

# BoardBrief

Prepared for Colorado Hospital Association Trustees

## *Strategic Execution*

### The Plan Following the Plan

The board's responsibility is to govern and lead, which includes "owning" the organization's mission and vision and leading its strategic plan to achieve them. It is not the board's responsibility to create or manage the plan's implementation. However, that doesn't mean that the board's strategic responsibilities are done once the board's strategic planning retreat is over, strategies are identified and goals are set.

**T**rustees cannot afford to step back and wait to see how the coming years unfold. This is especially true today, with a health care delivery system deep in the midst of change and transformation. Trustees must continually monitor their plan's progress toward achieving the organization's goals, vision and mission fulfillment. They must be alert to changes in the environment and be prepared to adjust course as needed.

#### **Mission Achievement: Priority Number One**

Strategic plans often fail because the board does not make strategic planning a high priority. Once the board has established a compelling mission and vision, and identified a sound strategic plan for achieving the mission and vision, trustees must ensure the plan and its importance are communicated by management throughout the organization.

Trustees set the example, ranking the plan and its initiatives high on their own list of priorities, and ensuring each board agenda is structured to include adequate time for review of performance indicators, progress towards objectives, and presentation of information that has strategic importance or implications. The importance of achieving the plan's goals and its vision also requires trustees to actively engage in critical strategic dialogue, asking the hard questions, and wrestling with key issues, which should not be confused with managing plan details.

#### **Everyone's On Board**

An inability to inspire a sense of strategic partnership and accountability across an organization can undermine strategic success. Each person in the hospital, whether employee, medical staff or volunteer, must see their linkage to the plan and realize their value in achieving the organization's strategic initiatives. Trustees must ensure that the executive team carries out an effective plan of communication, motivation and inspiration that filters throughout the enterprise. For example, the housekeeping staff must recognize the valuable contribution of their work in preventing infection or falls and improving patient safety.

Whether or not the community (physicians, patients, consumers, businesses and payers) accepts and supports certain strategic efforts can be a key factor in the hospital's strategic success. As community liaisons, trustees need to be strong advocates, educators and promoters of the hospital in the community, building awareness, understanding and loyalty to the hospital and its role as the community's most important and needed asset.

#### **Measuring Success**

Failing to define precise targets, measure progress, and continually work to close strategic gaps can lead to unmet expectations, unfulfilled goals and failure to achieve strategic success. The board, with the executive team, must establish the performance measures most relevant as indicators of the hospital or health system's progress in attaining each strategic

goal. Strategic performance indicators should be driven by the critical success factors identified for each strategic goal.

For example, if a goal is to maximize Medicare reimbursement under Value-Based Purchasing, a critical success factor may be to achieve the benchmark threshold for all quality measures. Key performance indicators would include measures of clinical quality as well as patient satisfaction. Areas in addition to quality in which strategic performance measures are commonly developed include finance, operations, human resources and growth.

No one indicator by itself will tell a complete story, but if reviewed together by the board on a regular basis, key indicators will better reveal what progress is being made. They should also serve as indicators of emerging gaps in expected progress towards success, enabling the board to ask questions and correct course before it's too late.

## No Excuses

When progress fails to meet expectations, trustees should be prepared to hold executive management appropriately accountable for plan outcomes, asking the hard questions that will get to the real issues. If, and/or when, executives report a significant gap between projected and actual performance, management should also be ready to recommend specific actions the organization can take to close the gap.

A well-designed incentive plan that is closely linked to strategic achievements may both encourage accountability and reward management and employee focus on achieving important strategic goals.

## Gauging Readiness: Questions for Consideration

The following questions can help board members gauge executive team readiness for strategic plan implementation and success:

1. What actions do you plan to take to ensure successful, on-time execution of your strategic plan accountabilities?
2. What leadership and management skills will you use or strengthen to ensure your success?
3. In which areas do you think lie the greatest risks of falling short of achievement?
4. In which areas do you think the organization most needs the board's leadership?
5. What resources do you most need and are dependent on to achieve strategic results?

## The Board's Plan of Action

Change and transformation in today's health care environment require the board's continual attention and oversight to ensure strategic success. This oversight includes the following responsibilities:

- Making strategic planning a top priority;
- Ensuring everyone recognizes and understands their role and the value of their contribution to the organization's strategic plan;
- Continually monitoring achievement of milestones and progress towards goals;
- Holding executive management accountable, planning for uncertainty, and rewarding success;
- Making strategic planning a continual process of real-time responsiveness; and
- Exhibiting leadership; motivating, inspiring, and providing the benefit of experience and expertise.

Trustees and executive teams should expect the unexpected, and anticipate that challenges, change and complexity are more common than not as the health care system transforms itself. Engaging in scenario planning and creating contingency plans can strengthen the organization's ability to respond quickly to change and achieve success in spite of the barriers it may encounter. Scenario planning is the practice of identifying critical "what if" variables to assumptions or dependencies; describing best, worst and neutral situations the organization might find itself in. This allows trustees and executives to develop contingency plans or "Plan B" strategies that can help keep the strategic plan on track.

## Strategic Planning Doesn't Stop

Strategic plans may also fail if the board and leadership believe that health care is changing too rapidly, and the environment is so uncertain that long-range planning is an exercise in futility. The inability to turn new information into strategic knowledge and transform it into strategic action will also block the board's strategic success.

Trustees must view strategic planning as a continual process of real-time responsiveness to change, rather than an end point. What organizations know today is going to be different than what they know tomorrow. Keeping the proverbial ear to the ground with attention on key performance indicators and asking "so what?" - "so what implication does this new data or information hold for the hospital," will help keep the board alert to unexpected events that might derail strategic plans.

Honing skills in scenario thinking and developing “dependent” strategies will contribute to the board’s readiness to respond nimbly in the face of change.

New information, data, perspectives, and ideas should feed the board’s strategic discussions at every meeting and generate a constant stream of strategic development opportunities.

### Trustee Leadership

Strategic initiatives not guided by the benefit of experience, insight and knowledge can deliver costly delays or mistakes for an organization. Aligning the organization’s strategic initiatives with the attributes of its trustees should be a key component of the board’s strategy and succession planning processes. Successful boards look three to five years into the future and

examine the skills and expertise that will be needed to lead its strategic vision. Given the forces for change at work in today’s environment, that might mean seeking out individuals experienced with insurance risk, systems management, long-term or residential care, technology or other key areas of experience and expertise.

In addition to a depth of knowledge, trustee attributes critical to strategic leadership include the ability to think strategically, to focus more on the emergent and less on the urgent, to envision multiple futures and to act as a catalyst for change. A strong and trusted relationship between the board and CEO is demonstrated by the board’s confidence in the CEO’s ability to lead the organization, and the board’s ability to provide motivation, encouragement, support and outside perspectives that enable leadership success.

### Sources and Additional Information

1. Hot Topics: Improving Board Effectiveness: Oversight of Strategy. Corporate Governance Monthly. Deloitte Development LLC. November 2012. [www.corpgov.deloitte.com](http://www.corpgov.deloitte.com).
2. The Walker Company Healthcare Consulting. BoardBriefs: The Board’s Role in Strategic Planning; The Board/CEO Relationship; and Creating a Visionary Board.