Effective CEO Transitioning

A CEO search, whether to fill an unexpected vacancy or as part of a planned leadership transition, requires months of preparation, interviewing, discussion, and negotiation. By the time a new CEO is selected, the board will have made a significant investment of resources — financial, time, and emotional. It is no wonder that once the new chief executive is hired, directors are inclined to breathe a sigh of relief and return their attention back to other governance matters.

Leaving the success of the investment in the new CEO to chance is risky. CEO turnover within the 2,500 largest companies worldwide was at a record high of almost 17 percent in 2015 (PwC, 2015 CEO Success Study), and exceeded that level in certain industries, including healthcare, the industry I serve.

This turnover is costly in many ways. Losing a CEO is estimated to carry a price tag ranging from two to 100 times the executive’s annual salary, depending on which survey you read. The intangible cost to the organization — loss of productivity, morale, and reputation — can be even more significant and difficult to overcome, particularly during a time of industry transformation.

Designing a plan for CEO transition, also known as an onboarding plan, is central to the success of the new leader. Unlike orientation, which is tactical in nature and designed to provide new hires with logistical and other basic knowledge they require as an employee, onboarding is strategic in nature and is designed to accelerate and optimize the new executive’s transition and mitigate potential risks that can sometimes surface during leadership transitions. This sets up a win-win scenario — helping to ensure success on the part of the individual and thus
enhancing the return on investment the organization has made.

**Likely to Fail?**

According to the Corporate Leadership Council, there are six primary reasons new executives fail:

1. Failure to establish key connections and partnerships;
2. Lack of political support to effectively navigate through the organization;
3. Failure to establish a cultural fit;
4. Confusion about role expectations;
5. Lack of feedback and coaching; and
6. Ineffective team building skills.

New leaders have a much greater likelihood for early and lasting success if they participate in a well-planned and explicit on-boarding process that encompasses and addresses these frequent points of executive failure in the context of the organization. An onboarding plan for a new CEO, or any executive for that matter, is not “one size fits all.” There is no standard formula or checklist. Developing an effective onboarding plan requires a detailed and honest review of the organization and the new executive. I often see glazed eyes when the topic of onboarding is raised – for some, the term itself can be dismissed as confusing and/or trendy HR jargon. While transition plans can be as elaborate as an organization either desires and/or needs, there is a simple philosophy to remember to help keep this work in focus — ensuring the right people are doing the right things at the right times to support a new leader.

Though the CEO will arrive with an impressive resume of skills and experience accrued throughout his or her career, there is much to be learned before the new leader hits stride in the new role. Onboarding can help the executive and the board analyze where their past experience is relevant and applicable in the new role and where gaps exist. Crafting a robust onboarding process is not a sign of doubt — it is a show of ongoing investment in the new leader.

**Planned Pursuits**

Activities that help a new CEO quickly and thoroughly understand his or her own leadership tendencies, learn the organization and its culture, build a support network, and establish the right priorities early on will pay significant dividends on the hiring investment. This requires a plan — an effective one will focus on the following four general areas:
1. The organization

The new CEO won’t be able to effectively lead the organization without a firm and thorough understanding of the organization, its history, people, culture and short and long term priorities. Though a new CEO should have become very familiar with the public facts and figures as a candidate for the position, there is much more to be learned in order to assimilate effectively into the organization including the culture, the work climate, the internal organization, and political challenges.

Based on a thorough vetting of the leadership agenda and its priorities before and during the search, board leadership and the new leader should have explicit conversations about the desired rate and methods of change at the outset. I often recommend that a search committee function or several members of that committee function as a transition committee — this group of trustees is heavily invested in the success of new leader and can provide important continuity during the transition phase.

2. The individual

At the end of the selection process, based on interviews, references, social interactions, and the interpretation of formal leadership assessments, the board has a fairly clear picture of the new CEO’s skills and behavioral tendencies.

Onboarding considers which of the new leader’s skills and leadership characteristics will help and which could thwart the chance for success in the new position. A thoughtful plan will account for these and leverage the individual’s strengths while addressing potential derailing behaviors or skill gaps early on in the transition through development opportunities, coaching and/or mentoring.

3. The network

The board is well positioned to guide the new CEO to establish strategic connections both within the organization and beyond, to key stakeholders from the local or regulatory community. A plan that helps the new executive to identify the individuals who are vital to the success of high priority initiatives, can serve as supporters, or possess subject matter expertise will speed the development of trusted networks and open communication channels with peers, supporters, colleagues, and board members. For example, if a retiring CEO is leaving in great standing, there are both symbolic and practical benefits to having him/her help introduce the new CEO to key stakeholders (e.g., donors, regulators, community leaders).
4. The job and team

Last but in no way least important, the onboarding plan will clarify the specific, measurable expectations of the new CEO over the first year on the job. What do they need to learn about the organization, its history and most pressing priorities? What are the top priorities the CEO is expected to address, and what results are expected in 90, 180, 365 days? What are the potential threats or derailleurs? The answers to these questions will drive a plan that can lead to some early “wins” for the executive, and for the organization.

It is important to note that the senior team and board may need to be “conditioned” before, during, and after the search relative to organizational priorities and how life may require change as part of supporting a new leader. The transition may mean new forms of adaptation, learning and support and while necessary, for some, these forms of change can be difficult. For example, if a board has felt the need to be highly involved in details of management because of extenuating issues, removing itself from operations can be a hard adjustment. And vice versa — there are times when the success of a long-tenured CEO can lead to overly passive governance — in this case, a board may need to engage in different, more meaningful ways as part of supporting a new CEO.

On a final note, successful transition requires a joint effort. Though the board sets the onboarding agenda and the transition period objectives for the new CEO, success ultimately requires mutual commitment from the board and the CEO. Boards should be open to the suggestions, concerns, and requests from their new executive, and should welcome questions as a sign of commitment to success. A key value of an active plan is that it requires being in active, objective dialogue, which is what helps align a new leader with an organization.

Source:

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