

The Abrupt CEO Turnover: Resist the Tyranny of the Now

By Paul Bohne, Managing Partner & Practice Leader, Healthcare

It is perhaps a healthcare organization's greatest fear: an unplanned, abrupt exit of a CEO. Whether that exit is due to illness, scandal, internal politics, or other reason, it forces the organization into crisis mode. A "tyranny of the now" situation arises in which the board and other senior leaders scramble to manage the present, often feeling the need to act swiftly and decisively to reassure employees, stakeholders, and the media that everything is under control.

While quick action and adroitly managing immediate issues can be called for, there's also a need for patience and factoring in the longer-term picture when a CEO leaves abruptly—the tortoises and hares of the boardroom need to join forces and proceed pragmatically. There are steps that healthcare organizations must take to deftly handle an unplanned CEO turnover: how to plan for the unexpected in advance, and knowing the things that must be done immediately and those that deserve patience and deliberation, which together will help mitigate chaos and create a path for a successful, long-term new leader.

Planning for the unplanned

Crisis planning should be part and parcel of every organization's leadership succession plan. Succession planning—especially for a CEO—is fairly commonplace in healthcare, but comprehensive succession planning is not. While the suggestion of succession planning is, for some CEOs, a trigger that unleashes self-preservation-related fears—it is a suggestion of their own career mortality—most agree it is part of their responsibility. The hard part is often prioritizing succession planning and making sure the board and CEO revisit and update the plan on a regular basis. Similar to achieving physical fitness goals, the hard part for many is starting and then maintaining a routine.

A CEO succession plan must have clear stipulations about what happens in the event the chief executive suddenly and unexpectedly cannot—or is not allowed to—fulfill his or her duties: How will we manage in the interim and who should assume the acting CEO position? How do other members of the executive team step in to fill the void? What internal and external communications are mandatory, and who do they come from? Do we conduct a search and, if so, who should comprise a search committee to find a successor and what executive search firms should we be aware of?

There is plenty to think about, but drawing up a blueprint for an unplanned turnover is better done before, rather than during that event. There may be an uneasy thought or two during the process (like the obligatory muster drill before a cruise ship leaves port), but there will be peace of mind knowing the correct steps to take . . . “in the unlikely event.”

Hurry up . . .

When the unplanned happens, an organization’s leadership team must know when to move expeditiously, and when to proceed more carefully and deliberately. A few of the immediate concerns that the hares will pay heed to include:

- 1. Engaging the outgoing CEO.** If the departing CEO is still in the picture, do everything possible to work with him or her to mollify disruption and controversy. If the CEO’s exit is not on amicable terms, it is still in his or her best career interests to act professionally and above the fray. Factor in this leader’s emotional state and sense of vulnerability, as times of transition and strain can change the personality of even the most stolid executive. I have seen situations where an outgoing leader has spoken out and discredited the organization, putting a damper on the recruitment process for the next CEO. In many of these situations, the organization could have handled things differently to minimize the airing of negative opinions. How a board handles this transition will in part be judged by future candidates as they assess the opportunity.
- 2. Controlling the message.** When turmoil strikes, people talk. Everyone wants to share an opinion, and it can be therapeutic to “talk through” the challenges of a crisis—with friends, family members, even the media. The healthcare organization must send out an immediate caution for all employees and members of the management team to exercise restraint. This applies to the board chair and other trustees as well, who can often take the “Don’t worry, I’m in charge” approach despite what is written in an emergency transition plan. It’s all about managing risk and loose lips, and there are any number of excellent resources available on crisis communications. At a minimum, only designated spokespersons should be delivering “official” messages.
- 3. Reaching out directly to major donors and stakeholders.** At any nonprofit, major benefactors and contributors grow nervous when there’s a change at the top. They want reassurances that their investments, and legacies as pertaining to the organization, are secure.
- 4. Connecting with community leaders.** For hospitals, health networks, and other entities, constituents deserve attention and their own assurances that the organization is in good hands and will continue to provide the same, or better, level of service than in the past once a new CEO is in the fold.

. . . and wait

The tortoises of the organization should win out regarding the following matters:

- 1. Hiring a successor.** It is imperative for the organization to resist the temptation to install a new leader who is “good enough” or who can manage the crisis period (unless there is an intentional decision to have an interim leader). The cost of a bad hire is much greater than most people think, and when it’s the CEO, the wrong hire can set the organization back years and can cast doubts about the board’s discernment. Be patient. Be methodical. Cast a wide net and conduct an exhaustive recruitment for that one leader who is best to hold the top position for several years to come. While recognizing the loyalty of senior team members is healthy, avoid offering someone a battlefield promotion until you are clear about the types of battles that need to be waged and what skills they will require.
- 2. Selecting search committee members.** A tendency in uncertain situations is to sometimes stack a search

committee with board “veterans” who have served the organization through many long years. While prior experience is undoubtedly valuable, there should be a balance of emerging board leaders as well—the committee plays a major role in actively recruiting the new CEO to come on board, and the next chief executive will want to get to know the board leaders who figure to be with the organization for many years to come and are also invested in the future.

- 3. Defining the position.** A CEO turnover, while scary, is also an opportunity to reevaluate the position and recalibrate how its responsibilities meet the organization’s future needs and reflect market dynamics. Clearly define the specific objectives and measures of success for the new leader and inventory the associated, necessary leadership competencies that are required to meet those goals. Don’t let the intensity of immediate issues sacrifice a process that can help clarify what the organization needs to be successful in the longer term.
- 4. “Locking in” strategic initiatives.** While the organization must move forward with programs and capitalize on potential strategic opportunities (especially in today’s market), be cognizant that any new CEO worth his or her salt will prefer to have a say in major decisions that may impact the organization’s future direction. A health system can’t hope to hire a strategic new leader while conveying that all substantive strategic goal-setting has been done. The new CEO will want to put a stamp on strategy and partner with the board in envisioning the future.

With so much churn at the top of healthcare leadership, a good portion will be surprise or unforeseen exits. Healthcare organizations, their boards, and their leadership teams must plan for the unplanned and take immediate—but also deliberate—steps to ensure, as much as possible, a smooth transition. Let the tyranny of the now be balanced with planning for the possibilities of the future.

About the Author

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