Keeping the Board of

Directors on Track

When board members stray from their responsibilities, the organization can be derailed from fulfilling its mission by Monica E. Oss, Editor-in-Chief

In a recent comic strip, one employee tells another that the new CEO had backed up a moving van to the organization's office building and was robbing it of its contents. The first employee thinks that the CEO is stealing the organization's assets, although the CEO said he had a written opinion from his lawyer approving his actions. The second employee then asks, "What is the board of directors doing about this?"

"They're helping him load the van."

This is, unfortunately, an amusingly astute comment on the state of corporate governance in the United States. News headlines for the last two years have been filled with accounts of nefarious conduct by corporate executives, with either a lack of appropriate oversight by corporate directors or perhaps

even collusion by them. Meanwhile, the back pages of newspapers have been full of similar stories emanating from public companies and nonprofit healthcare agencies.

Board members bear a great responsibility today. Collectively they are the primary party responsible for defining organizational mission and objectives, measuring successes, and providing operational oversight. In the corporate and nonprofit worlds, boards are responsible for seeing that monies are well spent and not misappropriated; that organizational objectives are met; and that no ethical tenets or laws are compromised. Government authorities and private payers are cracking down on corporate compliance violations—a major concern to directors. And, in an era of shrinking resources and growing demand, board members have to make difficult decisions about how to judiciously allocate financial resources.

Today's directors need to play a more active role—indeed, a new role—in organizational strategic planning. Today's directors are regularly wrestling with budgets, regulations, mergers, acquisitions, and collaborations. All of this is occurring during a human-capital crisis in our industry, making it hard to find competent and committed individuals to staff positions ranging from executive team members to direct care and clerical jobs.

Boards' Key Roles and Responsibilities

Countless books and articles have been written about the roles and responsibilities of the directors of corporations. The primary role of the board of directors is to govern an organization. The directors have no authority as individuals (with the limited exception of the board chair and the treasurer); rather, they act as a unit with total authority for organizational decision making. The CEO's role, on the other hand, is to manage the organization to achieve the objectives laid out by the board.

Key responsibilities for directors include:

- Determining the organization's mission, vision, and objectives
- Ensuring a reasonable return for shareholders (if for-profit)
- Ensuring that the organization's resources are managed effectively
- Approving the organization's strategic plan, objectives, and resource allocation, in coordination with the management team, and measuring the organization's success in achieving its goals
- Selecting the CEO, providing him or her with support and guidance, and reviewing the resulting performance
- Assuring compliance with regulatory requirements
- Establishing broad policies in line with the mission and strategic objectives

Many argue about which model of board governance works best: In the traditional tripartite model of governance, the responsibility for running the organization is shared among the board, CEO, and staff; in the popular governance-theory model developed by John Carver, PhD, a longtime writer and educator on board leadership and board models, the board's primary concern is to make policy. Whichever model is chosen, however, the board's basic roles and responsibilities are the same.

Common Board Challenges

Board members—whether in behavioral health or elsewhere—face similar challenges in fulfilling their roles and performing their duties. Three of the more common challenges are:

Finding a balance between organizational oversight and micromanagement. This is an ongoing challenge for most boards. Too little oversight puts the organization at risk for, at best, not achieving some or all of its key strategic objectives and, at worst, for legal violations. Yet directors cannot manage the organization's day-to-day operations. That is the role of the CEO and his/her management team. If the board takes on this role, it undermines the CEO's leadership authority.

It's easy to prevent such micromanagement by simply setting clear organizational objectives and measuring

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progress toward achieving them. If directors regularly receive information that reports this progress, they will be better able to focus on governing, not managing. Thus, a CEO who feels micromanaged by his/her board can work through a joint process that results in the board's identification of a small, but meaningful, number of organizational performance metrics that show the organization is meeting its objectives and responsibilities. This "report card" approach helps the board to focus its time and attention on governance and strategy issues.

Clarifying the authority distinctions between the CEO and the board. This is closely related to the first challenge. A wide range of board-CEO relationships exist—from the CEO who doesn't trust the board enough to share information (or simply doesn't want the board vetoing decisions) to the CEO whose authority has been so diminished or undermined by the directors that he or she can't effectively lead and manage the organization. This tends to be a very sensitive area for directors in our field—figuring out how to govern the organization, but trying not to step on the toes of their dedicated CEOs. Open conflict with the CEO usually is difficult for directors, and I would guess that, more often than not, directors would rather remain silent or leave the board than openly disagree with the CEO or question that leader's authority or decisions.

