THE GOVERNANCE INSTITUTE
A SERVICE OF nrc HEALTH
AUGUST 2023
Academic Health Focus

Facing New Challenges in Healthcare, CEOs and Boards Must Be in Sync

As financial and economic pressure continues to intensify for health systems, academic medical center leadership has never been more challenging. A strong working relationship between the CEO and board of an academic health system (AHS) is critical to effectively navigating an increasingly competitive marketplace.

Tim Babineau, M.D., is a Principal with ECG Management Consultants. Previously, he spent 10 years as President and CEO of Lifespan, an AHS affiliated with Brown University's medical school. Dan Harrison, Partner at ECG, spoke with Dr. Babineau about his experiences in that role and why CEOs need to be in sync with their boards. Below are the hightlights from that conversation.

Harrison: **When you took on the role of CEO at an AHS, what were your expectations regarding CEO/board dynamics?**

Babineau: It's 8 a.m. on August 15, 2012, and it's my first day as CEO of Lifespan. I'm in my office, and the person who led the executive search stops by for a cup of coffee. All of a sudden he picks up his coffee, flips his napkin over, and starts scribbling something on the back of the napkin. It's a pie chart of how I'm going to spend my time—operations, philanthropy, strategy, etc. But after company operations, the second biggest percentage on the pie chart was board relationships at 20 percent of my time. And I said, "There's no way I'm spending 20 percent of my time on the board." He put his cup of coffee down, looked me in the eye, and said, "Then you won't have a job a year from now." And he was absolutely correct.

I've been in academic healthcare for 35 years. In my opinion, the relationship between the CEO and the governing board has never been more critical. As healthcare gets more challenging, that relationship is crucial to the success of the organization.

Harrison: **Effective boards are made up of individuals with extremely diverse backgrounds. How do you manage the logistics of a 10- to 15-member board?**

Babineau: The CEO needs to listen to the diverse opinions of the board. Board members will become disengaged pretty quickly if they don't believe the CEO is at least listening to them. But the board chair needs to speak to the CEO on behalf of the board with one voice. The board chair needs to talk to the board and say, "I have to tell the CEO what we are thinking, and I know we have different opinions, but I need to give him some direction."

→ Key Board Takeaways

- As healthcare gets more complicated, the relationship between the CEO and the board is crucial to an organization's success.
- The CEO needs to listen to the board. The board chair needs to speak to the CEO on behalf of the board—with one voice.
- A CEO should never surprise the board or get too far ahead of the board.
- Healthcare is changing, and boards need to change too. The competency of a board should reflect the growing complexity of healthcare.

Harrison: **Do you think executive committees are effective?**

Babineau: They're a mixed blessing. They can be effective if you need to convene the board quickly to make an urgent decision. It's easier to get five people together than 15. However, it needs to be very clear that the executive committee is *not* the board. Otherwise, you're going to disenfranchise the bigger board if they think, "Well, the *real* board is the executive committee, and we are just window dressing."

Harrison: **How frequently should AHS CEOs communicate with the board chair?**

Babineau: Because of the complexity of healthcare and the fast pace of change, I would say I talked to my board chair on the phone at least once a day, and we had lunch every other week.

There are two rules for a CEO to be successful and for a board to support the CEO:

- Rule #1: Never surprise your board. Never let them read about something in the newspaper before you have communicated it to them.
- Rule #2: Never get ahead of your board. Some CEOs, in their zest to get things done and move quickly, will get so far down the track that by the time they tell the board—even if it is a great idea—the board will go, "What? Why are we just learning about this? Back up a bit."

Harrison: **You could argue that a board has two big responsibilities: oversee the CEO and support the CEO. How did that dynamic play out for you?**

Babineau: One of my favorite quotes is that the board chair gets up every single morning and asks themselves, "Should I fire the CEO?" And if the answer is no, then the next question should be, "How can I help the CEO?"

In my opinion, the most important role the board has is CEO evaluation. But the second most important role is strategic planning. Some executive groups bristle at the thought of the board getting involved in strategic planning. I couldn't disagree more; as fiduciaries, they're responsible—in partnership with management—for the strategic direction. And my other favorite quote for board members is, "nose in, fingers out." Ask lots of detailed questions, but fingers out when it comes to managing. When the line between governance and management gets blurred, organizations get into trouble.

Harrison: **We are seeing a transition to smaller, more competency-based boards for many AHSs. What key competencies would you look for?**

Babineau: Most healthcare board members are incredibly well intentioned, hardworking, ethical folks. But the complexities of healthcare today require a different skill set than perhaps the boards of 10–20 years ago. The competency of the board must reflect that complexity. Certain competencies are always institution-specific, but I benefited from board members' expertise in finance/M&A, IT/technology (cybersecurity, EHR, and AI), legal, complex HR, highly reliable organizations, physician organizations, research, diversity and inclusion, supply chain, and operational efficiency (Lean/Six Sigma, etc.).

I would also strongly encourage boards to look outside their geography. There's nothing like bringing in a board member from 1,000 miles away to offer perspective.

Harrison: **How does the board know when the CEO is diverging from the strategic direction they set?**

Babineau: First, there's a lack of transparency on the CEO's part. Boards have a sixth sense for this. Suddenly everything's rosy in the board meeting, but the numbers say, not so much.

Second, the trends on quality and finance. Everyone can have a bad quarter or a bad year. But if quarter over quarter, year over year, the finance numbers and the quality numbers are headed in the wrong direction, it's time for a crucial conversation.

Third is that the CEO's team is dysfunctional. It's a team sport, and if the CEO doesn't have a functional team, it's his or her responsibility to fix it.

The Governance Institute thanks Tim Babineau, M.D., Principal, and Dan Harrison, Partner, ECG Management Consultants, for contributing this article. They can be reached at dharrison@ecgmc.com and tjbabineau@ecgmc.com.