

# BoardBrief

Knowledge Resources for Governing Effectiveness

## New CEO on Board

Hospital CEO turnover has been in the double digits for years, but last year the hospital CEO churn rate hit 20 percent. This is the highest rate of CEO turnover since the American College of Healthcare Executives first began tracking CEO turnover in 1981.<sup>1</sup> The healthcare industry is in a tumultuous time of change and transformation, a challenge that may be encouraging some of the turnover while at the same time demands stability for organizations positioning themselves for future success.

**T**he implications of CEO turnover for hospital boards of trustees are significant. Ensuring a smooth and successful leadership transition requires the board's engagement and a well-thought-out succession plan. And the board's succession work is not finished with the hiring of the new CEO; successful boards pave the way for the new CEO by including an "onboarding" program as an integral part of their succession planning.

### Onboarding: More Than Orientation

Onboarding a new CEO should not be confused with orientation for new hires. Unlike an orientation program, onboarding is a process that spans the first critical months, or better yet, the first year of the new CEO's tenure with the organization. A well-designed onboarding process can contribute to the CEO's quick adaptation to the organization and sets the stage for leadership success.

Orientation is typically a short-term event lasting no more than a few days or weeks at most. Unlike onboarding, orientation typically provides all new hires with the same general information about an organization and how it operates.

Onboarding, on the other hand, is a strategic process that is uniquely designed to fast-track the successful integration of a new executive into the organization. A successful onboarding process will provide the custom-tailored knowledge, insights, and introductions that will help a new CEO to more quickly understand the organizational culture, establish critical relationships, and become effective in his or her new position.

### Why Onboarding?

The departure of a hospital CEO has the very real potential to slow or even bring a halt to key activities like strategic planning, development of new partnerships and affiliations, or implementation of other major initiatives. Competitors may take advantage of a gap in leadership to entice away medical staff, key employees, and patients. There are also the high costs of a failed hire should the new CEO decide the organization is "not the right fit" or he or she fails to meet the board's expectations.<sup>5,6</sup>

A strong onboarding program can help mitigate these potential disadvantages. It is one of the best tools the board has to establish the leadership of the new CEO, and assist him or her to rapidly resume the pace of work needed to advance the organization toward its vision. In a report for the Partnership for Public Service, Booz Allen Hamilton cited research demonstrating that an effective onboarding program can improve early performance, increase an individual's engagement in the organization and its culture, increase retention and accelerate "time-to-productivity."<sup>7</sup>

### The Board's Role in the Onboarding Process

Making sure the new CEO gets a good running start should be a critical success factor in the board's fulfillment of its hiring responsibilities. The first step is to ensure that a written onboarding plan is included as an essential component of the CEO succession plan. Just like the succession plan itself, the onboarding plan should be developed long before it's ever needed. Engaging the current CEO in planning for eventual

## Onboarding Actions to Take Now

- ✓ **Examine your CEO succession plan.** Does it stop with the hiring of the new CEO or extend to include transition and onboarding plans? If you don't have a written succession plan, develop one.
- ✓ **Evaluate your plans for CEO transition and onboarding.** Are they clearly written and comprehensive? Do they include well-defined roles and responsibilities for outgoing, interim and succeeding CEOs? Are the board's responsibilities for onboarding the succeeding CEO clearly identified?
- ✓ **Talk to your CEO.** Have a candid conversation with your CEO about future succession, transition and onboarding needs if you haven't done so in the past year.

succession, transition and onboarding can help ensure the transfer of critical information and knowledge, smoothing the road ahead not only for the incoming CEO, but for the organization as a whole. This should include clarifying roles and responsibilities for the outgoing, interim, and succeeding CEOs, as well as outlining the board's responsibilities in the transition.

***Having a plan is just the beginning.*** Once the succeeding CEO arrives, the real onboarding work begins. One of the greatest challenges for anyone new to an organization is learning and absorbing its culture. Quick acclimation of a new executive can be translated to earlier productivity and quicker results.

A primary objective of the onboarding process should be to give the new CEO a key to understand the organization's culture and support in navigating the first year. An official board introduction of the CEO to the organization and the community will set the stage for acceptance and support of the new CEO and his or her leadership. The next step is introducing the CEO to internal and external stakeholders and influential colleagues. Board members should offer insights to alliances and networks, both formal and unwritten, contributing history and putting relationships into context that help build the CEO's cultural knowledge bank.

***Consider a transition coach.*** Many organizations consider it a good investment to hire an external transition coach to assist successor CEOs, boards, and their organizations to make successful transitions to new leadership. Whether it's an external coach, board member, or another executive, many CEOs find it helpful to have someone to call on who can offer honest, objective, and constructive feedback and perspective. Identifying a board member or other individual of the

executive team who can help deepen the CEO's early knowledge of the organization's environment, issues, challenges and opportunities will also prove to be a valuable asset to the new CEO.

## Getting on the Same Page

Even after the CEO has been hired, introductions have been made, resources identified, and insights offered, the board's onboarding responsibilities are still not complete. Smart boards understand that clear and continuous communication is essential to their relationship with the CEO and achievement of the strategic results they want. This is never more true than during a transition in leadership, when the board and CEO must establish the foundation for a trustful working relationship. While each may believe they have a clear and mutual understanding of one another's expectations from the start, frequent and open discussions between the board and CEO throughout the year helps to ensure all are on the same page.

Perceptive boards will stay attuned to the CEO, asking if the organization is meeting the CEO's expectations, where they might be falling short, and what barriers or challenges may be in the way of the CEO's progress. Perceptive boards will also ask what support, consultation, or direction the CEO needs from them. There should be no surprises for either the board or the CEO when it's time to conduct the CEO's annual evaluation and performance review.

## Elements of an Onboarding Plan

A comprehensive onboarding plan should:

- Provide a "map" to the organization's culture, including navigational support from the board
- Identify key stakeholders and influential colleagues (internal and external), and provide for introductions to be made on behalf of the new CEO
- Identify formal and informal networks the CEO will need to establish
- Provide one or more individuals (e.g., external coach, board member, other executive) to be identified as a resource who can offer honest, objective, and constructive feedback and perspective, as well as knowledge and information
- Ensure frequent communication between the board and CEO for the express purposes of aligning expectations and performance goals, and supporting the CEO's acclimation to the organization

## After Onboarding: Keeping a Focus on CEO Retention

Experts predict that the already demanding health care C-suite positions will become more demanding in the coming years as hospital leaders face increased payment cuts and regulation, coupled with the potential for more conflict from competing interests among physicians, labor unions, and more. The pressure to do all of this with fewer resources, while operating under the umbrella of health care reform uncertainty, all contribute to concerns that C-suite turnover will likely remain high.<sup>3</sup>

The board has an opportunity and a responsibility to communicate well with the CEO, support the CEO, and watch for signs of “burnout” in the C-suite. Forming a strong and trusting partnership between the board and CEO is a critical

component to preventing burnout and minimizing early turnover.

The board/CEO relationship should be a trusting partnership, where both trustees and the CEO work together, united as a team to achieve the greatest level of organizational success. The relationship can be enhanced through a clear understanding of one another’s needs and expectations, clear and consistent communication, shared goals and objectives, dialogue-rich and purposeful meetings, and a constant sharing of timely and critical information.

In order to build mutual trust, the board and the CEO must rely on one another for support, consultation and advice, and complement one another’s strengths and responsibilities. Without this type of mutual support between the board and CEO, even the best onboarding program will fail.

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