

How to Hire a CEO: A Brief Guide to the Board's Most Important Decision

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At face value, hiring your next CEO as a healthcare organization doesn't seem particularly difficult. You hire a search firm, they help you create a profile of the ideal CEO, they find capable candidates, you interview a few, and you pick the one you like. The search firms are well known and reputable, and it's a turnkey process. Done.

But "done" doesn't always stand up. Turnover at the CEO position is still high (17 percent in 2019¹), and healthcare itself is neither delivering nor thriving. It is still plagued by high cost, erratic quality, slow innovation of its business model despite active technical innovation, and low morale and disengagement throughout its administrative and clinical ranks. Finding the right CEO can unleash and connect all the latent talent and performance across your organization's ecosystem of stakeholders; tapping the wrong one can leave an organization floundering.

Our own experience and the calls we field from executives and board members alike tell us that all too often, organizations end up with buyer's remorse on their CEO hires. While CEOs nearly always work at will and can be asked to leave at any time, the inertia of a hire and the turbulence of another CEO transition tend to prevent boards from reversing a CEO selection error in realistic timeframes.

Further, boards are susceptible to confirmation bias. Confirmation bias is defined as "the tendency to search for, interpret, favor, and recall information in a way that

1 ACHE, "Hospital CEO Turnover Rate Shows Small Decrease" (press release), September 15, 2020 (www.ache.org/about-ache/news-and-awards/news-releases/hospital-ceo-turnover-2020).

confirms or supports one's prior beliefs or values."² Their desire to believe they made the right choice can result in blindness that has a negative impact on culture, engagement, and results. Because boards often see the organization through the lens of the CEO, boards can also be a step removed from toxic leadership dynamics and culture, which may lengthen the time they need to determine that the CEO hire was not right for the organization.

The kind of leader your organization needs now may not match the kind of candidates who have traditionally succeeded in the past. Nonetheless, search firms anticipate the board's desire for stability and consequently fill finalist slates with people who have done things a certain way, with traditional qualifications—not those who have taken less conventional paths and may be more suited to a world where the rules are changing. Differentiating the novel candidate who can secure the future from the conventionally qualified candidate who will put it at risk is the most essential decision the board must make.

2 Raymond S. Nickerson, "Confirmation bias: A ubiquitous phenomenon in many guises," *Review of General Psychology*, Vol. 2, No. 2 (June 1998), pp. 175–220.

→ Key Board Takeaways

Hiring a new CEO can help set up your organization for a better future. Use these tips to select a candidate that will be the best choice for your organization:

- Seek comprehensive stakeholder perspectives; shape the leadership profile and vetting process to be prepared when the time comes.
- Take a deeper look at your organization's key functions before starting the search so that you can efficiently find potential candidates that fit your current functions as well as goals.
- Design a process that allows you to see prospective candidates in action, test them using real-life organizational challenges, and evaluate their ability to work outside their current role.
- Create a post-hire roadmap to increase confidence in the decision and oversee and participate in CEO success. Use assessments and the entire leadership team to help establish the roadmap to ensure that the relationships that define the leadership coalition are stable.

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For all these reasons, selecting the CEO is a critical board function, perhaps the most single action a board can take. Boards don't select CEOs very often, and when they do, the arc of consequences from that decision is long and wide. Numerous risks loom for organizations seeking their next CEO:

- The conventional processes for sourcing, vetting, and selecting CEOs favors certain types of personalities who may excel at the pageantry of search interviews but may not afford the long-term skills essential to moving the organization.³ Typically, the selected candidate comes from a “best resume plus best interview” rubric.
- The traditional process further contains embedded biases toward “safe” candidates who have already been CEOs or operational leaders rather than those with high potential for excellence in unfamiliar environments, favoring what people have done rather than their ability to do what they never have. Both these attributes—having valid experience and having done things successfully without experience—are essential in today's change-as-constant world. As one board member put it, “I like people who have fixed stuff and made new stuff.”
- The perceptions and insights of the current CEO and executive team can create helpful continuity but can also obstruct a board's view to current dysfunction in the organization. We know of one search process, for example, that involved a culture climate scan that included input only from the incumbent executive team, which failed to provide an accurate picture of the organization's needs.
- Internal and external candidates go through the same process, but they are often subject to very different lenses. One is trusted and known, with all their warts and gaps; the other is untrusted but brings the shiny-penny effect, particularly if they excel at interviewing. After selection, both external hires and internal hires face unique challenges⁴ that demand board focus.

3 Lee Simmons, “[How Narcissistic Leaders Destroy from Within](#),” *Insights by Stanford Business*, Stanford Graduate School of Business, April 30, 2020.

4 Andrew P. Chastain and Michael D. Watkins, “[How Insider CEOs Succeed](#),” *Harvard Business Review*, March–April 2020.