Again, the "basics" go a long way in addressing this board challenge. Clarity in roles and responsibilities makes it easy to determine "who's in charge." To wit: The board is legally accountable and ultimately responsible for ensuring that the organization achieves its mission; the CEO has the authority to manage the organization to achieve its organizational objectives. The board should formally evaluate the CEO on an annual basis, with the major focus being on progress toward achieving these objectives. This should, ultimately, lead the board to a decision about whether retaining the CEO will result in organizational success.

Managing the composition of the board. This is an internal challenge for the board. Many boards have a bit of "dead weight" on them—mem-

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bers who don't attend meetings or contribute in meaningful ways. An effective governing board of directors solves this problem with regular evaluations of its own performance—including individual self-assessments, peer reviews, and a formal assessment of the overall board's understanding of the organization's business and strategy, and of their roles and responsibilities as directors. It is critical that boards weed out directors who do not bring value to the organization and actively recruit new directors who can add needed skills and perspectives. Keep in mind that—unpopular as it may be at times—the board is responsible for selecting new directors, not the CEO.

In recent years, the issue of board composition has changed in the behavioral health nonprofit sector. In the earlier cost-plus reimbursement environment where the role of the not-for-profit agency was "supplemental," boards were dominated by socially conscious citizens interested in behavioral health issues. As the environment has evolved toward unit-based or risk-based reimbursement, with cost shifting from public and private payers to not-for-profit agencies, the board's role in management issues has changed drastically. In this environment, CEOs need a board of directors that can offer expertise and resources in addressing issues as diverse as finance, law, and human resources. In many organizations, this has led to an uncomfortable split in board orientation between a focus solely on social issues and a broader management orientation.

Best Practices in Board Development and Governance

Effective board members regularly ask themselves key questions that focus on mission and performance:

- What do we want to accomplish?
- Are we achieving it?
- If we are not achieving our objectives in a particular area, what is the problem, and what solutions can I, as a board member, propose?

Here are a few tips for CEOs and boards to facilitate understanding of their roles and relationship:

Teach your directors about the business. The behavioral health and social services industry is much more complex than it was a decade or two ago. Fundamental change has occurred in a host of areas, including funding streams, clinical and administrative operations, the use of technology, and the roles of consumers and their advocates. Directors need to understand who the "customers" are (i.e., consumers, payers, and public agencies) and how they wish to be served. They should periodically meet with these customers, and they should visit service delivery sites to see how well they are meeting expectations.

Invest in continuous board development. Giving a new director a handbook about the role of the board of directors is not enough. An organization should invest in continuous board development. Topics should include the roles and responsibilities of directors, the basics of effective governance, strategic planning and performance measurement, and up-to-date information on industry trends and best practices.

Ensure that the board receives the information it needs to do its job. Build trust between the board and the CEO, as well as among the directors themselves, by distributing essential management and performance information in a timely manner. (We recommended in a recent edition of *OPEN MINDS* that the board of directors receive key performance metrics, as well as compliance and risk management data.)

Make it okay to disagree. The board chair has the responsibility of ensuring that the culture during board meetings is one that allows disagreement to occur. Directors should be expected to challenge one another *and* the CEO when their opinions differ. A board where directors merely rubber stamp the CEO's or board chair's decisions is clearly remiss in its duties.

Remember, the board governs and the CEO manages. It is sometimes difficult for a dedicated, hardworking board of directors to avoid micromanaging an organization. The solution is to simply follow some business best practices, as outlined above. To reiterate: Build a strategic plan with clear business objectives and timelines. Implement performance measures to monitor progress toward these objectives. Let the staff manage the organization, yet hold the CEO accountable for achieving the strategic objectives. If the CEO struggles with meeting them, either figure out how to help, or fire him or her and get someone who can do the job.

Dr. Carver put it elegantly when he said, "Let us consider how a board can do in the boardroom what it sought to do in the first place: Project a vision, infuse an organization with mission, bid the staff to be all it can be, and make itself grow in the process." Easier said than done, no doubt—but it's an exciting challenge to today's boards, and the futures of our organizations depend on their accepting it. **BHM**

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