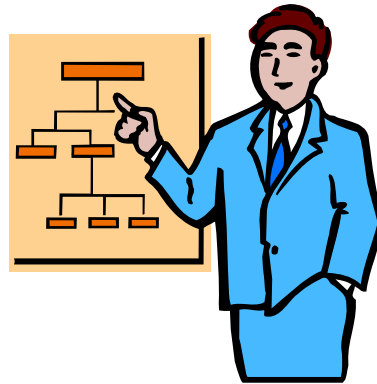
**Washington State Hospital
Association**

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Presenter

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Challenging Times

- New laws, new rules, new regulations
- Tough new issues
- Greater stakeholder expectations

“Need for effective board/management team has never been greater.”



Boards and Management have different roles

- What can they do to develop an effective working relationship?
- Answer can come in four ways:
 1. Clarify the roles of Board and Management.
 2. Share the vision and align their goals.
 3. Improve communication/develop trust.
 4. Make good use of time together.



1. Clarify Roles

- Unavoidable tension between Board and Management.
- Jointly discuss roles/review periodically.
- Not a bright line between two roles.



Role of the Board

- **Monitoring**

- Overall performance of the organization, not just financials
- Its Patient Safety & Quality, etc.
- Key Question: Is the organization achieving progress towards its goals and objectives?

- **Deciding...**

- Strategic issues and directions
- New CEO
- New board members



More Board Roles...

•Evaluating

- CEO Performance
- Management succession
- Major capital expenditures
- Acquisitions
- Overall Board Performance

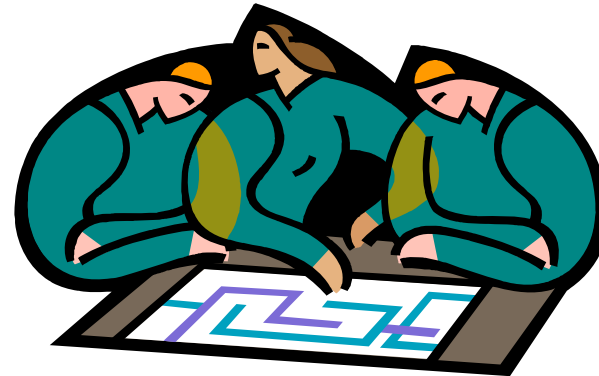
•Advising

- Strategic planning process
- Succession process
- Compliance process



Role of Management

- Run the organization on day-to-day basis
- Implement strategies to achieve the agreed-upon goals
- And a lot more...



How involved does your board want to be?

- Board and CEO need to agree on how involved or engaged they want the board to be.
- What are the options?
- David Nadler, Harvard Business Review, suggests 5 types of boards that fall along a continuum from least to most involved.



5 Types of Boards

- **The Passive Board:** Functions are the discretion of the CEO, limits its activities
- **The Certifying Board:** Certifies to stakeholder that the CEO is doing what the board expects and that management will take corrective action when needed

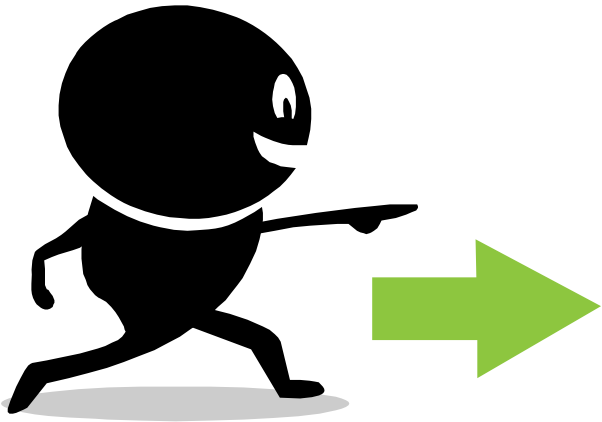


5 Types of Boards

- **The Engaged Board**: Provides insight, advice & support to CEO and management. Recognizes its ultimate responsibility to oversee the CEO & organization performance, guides and judges the CEO.
- **The Intervening Board**: Becomes intensely involved in decision making around key issues. Convenes frequently, intense meetings, often on short notice.
- **The Operating Board**: Makes key decision that management then implements. Fills gaps in management experience



Is there a right answer?



- Real world boards slide back and forth across the scale, their levels of engagement changing as issues and circumstances change.
- Selecting a level of engagement provides the philosophical framework for everything that follows
- Simply having the conversation about the desired type of board is a significant first step.

2. Share the Vision & Goals for Organization

How do Boards and Management Align Vision and Goals?

- Benefit of good strategic planning process
- *Key message: Strategic planning—done properly—is a great way to bring the Board and Management together as an effective partnership.*



Board's Strategic Planning Roles

- Management should take the lead; but the board has important role
- The Board:
 - Provides skills and experience of board.
 - Engages early on major decisions
 - Challenges management assumptions.
 - Contributes new ideas.
 - Assesses risk of management plans



Favorite Quote

As former Citicorp Chairman & CEO, John Reed once said:

“A good board will stop you from doing dumb things.”



3. Improve Communication/Develop Trust

- CEO anticipates Board needs
- CEO knows what senior management needs from the board
- Board sets direction; management executes board monitors
- Board Retreats, including senior management
- Use management other than CEO and senior people to make presentations to board as way to assess bench strength



4. Make Good Use of Time Together

Major frustration of Board members –

Feeling that their time is not being use effectively. Management frequently feels the same way.



Techniques to Accomplish

- Jointly planned agenda
- Key issues focus
- Background on issues and reports sent early
 - Allow time for explanation before meeting
 - Finance committee example
- New issue, form a task force
- Consent Agenda
- Develop understanding over time on key issues



Tips to Boards

- Expect quick overview each meeting
- Approve vision, goals and the plan
- Be comfortable with management team
- Be sure goals are achieved
- Be sure a succession plan is in place
- Give timely, frequent feedback to CEO
- Set ethical standard and monitor



Tips to CEO

- Set highest ethical example
- Share thinking with board
- Create atmosphere of critical discussion
- Know each trustee well
- Help board members get to know one another
- CEO works for the board...act accordingly



Summary

- Boards and Management want to work together, but frequently don't know how.
- Boards can add value
- Board want to serve
- CEOs: tap the talent



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Questions

Questions & Comments

