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 without 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.

Impeccus Ferus 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 mindset 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 management—

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management 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.

ILLUSTRATION BY CHRISTOPHER HITE
Sign of the Times
Executive sessions are a sign of the times. Whether or not they become a 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 board members and management truly takes hold, the need for executive sessions becomes a rarity.

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.

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Edward A. Kazemek
ACCORD LIMITED
150 East Huron, Suite 903
Chicago, Illinois  60611
312-988-7000  Fax 312-988-7006
ekazemek@accordlimited.com

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