

You've Recruited a Great CEO... Now What?

The crucial role the board plays in hiring a new CEO is indisputable; ensuring capable leadership, the lifeblood of any organization, is one of the board's core duties. But too many boards believe their responsibility ends when the new CEO's job begins, when it is actually only the end of phase one. Equally important is the recognition of what the board needs to focus on during the CEO's initial tenure, and setting the tone for a cordial and productive relationship between the CEO and the board going forward.

How do boards know what sort of process makes sense when starting with a new CEO? Time is of the essence, and there is little room for error these days. Many boards find it useful – and reassuring – to seek a broad perspective on best governance practices across industries as well as in companies similar to their own.

We recommend that boards remain involved after the CEO is hired to ensure he or she is positioned for success, and that the right tone is set for a productive, ongoing relationship with the board.

Want to see the details behind the process?

Read about how one board worked with their new CEO to ensure a successful board-CEO partnership. Our case study follows this article.

It's been a long, hard climb. Perhaps your CEO moved on, voluntarily or not; it may have been a planned retirement or an underperforming CEO whom the board asked to leave. Or perhaps the CEO became ill, incapacitated, or even died. A wide variety of scenarios can necessitate the hiring of a new CEO, and boards are now typically highly engaged in the identification and hiring process, regardless of who actually performs the search. Given the work required to recruit a new CEO and all that rides on his or her success, we recommend that boards remain involved after the CEO is hired to ensure he or she is positioned for success, and that the right tone is set for a productive, ongoing relationship with the board.

Here is a brief look at the various phases the new CEO will go through while getting integrated into the role and the company, and some best practices geared to the board that can help the CEO get off to a good start, as well as solidify a close working relationship with the CEO.

1. Soul Searching

Before the CEO even comes on board, self-reflection by the board, as a group, will help to set the right tone and the right agenda.

Board best practices: Regardless of the circumstances of the CEO's departure - even if all went according to a finely tuned plan - never make the same mistakes twice. Convening as a group to examine what may have gone awry, and where safeguards may need to be implemented to prevent mishaps in the future, is a best practice. The board will be smarter for having gone through this forensic process and better able to work effectively with the new CEO.

2. Ramping up

Even the most experienced CEO goes through an intensive acculturation process when starting with a new company. That entails not only learning about various processes and how things have traditionally been done, but establishing credibility by becoming steeped in the mission and values so that he or she is increasingly perceived less as an outsider and more as "one of us."

Board best practices: While in some companies, the CEO is left to sink or swim while getting oriented in this initial phase, the best companies take responsibility for assisting the CEO and providing proper support. Depending on the company, boards may set up a formal or informal "buddy" system, where one or more directors comprise a support group, which the CEO can touch base with on a regular basis, particularly at the start of his or her tenure. That does not necessarily include the chairman, who already presumably has a number of responsibilities, but perhaps two directors who make themselves available, as needed. This sort of council and counsel can greatly increase the new CEO's comfort level and speed the orientation process, while preventing serious and often costly missteps.

The best boards serve as valuable sounding boards for the CEO, and are aware of where the boundaries lie between the role of the CEO and the role of the board.

3. Making assessments

Once oriented in the new position, the CEO will be better equipped to view the organization's mission in operational terms. This is the phase during which he or she will begin to make assessments of what is working well and what is not, and how to align and focus organizational resources to best achieve the organization's mission.

Board best practices: By this time, if handled properly from the start, a good working relationship between the new CEO and the board will be well underway. Resources are always limited, and the board should help the CEO set priorities on how to apply them most effectively. While operations are the CEO's domain, the board should not turn the assessment phase into a guessing game or a test for the new CEO. The best boards serve as valuable sounding boards for the CEO, and are aware of where the boundaries lie between the role of the CEO and the role of the board.

4. Implementing change

This is a crucial phase during which the CEO will begin to act upon the assessments made about use of resources, most likely requiring sensitive judgment calls and the broader strategic context that will need to be understood internally.

Board best practices: Boards need to keep communications channels with the CEO wide open and flowing smoothly, including sharing a timetable to implement needed change. If there are non-negotiables - perhaps, for example, not making any changes during the first 100 days because of the negative impact it can have on morale - the board needs to share these with

the CEO. Board policies should also be crystal clear. Are there changes the CEO can make on his or her own? Are there others that require board approval? Make sure to establish the parameters for the decision-making process. A communication process should be well mapped out at this stage, including whom, specifically on the board - both individuals and committees - the CEO should communicate with and with what frequency.

5. Monitoring the effects of change

As the new CEO implements needed change, the board should be perceived and utilized as a crucial partner throughout the process.

Board best practices: Ongoing dialogue with the board during this phase will enable the CEO to remain aware of the business, cultural, and personal impact of any changes that are taking

place. Depending on the constituency they are most familiar with, directors can act as a sounding board and coach, encouraging the CEO to acquire a wide range of feedback, both top-down and bottom-up, to ensure changes are implemented properly and sensitively, and various initiatives stay on track.

