

Mayo Clinic's Governance Structure

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Author Note

Mayo Clinic's governance structure including its Board of Trustees, executive leadership and performance measurements are critical in understanding the organization's ability to meet its mission and primary value. Assignment one for 404: Health Care Operations class with instructor Patricia Becker at Northwestern University Winter 2012 term.

Abstract

Mayo Clinic's Board of Trustees and executive leadership hold the responsibility of providing direction and aligning yearly objectives to the broader organization mission and primary value. In this role, the board educates then empowers Mayo Clinic personnel to believe in the mission and focus on key objectives to make the mission more attainable. Creating a culture of empowerment must be complemented by process improvement and valuing key performance indicators. In this way our leadership can complement vision and empowerment with results and measurements. The final element of a board's effectiveness is efficient communication. Mayo Clinic has 56,100 employees serving 1,050,000 patients yearly with campuses in Arizona, Florida and Rochester. To run an organization of this size, a strong vertical and horizontal governance structure should exist with committees and leadership clearly understanding roles and reporting. Empowerment plus impactful metrics and effective communication can transform an organization.

Mayo Clinic

Mission, board of trustees, and supporting leadership. Mayo Clinic's mission is "to inspire hope and contribute to health and well-being by providing the best care to every patient through integrated clinical practice, education and research" (Mayo Clinic Mission and Values, 2001-2012). Mayo Clinic's mission has some key commonalities with standard healthcare missions – a moral commitment to humanity and caring for the sick and a commitment to serving every patient, defined from White and Griffith as beneficence and justice. (White & Griffith, 2010) The mission speaks to the core responsibility of humans to care for one another and in stating the mission and displaying it fervently, Mayo Clinic creates an environment of empowerment for the employees who believe in and are working everyday to serve patients.

Mayo Clinic's primary value is defined as "the needs of the patient come first" (Mayo Clinic Mission and Values, 2001-2012). This primary value is more like the vision or "an idealistic goal" which "challenge associates and lead to better overall performance" (White & Griffith, 2010). The primary value complements the overall mission to "provide the best care to every patient" and can create a vision for the organization that each stakeholder can believe in.

Mayo Clinic defines its Board of Trustees as "the governing body of Mayo Clinic. It has overall responsibility for the charitable, clinical practice, scientific and educational mission and purposes of Mayo Clinic as set forth in its Articles of Incorporation and Bylaws" (Board of Trustees, 2001-2012). The outlined four areas of responsibility align with the mission that seeks to address clinical practice, education and research. The board has the addition responsibility of address the charitable mission of Mayo Clinic.

The Governance Management Structure report for Mayo Clinic sites the responsibilities for the Board of Trustees, President/CEO, Board of Governors and other areas of leadership also

covering the selection process, evaluation and membership criteria of Mayo Clinic leadership. Within this report, Mayo Clinic sites seven key roles supporting the objectives of “charitable, clinical practice, scientific and educational mission and purposes” (Board of Trustees, 2001-2012).

The first two of the seven roles is to ensure the activities and the President/CEO act with ethical and upstanding business practices that are in the best interest of Mayo Clinic and the individuals impacted by Mayo Clinic. In these roles, the board serves as a checkpoint for any unethical or rash decisions that do not support the long term benefit of the company while still being broad enough to allow the board to weigh in on major directional decisions of the company. By ensuring that they are accountable to Mayo Clinic and those influenced by Mayo Clinic, the board is responsible to Mayo Clinic's stakeholders. Business practices impact not only operational processes and care delivery but also the people of the organization including business partners, consultants and in the case where the hospital impacts the community, the individuals of the community. The Well-Managed Healthcare Organization states, “organizational excellence begins with and is measured by stakeholder satisfaction” (White & Griffith, 2010). The satisfaction of these key stakeholders drives a business forward. When they believe in the decisions, actions and people of Mayo Clinic, individuals work together in attempt to reach the mission of Mayo Clinic.

The third role is to provide direction and oversight over supporting boards and committees. In this way, the Board of Trustees can function as a critical decision maker, delegating down key concerns or open areas of interest that are too detailed to apply to the board and letting key strategic decisions roll up to the board for their support or redirection. To effectively share responsibilities in a governance structure, the individuals must first feel

empowered; “empowerment requires that organization goals and plans be discussed in advance to gain widespread understanding and commitment. Understanding and commitment are not automatic” (White & Griffith, 2010). The board should be able to set direction, overcoming and working through competing priorities.

The fourth role of the board is to “confirm overall enterprise strategy” (Mayo Clinic: Governance and Management Structure, 2009). By keeping this role to the point, the document is structured where it evolves as the enterprise strategy evolves year to year. The key mission of the hospital will remain consistent, but like any major corporation, current enterprise strategy should drive impactful decisions and investments for the organization. The board should not only ensure their decisions follow the enterprise strategy but also make sure other projects they are evaluating and metrics of those projects tie back to and align with the enterprise strategy.

