

# The Board's Role in Strategy

Trustees should guide the creation of a more robust and flexible roadmap for growth

By Daniel Wolf

Conventional ideas and models for health care strategic planning have been in use for decades, and most were put together in an era of relative stability and steady growth. They worked well for generating mission statements, objectives and resource plans. But in many ways, these models no longer apply. Boards, along with executive teams, share the responsibility for building more robust and adaptive strategy models that support planning and decision-making.

This article addresses three questions that trustees and executives confront frequently:

1. How has the meaning of strategy evolved, and what does it mean today?
2. What are the emerging roles of trustees with regard to the three main strategy elements — direction, integration and execution?
3. How do board leaders and executives bring people, ideas, risk factors and value together in a more effective and engaged manner?

We will explore the best practices of board strategy work, along with a framework for strategy leadership.



## The Evolution of Strategy

Regardless of the politics of reform, health care is buffeted by winds of change that are of growing strategic relevance to boards. The issues are broad, and they affect everything from access and quality of care to cost, value and asset management. What were once matters of compliance and operating oversight are now issues requiring more discerning and serious strategic oversight by boards.

A contemporary strategic agenda embraces a more focused board mindset for guiding growth, perform-

ance and change. It presents a roadmap for evolution and a framework for building readiness and resolve in the dynamic business of care delivery.

This article will refer to the organization as a system, whether it's an independent hospital, an integrated delivery network, an academic medical center or an ambulatory center. Each represents a system of people and resources that provide patient care in some organized, connected and economic manner. Each has a strategic agenda in some form.

## governance

## The Meaning of Strategy

One can look at health care strategy in several ways. A strategic agenda is a narrative that provides the context for purpose, vision and mission. It creates a serious process for building awareness, judgment, perspective and decisions and serves as a cultural touchstone for the system, reflecting its values and beliefs. It also provides a protocol for the ongoing direction, integration and execution of the system's priorities. Finally, strategy helps shape the system's near-term and long-term evolution.

For the board, strategy is a navigation role, taking into account the context and conditions of the system. It brings the stated purpose, vision and mission of the system into full discourse with the near-term and long-term realities of the marketplace and the organization.

## Considerations for Effective Board Strategy in Healthcare

Board strategy work involves knowledge sharing, interaction, analytic and creative discourse, wisdom and resolve. When boards bring their best efforts, they will forge these eight factors into the process of strategy oversight and leadership.

- Experience and competence: perspective and judgment
- Board powers, responsibilities: formal and informal roles
- Board temperament, culture: presence and interfaces
- Assumptions and values: what's real, what matters
- Communication pathways: content and methods
- Perspectives on change: relevance and urgency
- Readiness for development: insight and preparation
- Relationships and networks: influence and stakeholders

## The Strategic Agenda

A contemporary framework for strategy leadership brings together three elements that boards govern and executives manage:

**1. Strategy direction** defines the focus of the organization and its key strategic choices. Strategy direction deals with system principles, intentions, definitions and the evolution of the system over time. It helps to establish the platform for near-term and long-term planning and decision-making. It also helps to define service lines, the market and core asset priorities. Strategy direction gives practical terms to the purpose and choices of the health care system. It represents the ideas that shape a system's value proposition.

**2. Strategy integration** matches programs and resources with processes and priorities and involves the broader range of work that is reflected in "making strategy happen" in the system. The most critical parts of strategy integration include systems and processes, capital resources, information assets, competencies, market positions and key relationships. Care delivery presents a number of integration concerns, not the least of which are operating efficiency, quality, cost management, innovation capacity, care coordination, resource planning and a host of reform-driven matters.

**3. Strategy execution** links specific actions with outcomes and adapts to external conditions. It refers to the everyday work of converting ideas into results, with measures that make sense. Execution pivots on the talent of the system and the leaders at every level. It connects the dots between board and executive team intentions and the capacity to provide great patient care in a safe, progressive manner.

The strategic agenda supports deeper thinking about key concerns and problems, and it provides a commonsense bridge among assumptions, options and preferences. It helps board members find balance in terms

of economic performance, comparative advantage, stakeholder contentment and corporate stewardship. It frames what the system could do and should do.

The strategic agenda is a platform for mission discernment, risk analysis, discovery, focus building and reality checks. It helps trustees and executives review options, barriers, desires and conflicts and helps to bring order to strategic thought and behavior.

How should the board be involved in each of these elements? This is a question of management and governance roles and responsibilities. Sensible guidelines follow.

First, boards must have a major role in strategy direction as it sets the stage for system focus and major decisions. Executive teams and boards need to work together closely on strategy direction.

Second, boards must be confident that their system's leaders have the ability, the assets and the urgency to manage strategy integration. These qualities must be matched by a disciplined general advisory role of the board.

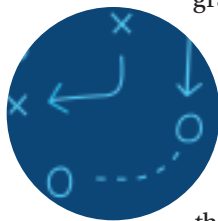
Third, boards are concerned about action and impact, and the general capacity to get things done in a business with many moving parts. This is essentially the work of management, supported by board oversight with some key measures.

