

# Answering CEO Turnover: Do You Have a Plan?

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Healthcare swirls with epidemics—opiates, clinician burnout, obesity, diabetes—and to this list you can add one more: CEO turnover. It's not just the occasional CEO that leaves—it's almost one in five, every year, and that number has held steady since a high of 23 percent annual turnover in 2008.<sup>1</sup> Given the impact of CEO stability on an organization's ability to address an increasingly complex set of challenges, CEO selection and retention must rise to the top of any board's list in governing a stable, evolving organization headed toward sustained high performance.

CEOs leave for a variety of reasons, but whatever the prompting conditions, the root cause is that alignment between the CEO and the organization is insufficient to prevent departure. To ensure their organizations can attract and support top talent, boards must take several steps that signal to potential and incumbent leaders: "We're in this for the long haul, we have a direction, and while the landscape may quake, we're solid."

Certainly the pieces of CEO attraction and support involve a competitive package and an appealing community experience for the CEO's family, but they also involve stability and continuity in the structures and functions so essential to CEO function: the board, executive team, physicians, strategy, and succession plans. A big part of this stability is the present state, but a process that continually and collaboratively renews strategy, leadership profiles, and succession approaches to all key leadership positions and bodies is an essential cornerstone. Particularly in multi-board systems, alignment of these pieces is key for CEOs to be able to pilot one organization while working as a supportive and seamless piece of the larger system.<sup>2</sup>

Once a board has established or reviewed these foundational pieces, the critical work of creating functional, high-performance relationships capable of meeting the challenges of CEO tenure begin. The problem, one health system CEO from an East Coast institution says, "is that it's not what you've done or not done before, it's the combination of challenges that *none* of

us have really had to deal with that make the job so difficult." Another, who leads a multi-billion-dollar system, adds, "I think these jobs are becoming so complex we're going to have to think about how we design the jobs themselves, because they're becoming almost undoable."

Undoable? Consider that in 1993, management guru Peter Drucker observed that, "Large healthcare institutions may be the most complex in human history, and even small healthcare organizations are barely manageable." Today's CEO has to preside over an organization that must deal with acute care, post-acute care, primary care, and population health, often through a variety of business structures that are equal parts cooperation and competition; oversight of a merger-and-acquisition environment as the organization grows, either as an acquirer or an always-possible target; and consistency, reliability, and safety juxtaposed with flexibility, innovation, and evolution of care. There's also the move from fee-for-service to value-based reimbursement and its inevitable timing of political, regulatory, and payer winds. Then there are the people: those hundreds or thousands of around-the-clock professionals whose daily struggle through task-saturated workflow grind them toward higher percentages of burnout. Throw in the growth of mobile technology, artificial intelligence, and digital health, and the complexity a CEO has to navigate is formidable.

CEOs can't navigate these unknown waters singularly, no matter how deep their previous experience. In essence, the CEO's job is to multiply collective intelligence and action across a wide platform of people, topics, and challenges in a way that is unique to the complexity of the landscape and the organization. The job is to mobilize thought and action effectively against known and unpredicted circumstances—continually. What they've done before has not prepared healthcare as a sector for what we've never done before. Essential board work, then, is to help the CEO create new capacity in the organization—at the

## Key Board Takeaways

- Set the table: Focus board work on aligning mission/vision/values, strategy, and leadership profiles, as well as overseeing active succession of positions and leadership pipelines.
- Build capacity: Invest in creating current and future leadership capacity at board, executive, and physician levels according to shared principles and approaches.
- Engage the work: Make this an iterative function of your board, not a one-and-done effort. "Are we governing for leadership capacity and stability?" must be a continual conversation in a turbulent environment.

board, CEO, executive team, and physician levels.

Here are three areas of focus that can help an organization stabilize and optimize the CEO role.

### Invest in "High-Stage" Leadership and Development

The data are starting to clarify what many have been suspecting—the best CEOs are not those who have "been there and done that," but those who have the capacity to mobilize people around previously un-encountered challenges. In their book, *Mastering Leadership*, authors Anderson and Adams demonstrate the data, which show that leaders with a higher "creative capacity" are most able to create abundant results—that is, to help complex organizations mobilize many people in the face of numerous complex challenges, new and previously encountered.<sup>3</sup> The good news? These kinds of executives are identifiable and developable. The bad news? They're very uncommon in the ranks of traditional corporate leadership.

Finding and selecting these kind of leaders is square one for stabilizing CEO tenure, but the board's and CEO's work begins, not ends, with selection. CEOs are not "done" when they start. In fact, only 28 percent of internally selected, and 38 percent of externally selected CEOs felt fully prepared for the job on selection according to a study by leadership advisory firm Egon Zehnder.<sup>4</sup> But with intentional

1 ACHE, "Hospital CEO Turnover Rate Remains Steady" (press release), May 19, 2017.

2 *Strengthening Our Nation's Healthcare Leadership*, Yaffe & Company.

3 Robert Anderson and William Adams, *Mastering Leadership: An Integrated Framework for Breakthrough Performance and Extraordinary Business Results*, 2015.

4 Karen Talley, "Empathetic CEOs Said to Accomplish More: Reports," *FierceCEO*, April 26, 2018.

development, CEOs can become markedly better at improving their leadership capacity.

### **Take an Ecosystem Approach to Developing Collaborative Capacity and Connection**

The CEO's relationship with the board, physicians, and the executive team are critical to moving the organization. According to a white paper by the Center for Creative Leadership, most CEOs see their executive teams as comprised of skilled individuals who have significant learning to do in enterprise thinking as a team and in handling conflict.<sup>5</sup> Many physician leadership programs are aimed at "helping the doctors catch up" and are not experientially grounded in working with other parts of the organizational ecosystem. Building wide leadership capacity means taking a

coherent approach to all these key stakeholders simultaneously.

### **Endorse "Safe Harbors" for Both Support and Development**

CEOs will tell you that one of their challenges is finding places to learn, exchange ideas and unsolvable problems, and tap collegial support. What they can't necessarily find in their formal in-organization relationships or in educational conferences can often be found in small affinity groups, where executives can connect with non-competitive colleagues for learning, development, and trusted "hot line" consultations that provide invaluable outside-in perspective and empathy from people in like positions.

By putting in the essential cornerstones around governance, mission, vision, values, strategy, succession, and leadership

capacity, boards optimize their organization's ability to attract talent, to support it, and stabilize the organization during transition periods. While there may be no magic trick for decreasing CEO turnover to zero, thoughtful board guidance around high-capacity leadership efforts, ecosystem thinking across key constituencies, and a safe place for CEOs themselves to continue to develop optimizes your organization's chances of landing and keeping the CEO of the future. ●

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5 Alice Cahill, Larry McEvoy, and Laura Quinn, *Are You Getting the Best Out of Your Executive Team?*, Center for Creative Leadership, 2017.