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CREATING A MORE STRATEGIC BOARD AND ORGANIZATION:

A Case Study

By Pamela R. Knecht

How can a board that's traditionally been reactive and operationally focused transform itself to play a more strategic role and advise management without usurping management's responsibilities? Here's how one board and CEO accomplished the task.

When Kenneth Lukhard became the new president of Advocate Christ Medical Center and Hope Children's Hospital (ACMC/HCH), outside Chicago, he saw a system with amazing potential. However, he quickly surmised that it lacked a number of critical components, including clear plans for market share growth, focused attention on lowering length of stay, and specific tactics for increasing operating margin. He recognized that addressing these and other critical issues would require an experienced planning executive plus a board fully engaged in strategic-level planning.

Lukhard asked Peter Hughes – a seasoned business development executive at the parent organization (Advocate Health Care) – to become the Vice President of Business Development/ Strategic Planning and provide full-time support for ACMC/HCH. In addition, he worked with the chair of the ACMC/HCH board (called the governing council) to make significant modifications in the way the council conducted its business.

Changes in the Culture

Lukhard says his first governing council meeting represented a "180 degree turn" in the council's meeting culture. He insisted on actively engaging the council in dialogue, instead of letting them listen to lengthy monologues from management. They were surprised, but delighted. Council members quickly learned they were expected to read their packets of materials and come to board meetings ready for active participation.

Next, Lukhard asked the council to support a change in the entire organization's culture. ACMC/HCH executives had begun tracking factors that could influence its ability to provide excellent care, win market share, and improve financial results. They tracked this data hourly, daily, and weekly, instead of monthly or quarterly. As a result, associates were focused on "leading indicators" of current and future performance, versus "lagging indicators" of past performance. This change enabled the council and senior management to look forward into the future, not backward in a rear-view mirror.

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The cultural changes didn't stop with longer, more probing discussions and future-oriented performance indicators. In addition, deeper behavioural issues were addressed. The new council and organizational cultures were characterized by truth telling, a focus on accuracy and excellence, and an insistence on mutual accountability.

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Early on, Lukhard discussed his view that ACMC/HCH was experiencing decreased capacity, lower patient and associate satisfaction rates, flat market share growth, unfavourable quality scores and declining profitability. He told the council that this was a "burning platform." In other words, if these issues were not addressed aggressively, the hospital would "crash and burn" in less than ten years.

This brutal honesty represented a "huge shift in the culture of the governing council," according to Lukhard. In fact, in time the council chair admitted to Lukhard that some of his colleagues were irritated and somewhat frightened at first by their new CEO's frank, negative description – particularly since the situation had developed on their watch. They eventually came to understand that to protect the organization's mission, they needed a better understanding of ACMC/HCH's internal and external environments, and its available strategic options.

Strategic Planning Modifications

As part of his turnaround strategy and repositioning for the two-hospital campus, Lukhard asked Hughes to create a ten-year strategic plan. With the support of the council, ACMC/HCH embarked on a 2017 visioning process that engaged members of the governing council all along the way. A steering committee composed of council members, physician leaders, and administrative representatives was formed to oversee the entire process and to provide feedback on the initial work, which was drafted by a separate writing team. (A member of the governing council even agreed to serve on this writing team to learn more about the issues and to provide perspective from an interested "outsider.")

Hughes and his staff coordinated a massive data-collection process that included a high level of stakeholder engagement. Group and individual input sessions were conducted with all governing council members, over 150 physicians, a significant percentage of associates, and key community leaders such as the mayor. In addition, the planning staff assembled and analyzed information for a detailed situational assessment.

Two weeks before a scheduled environmental assessment retreat, a comprehensive binder was delivered to the council, physician leaders, and administrators. They were expected to arrive at the four-hour retreat prepared and ready to work in small groups to identify critical strategic issues facing the organization. The retreat was targeted for active conversation, not passive listening; afterwards, some council members said they finally felt as if they had been treated like adult learners, not school children.

One month after that retreat, the council, physician leaders, and administration attended a one-and-a-half day, off-site visioning retreat entitled "Seeing the World Differently." It emphasized confirming critical strategic issues and fleshing out a vision of what ACMC/HCH should "look like" in 10 years, in each of six 'pillars,' or key components of the organization. These pillars included:

1. Growth
2. Clinical Outcomes
3. Physician Relations
4. Patient Satisfaction
5. Associate Satisfaction
6. Funding our Future

Participants also helped identify three-year goals and one-year organization-wide priorities.

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Lukhard and Hughes felt that through this process the council was appropriately involved in helping to determine the "broad brush strokes" of the strategic plan. In the past, council members had gotten "too far down into the weeds" of operational and tactical planning. This time, they left that level of detail to the writing team.

Governing council engagement in strategic thinking and planning continued after the visioning retreat, as Hughes conducted multiple feedback sessions on the draft plan developed by the writing team. Over 75% of the retreat participants attended these highly interactive sessions, in which council members, physicians, and administration worked in mixed groups. Hughes comments that this step helped the council (and other participants) increase their understanding and ownership of the resulting strategic decisions.

Next time around, Lukhard and Hughes will invite key operational and planning executives from the system office at Advocate Health Care to both retreats. (This first time it was important for ACMC/HCH to feel that it was "their" process; not "corporate's".)

> Now the council was appropriately involved in helping to determine the "broad brush strokes" of the strategic plan.

By involving system-level executives in the entire process of identifying critical strategic issues, developing a long-range vision, and prioritizing shorter-term goals, it will be easier for ACMC/HCH's governing council to obtain system approval for the significant amount of capital required to build the facilities described in Vision 2017. ACMC/HCH did eventually receive capital approval for the first phase of the plan (through multiple meetings attended by key council members and administration), but the process took longer and was more arduous than the council had hoped.

Seeing the World Differently

Creating a more "strategic" governing council has required both the ACMC/HCH council and administration to look at the world differently. Council members have been asked to change the way they've functioned for years. In addition to the cultural changes described above, Lukhard and the chair also altered the structure of the council meeting agenda, so that it now follows the six "pillars" representing the major areas of Vision 2017. This agenda re-ordering forces the governing council to address issues of top strategic significance to ACMC/HCH. As a result, they spend less time diving down into operational topics.

The senior management team has modified the way they interact with the council. Now they are spending much more time, staff, and resources educating council members and engaging them in substantive discussions about strategic-level issues.

Medical staff leaders who were involved in multiple strategy meetings have a greater appreciation for the complexity of issues faced by management and the council. They say their active engagement in the process helped improve the relationship between physicians and administration. As a result, the council, administration, and physician leaders are indeed "seeing the world differently." Now all key stakeholders have a better understanding of the challenges and opportunities facing their health system over the next ten years. More importantly, they are working together to better position ACMC/HCH in its marketplace so it can continue to improve the health of all of the communities it serves.

— Pamela R. Knecht is Vice President of ACCORD LIMITED, a Chicago-based consulting firm providing governance and strategic planning services to hospitals and health systems. She assisted ACMC/HCH with this engagement and appreciates their help with this article. To contact her: pknecht@accordlimited.com or 312-988-7000. For an in-depth look at board involvement in strategic planning, see her recent white paper, "Engaging the Board in Strategic Planning: Rationale, Tools and Techniques", published by The Governance Institute. For more information, visit www.governanceinstitute.com