The fifth role, to “approve operating and capital budgets and long-term financial goals” (Mayo Clinic: Governance and Management Structure, 2009), is a core responsibility need especially in recent years when healthcare is undergoing major changes including government regulations and technology needs. Budget concerns are highly evaluated from both within and outside the organization. In antithesis to other industries like retail where they have one goal: sell more merchandise at a profitable mark-up, healthcare can have many core goals. As evident in Mayo Clinic's mission, striving to impact health and wellness through clinical, education and research, multiple areas of development can benefit a health care organization in different ways and it is often important to develop a cross-departmental growth strategy. By growing and investing in research, an organization attracts leading healthcare professionals, creates a differential name within public media for noteworthy developments, and improves care by having leading edge practices. Through investing in education an organization is supporting both

the research and the clinical goal, developing a culture of individual, corporate and medical growth.

Interlaced within all five roles is the growing focus on government standards and information technology. Within healthcare, information technology is transitioning from a department existing siloed of care delivery to a critical component of defining how business is conducted daily. The electronic medical record (EMR) has become so integrated in operational workflows it is necessary for the systems to be performing and continuously improving to keep the hospital at maximum effectiveness. Once a large piece of technology is decided upon, for example the EMR, portal foundation or content management system, the company will likely have that system for a considerable amount of time given the business and financial cost to implementing. Although these decisions cannot be made lightly, the government standards for meaningful use as well as competition have made the momentum of technology development extremely fast and thus a focal point of many healthcare facilities. Knowing how important the initial development of these systems is, the board would naturally weigh in and be interested in the progress of these developments. In addition to meeting requirements, technology can also be a market differentiators. Mayo Clinic has developed some key patient/family tools like their patient and family social network that impacts patient satisfaction but is not directly related to the financial performance or care delivery of Mayo Clinic. Their choice to invest in a social network shows their commitment to the patient and family and sets them apart. Among other ideas and progress presented to executives and boards, in recent years, ideas pertaining to addressing technological needs have become an important topic. Like others, leadership has been reading about electronic medical records, personal health records and social networking as well

as feeling the disconnect health care has on-line compared to other industries like banking and education.

Marilyn Carlson Nelson is the chair of the board that has 28 other members ranging from business leaders to NBC reporter Tom Brokaw to Mayo Clinic president and vice presidents. Marilyn Carlson Nelson was the chief executive of Carlson Cos., a leading private U.S. company with “worldwide annual sales of about \$37 billion” (Moylan, 2008), owning brands like Radisson Hotels & Resorts and TGIFriday restaurants. (L.K., 2005) She was named one of “The World’s 100 Most Powerful Women” by Forbes magazine among other key recognitions and is a leading businesswoman responsible for growing a family business to a major corporation.. Marilyn has served on Mayo’s board since 2005.

Nelson and the other members’ interest in being a part of the board has many facets. Given that Mayo Clinic is a non-profit hospital, the element of giving back and supporting an organization they believe in cannot be ignored. When Nelson left as CEO of Carlson Cos., she stated that “she will be a busy and passionate ambassador for the Carlson company and for causes in which she believes.” Many of these members have either retired or moved on from the role that differentiated themselves but have an extreme amount of knowledge about successful organizations and still wish to be active in similar roles. The board allows them to be a part of something they can believe in while also continuing to be a valuable member of an organization without the time commitment of an employee. Their outside expertise and the multidisciplinary structure of the board also allows members to not only learn about another industry or perspective of the industry, for a MD for example, but also to develop relationships with other business leaders.

The executive team, supporting boards and committees. The executive team's key members are the President/Chief Executive Officer (CEO), Vice Presidents, Mayo Clinic in Arizona's Vice President/CEO, Mayo Clinic in Florida's Vice President/CEO. There is also a management team and executive operation teams in Arizona, Florida and Rochester. Every member and team has a variety of responsibilities but each one starts with supporting the strategic plan of the organization.

John H. Noseworthy, M.D. is the CEO and President of Mayo Clinic. He joined Mayo Clinic in 1990 in the Neurology department, serving as chair from 1997-2006 (Stump, 2009). He was promoted to CEO and President in 2009. In commenting on the challenges of becoming CEO, he mentions both the mission of Mayo Clinic and the need to differentiate through technology. He said, "To maintain its mission and meet the needs of patients in the future, Mayo Clinic must deliver an unparalleled patient experience for all who experience Mayo Clinic, including those at one of our campuses and those we interact with through advanced Web-based technology" (Stump, 2009). He cites the primary value and strategic priorities as driving their mission through the economic downturn. (Stump, 2009)

Shirley A. Weis is the CAO and Vice President of Mayo Clinic since 2007. Weis has a nursing background coupled with a focus on business, getting her graduate degree in management. She has a critical role in preparing Mayo Clinic for the changes occurring around healthcare today and is "focused on making sure Mayo plays an active role in the debate over health care reform and that the organization is ready for an influx of retiring baby boomers whose coverage will transfer to Medicare" (Peters, 2009).

In addition to the Board of Trustees, Mayo Clinic has several supporting boards and committees. The Mayo Clinic Board of Governors is an executive committee having the

responsibilities and powers of the Board of Trustees when they are not meeting. John H. Noseworthy, M.D. is Chair of this board, President and CEO of May Clinic since 2009 and on the Board of Trustees. The Vice-Chair is Nina M. Schwenk, M.D..

