



WHY TRANSFORMATION LIVES OR DIES IN THE BOARDROOM

The right board members with the right CEO are critical at each stage of a company's evolution.

BY GORDON PRICE LOCKE

Large companies, whether public or private, evolve as they adapt to sustain growth and profitability. Successful evolution requires the CEO-to-boardroom dynamic be healthy and focused on driving a business forward with speed and transparency.

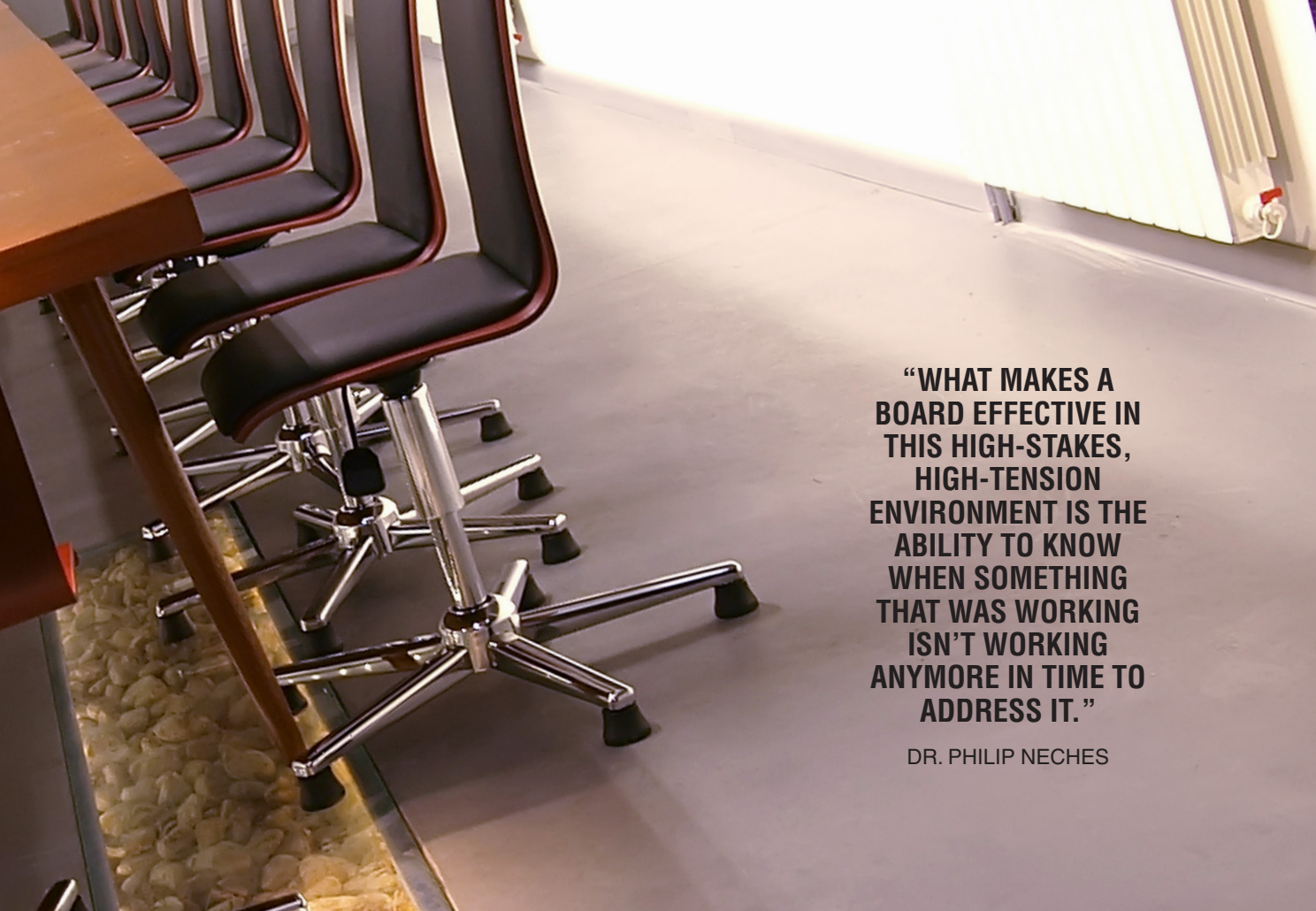
COMMITTEES OR COLLABORATORS

The traditional view of a board and the CEO is that of guiding a company's financial choices. The hope is that

true testament to elevating leadership and transforming an enterprise is navigating rough waters toward a destination that is not well defined. With the

Affordable Care Act making the healthcare water murky, a journey of uncertainty is what many in the industry — from the large hospital system to the small clinic on the corner — are on right now.

Allan “Bud” Shivers, Jr. is a prominent force in the healthcare leadership arena. From Austin, Texas, Shivers is a business and civic leader with critical experience and a boardroom perspective. He is chairman of the board of



“WHAT MAKES A BOARD EFFECTIVE IN THIS HIGH-STAKES, HIGH-TENSION ENVIRONMENT IS THE ABILITY TO KNOW WHEN SOMETHING THAT WAS WORKING ISN’T WORKING ANYMORE IN TIME TO ADDRESS IT.”

DR. PHILIP NECHES

the Seton Fund, and serves on the board of trustees of the Seton Healthcare Network in addition to serving on the board of the Institute for Rehabilitation and Research.