- Failure to anticipate and manage the “lame duck period” between when the intent to hire a new CEO is announced and when the hire is made can stall an organization’s strategic momentum and leave executive leaders in limbo to wait patiently, jockey for candidacy, or consider exiting the organization ahead of anticipated replacements by the new CEO. The board should have a careful communication plan as well as a strategy for managing the internal candidate process.

Building an Effective Selection Process

Thus, taking the time to design an effective selection *process* is critical to finding the individual who can steer the present to the future. Boards that are intentional about how they will influence and optimize the process of searching, vetting, and selecting their next CEO increase the chances they will attract the right kind of leader for their particular market and organization. As an entire generation of CEOs nears retirement, CEO transitions are more common, and it’s likely that many board members or search committee members are doing something they never have done before.

As organizations grapple with unparalleled complexity, now more than ever boards need to be differentiating between essential capacities and conventional assumptions with respect to how we perceive and define the position. While no CEO selection is foolproof, boards can adjust their process to favor organizational success, better leverage search firm expertise, and avoid these common pitfalls. The following actions are critical for boards who will be successful hiring well, and less often:

- *Use time to your advantage.* In a world where people feel rushed and over-tasked, clear communication from the board about what is going on and how the process will work is key. Using a longer timeframe to listen thoughtfully to wide stakeholders, such as employed and non-employed physicians, clinical and non-clinical employees, will help shape both the leadership profile and the vetting process when the time comes. More in-depth communication early in this time period with incumbent executives and physician leaders will set them up to contribute to a healthy transition period.
- *Look at your own organization anew.* Consider creating a start-stop-continue audit of the entire organization’s key functions—strategy, operations, and culture. Again, using the time to seek wide stakeholder input from the groups mentioned above and perhaps including patients and families as well and to communicate the board’s interest in helping the candidates really understand the organization so the board can select the candidate who can best serve all stakeholders, informs

a more rigorous selection process, and creates confidence within the organization during the transition.

- *Define your candidate attributes* around how executives respond to complexity and how they develop organizational capacity, not around the longer (and easier to assess) list of “been there, done that.” Organizations need to see prior capability but, more importantly, they need to explore how candidates develop teams and wider populations to think adaptively, work resiliently, and link stable and predictable performance with new and agile action.
- *Don't be afraid to push the search firm.* Search firms are superb at running the process of pre-sorting candidates and getting them in front of you. What kind of people they seek, and what you do with them when they arrive, is key to the organization's success and under the board's control. Operations are often over emphasized (CEOs need to govern and oversee operations, not do them). Strategy is key but the capacity to assess and abandon current plans and adapt to rapidly changing circumstances in an uncertain world are often undervalued relative to five-year strategy maps. “Healthy culture” is universally recognized now, but *how* CEOs shape, evolve, and deepen culture to create sustainable results is often under-explored. Outside facilitation on organizational need and candidate profile before engaging the search firm can be helpful in setting the groundwork for an efficient and effective search.
- *Test the candidates.* While behavior-based interviewing is a valuable tool for predicting how people describe how they will respond, there is no substitute for seeing candidates in action outside an interview. In our work, we put succession candidates in real-life organizational challenges and support and evaluate their ability to work outside their current role. Organizations frequently use simulations to address technical competencies. There's no reason a board couldn't have candidates conduct employee forums or meet with conflicting groups on key issues, allowing the board to observe them in action and debrief them afterward.
- *Use assessments* not to clear a low bar but to establish a roadmap for future work. Most search firms are using psychometric tools of some sort these days. While such tools are not really designed for litmus-testing, they can give the board key information upon which to build an interviewing and simulation process. Further, they are a key part of building the post-hire roadmap.
- *Build a post-hire roadmap* to oversee and participate in CEO success. This has less to do with “whether the CEO is good enough already” than in the board actively participating in assuring that the ecosystem of relationships that define a stable leadership coalition are created collaboratively between board, CEO, executives,

and physicians. Leaving this to one recently hired CEO risks a unilateral solution that will fail to optimize the web of relationships and skills that create coherent, collaborative leadership.⁵

Hiring a new CEO is a chance to set a cornerstone for a better future. It is not a failsafe process and never will be. Taking the time to 1) define what your organization really needs by tapping wide stakeholder perspective, 2) design a process that allows you and those stakeholders to see the prospective CEOs in action, and 3) thoughtfully shaping a post-hire roadmap, can increase the board's confidence in this critical decision. The U.S. Military is redesigning its talent selection process specifically around mitigation of traditional bias and listening to a wider group of stakeholders.⁶ The healthcare industry also needs to take a long, hard look at how we identify and place our next generation of CEOs. Trusting our current approaches to CEO selection is not yielding the stability, innovation, value, or engagement we need in healthcare. It's time to challenge the status quo on these most important selections.

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5 Dan Ciampa, "After the Handshake," *Harvard Business Review*, December 2016.

6 Everett Spain, "Reinventing the Leader Selection Process," *Harvard Business Review*, November–December 2020.