



VIEWPOINT

Executive Sessions: A Sign of the Times

BY EDWARD A. KAZEMEK

IS IT EVER APPROPRIATE for a hospital or health system board to convene executive sessions with-

out any employed executives present, including the CEO? The short answer is: "Of course it is." The fiduciary duties and core responsibilities of a governing board obligate it to provide effective organizational oversight. If the board concludes that meeting in executive session is the best way to perform its duties and responsibilities, it should use its authority to do so.

The short answer, however, belies the complexity of the issue. If not implemented well, the use of executive sessions can have a negative impact on the board's relationship with the CEO and, inadvertently, create the impression throughout the organization that there is a problem between the board and management. And, if the CEO is a voting board member, the issue becomes even more sensitive.

Impetus For Change

There has been a growing interest in and expanded use of executive sessions by hospital and health system boards over the past couple of years. Until recently, the only time a board would meet without the CEO was to discuss the CEO's performance and compensation. To excuse the CEO at any other time during a board meeting was viewed by most executives (and often still is) as cause for concern about the board's confidence in management.

So what's changed?

Board failures in the for-profit and not-for-profit sectors over the past five

years have had a significant impact on the mind-set of many board members. Horror stories in the media about boards being "asleep at the switch" have raised the stakes on what it means to be a competent board member and have forced most boards to examine their own practices and performance.

Legislative and regulatory requirements and scrutiny have added to the pressure on boards to oversee manage-

.....

**For many boards,
the freedom to discuss
major issues without
feeling they are
being dominated by
their CEO is worth
risking the CEO's
discomfort.**

.....

ment activities more aggressively. Finally, for many board members, the freedom to discuss major initiatives and issues without feeling they are being led or dominated by management is worth risking management's discomfort.

When asked his opinion about the growing use of board executive sessions that exclude the CEO, Dan Wolterman, president and CEO of Memorial Hermann Healthcare System, Houston, recently said: "It's inevitable. It's the result of the public scandals that have implicated and embarrassed boards.

Management has to respect and adapt to the board's decision to use executive sessions. However, for executive sessions to work well, there has to be an environment of trust and openness between the board and management."

Doing It Right

How a board decides to use executive sessions is as important as the decision to hold them at all. Some of the lessons learned from boards that have chosen to go into executive session occasionally can serve as useful guidelines for other boards.

- At a future board meeting, stimulate an open discussion with all board members and management present on the subject of using executive sessions. Identify pros and cons, when they might be used, and what kind of matters could be discussed in executive sessions. Encourage all parties to share their feelings about the idea, recognizing that this may be a somewhat uncomfortable departure from past practice.

The board must reassure the CEO that holding executive sessions does not indicate a lack of confidence in or perceived value of his or her management but represents a need for the board to have opportunities to discuss significant matters without any "insiders" present.

- Develop a formal board policy and stipulate procedures for using executive sessions. Clarify the type of decisions that might trigger an executive session, including who can request that an executive session be convened, what stage in the decision-making process would be most appropriate for an executive session, and how the results of these sessions would be communicated to the CEO.

- Treat executive sessions as a normal part of the board's function, as opposed to a "big deal" event in the life of the board. Some boards include the executive session as a standing item on their meeting agendas, but use the time only when the need arises.

- After an executive session, inform the CEO about the issues or concerns raised, requests for management follow-up, and, any tentative decisions reached. A culture of openness between the board and management must exist for executive sessions to work best. It is counterproductive for the board to keep the CEO in the dark about the subjects and outcomes of an executive session.

Sign of the Times

Executive sessions are a sign of the times. Whether or not they become a

**Treat executive sessions
as a normal part
of the board's function,
as opposed to
a "big deal" event**

permanent feature on the hospital and health system governance landscape remains to be seen. If board members think that convening executive sessions

will result in more effective governance, they should adopt the practice.

Management should support the board's decision and encourage open dialogue and debate among board members and between the board and management. Experience has shown that when the spirit of openness among boardmembers and management truly takes hold, the need for an executive session becomes a rarity. **T**

EDWARD A. KAZEMEK is chairman and CEO of **ACCORD LIMITED**, a Chicago-based firm specializing in health care governance, strategy and management. He can be reached at (312) 988-7000 or by e-mail at: ekazemek@accordlimited.com.

*Reprinted with permission from Trustee • June 2004
Volume 57 • Number 6 • Published by Health Forum • Printed in U.S.A.*

ACCORD LIMITED

PROFESSIONALS SERVING THE HEALTH CARE INDUSTRY

FOR MORE THAN 20 YEARS

**TO ENHANCE GOVERNANCE – DEVELOP STRATEGY – AND
ADDRESS MANAGEMENT ISSUES**

Edward A. Kazemek

ACCORD LIMITED

150 East Huron, Suite 903

Chicago, Illinois 60611

312-988-7000 Fax 312-988-7006

ekazemek@accordlimited.com