These general roles help engage board members at the right depth and scope for the strategy leadership process so they can support the executive team with sound advice.

## Engaging the Board

There are a number of best practices for engaging trustees in strategy work. The following points are useful for board leaders as well as the executive team.

**1. Define strategic conditions and trends.** This may seem obvious, but board members need to develop a better sense of stakeholder needs and requirements, market and competitive conditions, technical and operating trends, system capacity and resource



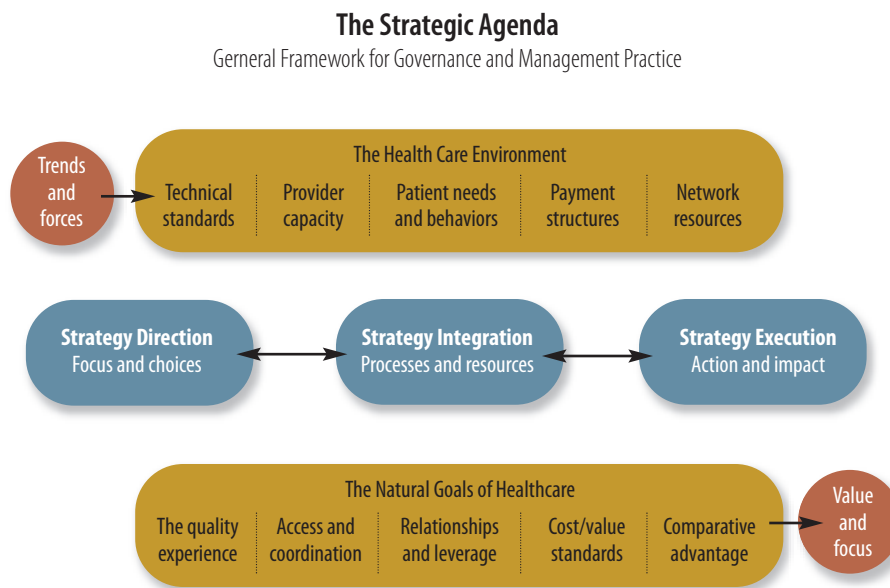
issues, system bench strength, economic streams and enterprise risk factors. Board leaders and executives provide the raw material, the subject matter, the perspective and the context for developing and discussing key strategic assumptions.

**2. Balance near-term and long-term goals.** Near-term strategy work means taking care of the business of the system today, with the right focus, leverage and impact. Long-term goals refer to the strategy work boards engage in to prepare for tomorrow's more volatile, uncertain, complex and ambiguous health care world. The right goals, with the right measures are part of sound board strategy work.

**3. Match executive and board resources.** Most systems employ highly skilled executive teams to manage and lead the development and success of the business of health care. Board members bring diverse knowledge and experience from other fields, expertise in business and technical disciplines, relationships, judgment and other resources to the strategy table. The leadership task at the heart of board engagement is one of connecting the thought processes and resources of everyone who touches strategy direction, integration and execution in the system.

**4. Managing change to drive evolution.** Health care, by its very nature, is evolutionary in technical, market, operating, economic and strategic terms. Board strategy work examines the proactive and reactive aspects of change management. It considers possibilities and risk factors in creative, analytic and resource terms. It entertains the options for strategic and structural moves that should inform a system's near-term and long-term options.

**5. Accountability for results and impact.** Trustees individually and collectively are responsible for the serious work of strategy as it impacts access, cost/value, service quality and system innovation and drives real health care reform. Measures abound in health care, but most of them are simply indicators of general performance. Go-



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ing forward, they will be more about the generation and management of strategic and economic value.

### Value Creation and Capture

The ultimate intent of the strategic agenda is to help the board and executive team drive economic and strategic value for the system. In this context, economic value is the composite of revenue, margins, expenses and capital, and the sustenance of investment. Economic value-added is reflected in cash flow. Strategic value is the composite of system reputation, operating competence, innovation capacity and key resources. Strategic value often is reflected through intangible assets and resources.

System boards that tackle economic and strategic value as the essence of their strategy work will be effective and successful. Boards that wander off course put their system at greater risk.

### Leadership and Strategy

Boards have an appetite for strategy, and strategy oversight is indeed a primary responsibility. Getting the board properly engaged in strategy direction, integration and execution is a leadership task that can be shared by board leaders and the executive team. With a practical strategic agenda and well-

engaged board, systems can enjoy the benefits of intentional discovery, accountability, candor and open dialog on key subjects, constructive debate, sound and thorough review, deep interaction and good communication. These are the better aspects of governance-level strategy work.

The meaning of health care strategy has evolved in response to reform-era challenges and conditions. Today's framework for growth, performance and change is a strategic agenda, a roadmap for strategic thought and behavior. The roles of the board and the executive team reflect a blend of responsibilities for leading strategy direction, integration and execution. Boards have ongoing oversight work to share with executives. Finally, the engagement of board members in appropriate strategy development work really counts. Board leaders can work together with executives to make sure that everyone in governance is plugged in to the practice of strategy and the strategic agenda. **T**

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