In sum

The board has most likely invested a great deal of time and resources in identifying and recruiting a new CEO, and directors should do everything in their power to ensure his or her long-term success once on board. Rather than reinvent the wheel, directors would be well advised to learn from what has worked for boards that have successfully grappled with similar circumstance. These general best practices should be tailored to specific boards through ongoing and open dialogue between the CEO and the board.



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For more information on this topic, or any other challenges your board may be facing, please contact:

David J. Nygren, PhD
david@nygrenconsulting.com

JoAnn M. McNutt, PhD
joann@nygrenconsulting.com

From the Board's Perspective

A board shouldn't be caught unaware with a CEO departure, but in the real world, it happens. It's all about how the board steps in and deals with the situation.

Dave Wolohojian, Chairman, Signature Healthcare Corporation

Best practices are all well and good, says Signature Healthcare Corporation board chair Dave Wolohojian, but they sometimes seem like a luxury when the board is in crisis mode and there is no time for a model, step-by-step process.

What does the job of the board chair look like when the CEO's departure is unexpected, and what is the appropriate level of engagement for the board in day-to-day operations?

"When the CEO leaves abruptly, and the organization has to go through the transition, the board plays a very different role from what is optimal from a best practices perspective," says Wolohojian. "While the board is theoretically not supposed to dip into management's role, in this case, the board has to be prepared to step into the operations vacuum, rather than just focusing on strategy from a distance."

The board is charged with hiring capable management, says Wolohojian, and when there is a hole at the top, the board has to fill it – on an interim basis as well as coming up with a permanent solution. Initially after a CEO departure, the board operates on two tracks, ensuring capable leadership for the organization and finding a replacement.

After a successor is in place, it is the board's job to support the new CEO and help him or her acclimate to the role. "At the same time, board members who have become accustomed to being involved in day-to-day operations now have to step back and let the new CEO lead the charge if he or she is to succeed," advises Wolohojian.

It can be challenging for trustees to make this transition after the CEO is on board and resume the board's appropriate focus and level of engagement. "While supporting the CEO in his or her mission, we have to continually be mindful of our role," explains Wolohojian, and the same can be said of the relationship of other constituencies with the board. "In our case, while we were in the process of recruiting a CEO, physician groups, for example, got used to having direct access to the board of trustees, and you have to change that pattern." Part of positioning the CEO and the organization for success going forward entails sending the message – loud, clear, and consistently – that matters related to operations are filtered through the CEO. "It's certainly not that we don't want to hear from these groups, we certainly do," says Wolohojian, "but we have to build credibility that the CEO is in charge, and the liaison for the organization to the board of trustees."

From the CEO's Perspective

Coming on as a new CEO is like trying to catch a moving train – there is the critical work of the organization that has to keep functioning as well as all bigger picture work.

Kim Hollon, CEO, Signature Healthcare Corporation

Stepping into the role of CEO of a large healthcare organization is not an easy task – it's a little like the trick of keeping multiple plates spinning the air. In June of 2010, Kim Hollon joined Signature Healthcare Corporation, a complex and geographically far-flung enterprise comprising Brockton Hospital and Signature Medical Group, with 150 physicians and other director care providers, and a total of 2,500 employees at various locations throughout Massachusetts. Signature Healthcare Corporation has long been known for excellence, having been awarded the Premier Award for Quality in both 2008 and 2010, ranking it in the top 1% of all acute care hospitals in the country.

How does one prepare to run such a sophisticated, multi-layered organization and be ready to hit the ground running? It's all in doing the right homework and having a board that is prepared to work as a partner with the new CEO to ensure his or her success and that of the organization.

"I tried to learn as much as possible, working closely with the board, before walking through the door for the first time," says Hollon, who got his feet wet by reviewing as much data as possible to get a basic understanding of the organization.

"Spending time privately with three board members to get oriented was invaluable. I recall, in particular, a dinner where one long-time board member shared his perspective on key issues such as quality and strategy. There's no substitute for that kind of first-hand information and long perspective." Hollon also spent time, one-on-one, with physicians in the group to discuss key issues from their point of view.

"When I actually came aboard and started interviewing people, I had a context and background from working with the board, that was extremely helpful," explains Hollon. His entry process included meeting individually with members of the medical executive staff committee, as well as with every board member of the employee group practice, which has its own board, and a few levels of the management team to establish a broad view of the organization.

"I wanted to test what I had learned," says Hollon, "so at my first board meeting, I presented to both the employee practice board and the system board a SWOT analysis to ensure I had heard everyone properly in my initial meetings and interviews. I needed to get some confirmation that I had a handle on the challenges going forward and where I should focus my time and effort." Hollon was gratified to receive that confirmation and good feedback in what he characterizes as a "good, healthy discussion."

"Next steps include work on the operating plan to fold in goals and outcome metrics that will reflect much of what he has already learned. That plan will then be shared with all stakeholders for their input, in what Hollon refers to as "playing catch ball with those key groups, to make sure they agree with the priorities that are being established for the next 12 to 18 months." The relationship with the board is ongoing, says Hollon, who regularly reaches out to the board for their comments and perspective on what he is learning and seeing, and to simply bounce ideas off one another. "Getting oriented and educated by the board helps to ensure the best start for a new CEO," says Hollon. "You simply have to learn as much as you can as fast as you can. Lack of surprise can be a very good thing!"