The Audit and Compliance Committee oversees auditing the books and records as well as the financial processes and compensation. The Business Development Committee oversees business initiatives that are expansion of the core business, namely “clinical, research, educational and administrative” extensions. (Board of Trustees Committee Charters, 2001-2012) The Finance Committee reports up to the Board of Trustees with recommendations on business practices. It has 19 members. Governance Committee reviews compensation to both board members but also internal executives. They also oversee the salary range offered to physicians. Investment Committee reports up to the Board of Trustees, recommending investments and developing strategies. This committee has 10 members. Finally, the Nominating Committee recommends individuals for various committees.

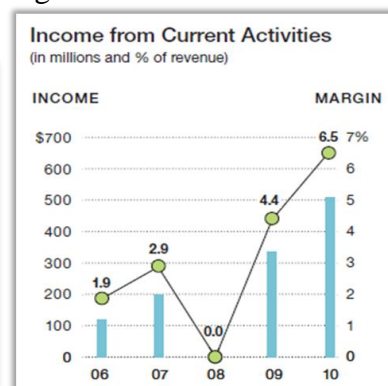
Reporting and accreditation. The below figures show Mayo Clinic’s financial situation for 2010. Like any financial evaluation, you have to compare it to past years to receive an accurate picture of current state. Figure 2 displays a trend over time and the rise from ’08 to ’09 was critical in continued growth in 2010.

Figure 1:

Operating Performance (in millions)			
	2010	2009	CHANGE
Total Revenue	7,942.0	7,582.1	4.7%
Total Expenses	7,426.7	7,248.9	2.5%
Income from current activities	515.3	333.2	
Percent of Revenue	6.5%	4.4%	2.1p

(Financial Report, 2010)

Figure 2:



Mayo Clinic's Governance and Management Structure document declares that the Board of Trustees have resources available to them including reports, records, information and access to advisers and consultants Mayo Clinic has utilized. In addition, Mayo Clinic uses a Consolidated Statement of Activities to depict their financial status. The statement shows 2009 vs. 2010 revenue, gains, expenses, assets, liabilities and other key financial indicators. It is an important tool to summarize the financial state of Mayo Clinic in two pages and can set benchmarks for the company to evaluate themselves against year after year. "Quantified goals and measures substantially reduce ambiguity and clarify each team's and associate's obligation" (White & Griffith, 2010). If the entire company understands which measurements will be reported on and constantly focuses on the same goals, the company can move forward more effectively.

As a board member, I would respond positively to the growth shown from 2009 to 2010 and only be cautious about the growth in "salaries and benefits" which grow from \$4,796.7 million to \$4,911.8 million (Financial Report, 2010). Although in 2010 the "salaries and benefits" growth could just be indicative of expansion, seeing where the company performed in 2008 and continued resource growth year after year could force Mayo Clinic to streamline personnel at some point and possibly leading to difficult discussions. The moral of a company's resources are key to not only organization performance but are also vulnerable to discomfort in difficult times.

Mayo Clinic's accreditation shows U.S. News and World Report ranking 16 different specialties, rating them from one to 13 with Diabetes & Endocrinology, Gastroenterology, Gynecology and Nephrology ranking number one. Ten ranked pediatric specialties range from ratings at number sixteen to number forty-seven. Mayo Clinic is also accredited by "the Joint

Commission (JC), the Commission on Accreditation of Rehabilitation Facilities (CARF), and the American Osteopathic Association” (Nationally Ranked Hospital, 2011-12). As a board member, these ranking, along with making the U.S. News & World Report “Best Hospitals” Honor Roll, would fall in line with my expectations of a healthcare facility of this stature. Quality standards are communicated to the organization and supported by Six Sigma process improvement. The focus on process improvement is appropriate as Mayo Clinic drives change as an industry leader. In Mayo Clinic’s breath from Arizona to Florida to Rochester, it should be setting standards and leading the curve in many facets.

Conclusion

Through the outlined governance structure, Mayo Clinic has setup a support model structured to facilitate decision making and ensure that each committee and ultimately the Board of Trustees are aligning each recommendation against the organization’s mission and primary value. However, even with a strong committee model, the organization has to be nimble enough to effectively move forward as the healthcare environment rapidly changes.

Seemingly the most straightforward and simple is to keep in mind is the organization’s Primary Value “the needs of the patient come first”. Conversely, reality shows its potentially the most difficult to truly hold onto. Healthcare has historically not been designed in policy to keep the patient first and competing needs from providers and the environment make this difficult. In addition, the ability to weigh each proposal against not only what’s best for the organization, keeping changes in the government and competition in mind, but also to prioritize and ensure development in “clinical practice, education and research” (Mayo Clinic Mission and Values, 2001-2012) so the mission is constantly in mind is difficult. An individual’s judgement plays a critical role in keeping the mission, their role, responsibilities and personal perspective balanced.

Each member of the board must be broad enough to understand all these important elements and effective enough to drive forward movement.

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