The Board and CEO Relationship: The First 120 Days

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Key Board Takeaways

- Understand that early exit is a legitimate risk of any CEO appointment; establishing an intentional plan will mitigate this risk.
- Commit to developing a written plan of action outlining each step of early board–CEO engagement.
- Recognize the CEO onboarding process requires serious time dedication for the board and new CEO.
- Acknowledge that an internally promoted CEO must undergo the same process.
- Focus time on clarifying mutual expectations.

Boards recognize that selection of a CEO is its most important duty. Most often, this is a lengthy process requiring an abundant amount of valuable director time. Upon appointing a CEO, it can be tempting for board members to congratulate themselves on a job well done and quickly return to the usual rhythm of board and committee meetings.

With annual healthcare CEO turnover consistently at 18 percent, unforeseen CEO turnover is a genuine risk for board consideration.[1] Media headlines offer many examples of unanticipated early CEO departures. Early exits from the CEO position are quite damaging to the organization, the board, and the involved CEO. Together, the board and newly appointed CEO have a shared interest in immediately solidifying this new relationship.

Early Demands and Priorities

The new CEO experiences an immediate crush of demands on his or her time. The CEO has many relationships to build within the organization and in the external community and region. Early communication with physicians and medical leadership is vital. The CEO is also devoting serious energy to the structure and selection of the senior executive team. Simultaneously, there can be pressing relocation logistics and family considerations.

Even for individuals who are promoted internally and/or do not face a geographic relocation, the constituencies of the CEO position are new and different—and as time-consuming as those experienced by external appointees. Developing board relationships can easily take a back seat to these other compelling time demands.

The breakdown of the board–CEO relationship is a major contributor to CEO turnover, so it is essential to establish an effective foundation. Developing the board and CEO interconnection should be the first priority for both the CEO and the board.

There is an expectation that the board chair will be in communication, early and often, with the CEO starting from the time of his or her acceptance of the position. There is often a time gap between CEO selection and the CEO's start date. The board chair and CEO-designee can use this interval to great advantage for a running start. The board chair should lead the board in its navigation of this new relationship while also serving as a trusted advisor to the CEO.

New CEO Onboarding Plan

The onboarding of a new CEO should be led by the board, or in some cases by the board's executive committee. This new and evolving relationship will be the bedrock for all future work undertaken by the board. The board and CEO will mutually benefit from a thoughtful plan of action, including timeframes, that results in the early establishment of a strong working relationship. The plan will establish a pathway for developing a relationship both inside and out of the boardroom, based upon mutual trust and collaboration.

Key elements of this plan of action include:

- One-on-one in-person meetings between each board member and the new CEO
- Establishment of mutual expectations, including key performance goals, for the CEO
- Determination of board–CEO communication channels
- Development of a financial authority limits policy
- Timeline and metrics for annual CEO performance evaluation
- Social and community strategy

The one-on-one meetings between each board member and the CEO are critical to build an effective working relationship based on trust. CEO selection processes typically include candidate interviews with small groups of directors and the full board. Other than the board chair and executive committee members, most directors have likely not had the opportunity for an individual meeting with the newly selected CEO. Preferably, these meetings should be held on the board member's own turf—home or office. Allocate up to two hours of time as these meetings are intended to be in-depth conversations. Suggested questions to discuss individually with each board member include:

- What are the organization's top current priorities today? In three to five years?
- What are the top three expectations of the CEO for year one?
- How can board meetings be improved?

1 American College of Healthcare Executives, "Hospital CEO Turnover Rate 2018" (press release), May 30, 2019.

- What are director communication expectations between board meetings?
- What is the board's definition of CEO success?
- What should not be changed at the organization?
- Rank on a scale of one to five the current level of engagement among the board.
- Who should the CEO meet with in the community?

Gathering this information will enable the CEO to formulate his or her initial priorities for presentation first to the board chair and/or executive committee, followed by discussion with the full board at an early board meeting. The written plan of action should evolve from this boardroom discussion and should include clarification of expectations between the parties. The establishment of a board policy clearly outlining the CEO's financial authority limits is an essential component of the plan. The plan should also specify standards for communication between board meetings, including board consensus on a standard communication mode. The priorities can then be translated into CEO annual performance goals and associated metrics.

The new CEO is advised to communicate clearly to internal constituencies that he or she will be spending significant blocks of time with board members during the first weeks of his or her leadership. The CEO should emphasize to internal audiences that this time commitment is foundational in aligning vision and preparing for the organization's future.

The path ahead for healthcare organizations is only accelerating in complexity, risk, and uncontrollable external factors. Solidifying the board–CEO working relationship in the first 120 days of a CEO's appointment will provide the understructure for the challenging work ahead.

The Governance Institute thanks Kimberly A. Russel, FACHE, Chief Executive Officer of Russel Advisors and Governance Institute Advisor, for contributing this article. She can be reached at russelmha@yahoo.com. For more information around facilitating an orderly transition to new leadership, see The Governance Institute's Elements of Governance® publication, Succession Planning, Third Edition.