The Seton Healthcare Network — part of the Ascension Healthcare Alliance, the nation’s largest Catholic health system — has 12 hospitals and clinics and 12,000 employees. The Seton Fund was established to be the fund development and endowment arm of the Daughters of Charity of St. Vincent de Paul, providing support for the programs and facilities for the Seton Family of Hospitals.

Creating a path forward without a clear destination

Shivers paints a compelling view of the complexities that every healthcare board and the executive teams they work with are leading through. “The essential challenge is creating a path forward when many of the new regulations under the Affordable Care Act have not even been written yet,” says Shivers. “You have to anticipate how do you deliver better care and be in the business of making people healthier — keeping them out of the

very hospitals that also need to be there for them when they are in need of care”.

Shivers says the way forward comes down to five ingredients: leadership transformation, speed of change, education, consolidation and technology.

The C-suite leaders, their boards, stakeholder groups and the charitable organizations that support hospitals, clinics and their healthcare networks all have to transform how they think and lead.

The leadership challenge

Shivers said changing the game when all the rules aren’t written takes the relationship between the C-suite and boardroom to a new level. “The conversation is not just about administrative matters and committees. The boardroom conversations have to have a foundation of trust between members and the C-suite leaders running the day-to-day business of caring for patients and employees,” Shivers says.

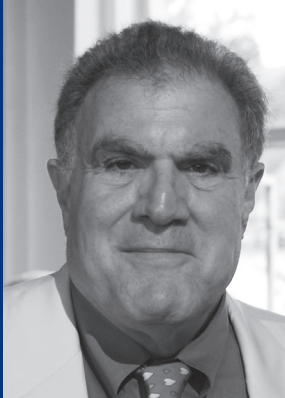
**IN TIMES OF
UNCERTAINTY, IT IS
EASY TO PLAY IT SAFE**

FACING THE BOARD?

CRITICAL ADVICE IN PREPARING TO SELL TRANSFORMATION INITIATIVES

DR. PHILIP NECHES

Co-founder of Teradata, former board member of International Rectifier, and current board of trustees member for Caltech



1 Reverse the order of your deck — Start with the conclusions, as you can better gauge the selling job you have to do.

2 Go in to listen more than to talk — If you have a healthy BOD environment,

make them part of the conversation to make the best decision around the idea.

3 Don't have all the answers — While it is great to anticipate and be prepared, the harder the questions, the higher the level of engagement from board members.

CHARLIE KEMPER

Managing Director of Revel Partners and board member of the association of New York City Venture Capitalists



1 Look at the audience background — Are board members from operating companies, venture investors, financial types or industry experts?

2 Pay close attention to risk

mitigation — Charismatic CEOs can err on the side of upside dialogue, thorough thoughts on the downside will create more success with the board.

3 Don't forget to touch on execution — Explain how your leadership team and middle management will embrace and execute.

He explained that intellectual and personal integrity are key, as well as alignment with how people's personalities meld with the mission, values, and goals of evolving how healthcare operates and is delivered. Shivers said transformation doesn't happen if everyone is just going to go along with the same, repeated conversations. "Sometimes you have to be willing to be the skunk at the garden party and not be willing to go along with status quo."

When the boardroom doesn't ask enough questions

Shivers shared an example of a hospital system building a new medical center in Houston. The CEO mesmerized the board with his vision and plan, and the board had few, if any, real dissenting moments. The decisions made led to the new development's cost exceeding topline estimates even before the center was finished. The plan seemed more focused on the construction of a sparkling new medical center and less on the ultimate outcome of affordable and efficient care. Eventually, the board let the CEO go. The damage was done. The medical center struggled to get to its mission of having a new modern facility built to be financially more efficient while providing the best possible care for its patients.

Adding to the challenge of building better hospitals, the unwritten regulations still to come from the Affordable Care Act illustrate the multiple challenges faced in the healthcare boardroom. You can't make decisions in the same light as in the past, and personalities in the boardroom need to find a new openness to get to the right answers. This isn't your father's boardroom anymore, new conditions exist and more are coming.

More people, more beds, more paperwork, better care

Here's a fascinating statistic. For about every 1 million people in a population, a Level 1 trauma center is needed. Hospitals cost about \$1 million a bed to build and need about \$1,000 a bed per night to operate. Ironically, the ultimate objective of healthcare is to keep people healthy and in their own homes, yet operating a hospital — or network for that matter — means intensive staffing and finding operational economies of scale. And this, Shivers says, is why consolidation is happening.

As healthcare companies and hospitals in every community grapple with the challenges of changing their



business model, there is still a growing population. In addition, says Shivers, there is also the cost and responsibility of caring for the more than 11 million undocumented aliens living in the U.S.

Technology adoption

“The healthcare industry is slower than most in its adoption of technology,” Shivers says. “It has always just been a volume business. The more patients you get, the more money you can make.”

Enter the technology equation, and you have a whole new set of considerations, decisions and expenses that are new to most leadership circles. Shivers is not referring

to only certain medical technologies, but also the vast amount of technology needed to run the operational and administrative aspects of a healthcare network. One of many examples is electronic medical records, the complexity of new health-related data and records that follow a patient, while following regulations for the safety, security, and use of the records.

There are technologies that can also help the doctor-patient relationship become more efficient and improve patient experience. This future isn't just about the physical nature of visiting a clinic or hospital. We are evolving from a model where patients making a visit was the norm. There are healthcare options now for remote monitoring,