

What Should the Board Expect from an Interim CEO?

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The American College of Healthcare Executives reported a hospital CEO turnover rate of 18 percent at the time of its last survey in 2018.¹ Many are predicting even higher rates of CEO turnover in coming years due to pandemic-related burnout. In the future, the field will undoubtedly experience both planned and unplanned CEO turnover. As a result, many boards will elect to appoint an interim CEO as a bridge during the permanent CEO recruitment and selection process.

The CEO turnover story at each health-care organization is unique. Turnover may occur due to an unexpected event such as the serious illness or even sudden death of a CEO. Perhaps the CEO has been recruited to another job. A board may initiate turnover due to underperformance of the incumbent CEO. Or perhaps the CEO's departure has been planned (such as a retirement), but the search for a permanent CEO is still ongoing. The underlying reasons that created the open CEO position will inform the board's approach to the interim period.

What should the board expect from an interim CEO? In the distant past, boards considered an interim CEO to be a placeholder—keeping the seat warm until the arrival of a permanent CEO. As the healthcare environment has become more complex, boards now have higher expectations of interim CEOs.

Given the dynamic healthcare environment, very few (if any) organizations can hit pause during a CEO search. Although the board will necessarily focus its attention on seeking a permanent CEO, the board must first thoughtfully consider the organization's leadership needs between two key points in time: the departure date of the incumbent CEO and the arrival date of the permanent CEO.

Continuing Forward Momentum

Once the board makes the decision to appoint an interim CEO, the board should regard interim leadership as an opportunity. The board has every incentive to maximize the benefit of this leadership interval. Appointing an interim CEO not currently employed by the organization can provide the board with an experienced leader who can approach the position with a fresh set of eyes. Appointing an insider executive as the interim CEO brings an understanding of current culture along with a pre-existing relationship with the board. Regardless of the board's selection of an external or internal executive, the interim CEO can provide a period of stability for the workforce while a formal search for a permanent CEO is undertaken. With the board as his or her ultimate client, the interim CEO has a unique opportunity to evaluate current and anticipated challenges facing the healthcare institution.

Examples of Expected Accomplishments of the Interim CEO:

- Implement needed leadership personnel changes.
- Complete major information technology upgrades.
- Oversee capital construction projects.
- Prepare the organization for change management.
- Lead a financial turnaround.
- Stabilize internal morale.
- Divest programs/service lines.

Key Board Takeaways

- Regard the interim CEO interval as an organizational opportunity.
- Remember that a skilled interim CEO allows the board sufficient time to thoughtfully conduct the search for a permanent CEO.
- Clarify the top-three expected achievements for the interim CEO.
- Use the interim period to create needed internal change and empower the interim CEO accordingly.
- Ensure that the interim CEO is effectively performing the job and laying the groundwork for the permanent CEO to be successful.
- Expect stepped-up communication with the interim CEO.

The board's responsibilities when appointing an interim CEO include:

- **Clarify the board's top-three expected accomplishments of the interim CEO.** It is critical for the board to arrive at consensus on priorities for the interim leadership period. When interviewing a prospective candidate for the interim CEO position, boards will be asked about the expected outcomes of interim leadership. If the board is unable to come to consensus, a skilled external facilitator may be helpful. (See sidebar for examples of expected interim CEO accomplishments.)
- **Confirm the interim CEO's authority levels.** The board should revisit its CEO Authority Policy. Many organizations retain the existing financial, strategy, and personnel-related authority levels for the interim CEO, although often additional communication to the board about key decisions is required during the interim period.
- **Articulate the board's communication expectations from the interim CEO.** What mode and frequency of communication does the full board expect from the interim CEO outside of regularly scheduled board meetings? Is there a need for a routine touch-base with board leadership? Most boards will require more frequent CEO updates during the interim period.



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

The Interim CEO Role

Upon appointment, the interim CEO should conduct an immediate organizational assessment. The interim CEO is much like an internal consultant in performing this evaluation. The goal is to determine needed actions to prepare the organization for the permanent CEO. The results of the assessment should be shared with the board. Ideally, the findings will confirm the previously determined top priorities for the interim CEO. It is not unusual, however, for the assessment to uncover other issues needing attention that were not anticipated by the board.

In preparing the healthcare organization for its next leader, the interim CEO is often faced with tackling difficult challenges and decisions, such as leadership changes on the executive team or financial cuts. Empowering the interim CEO to take these actions can provide needed runway time for the new CEO. The permanent CEO will benefit from a clean slate to begin his or her new administration.

The interim CEO can also play an important role in the recruitment process for the permanent CEO. Of course, the board retains full responsibility for the search and selection process. However, the interim CEO can serve as an informal advisor to the board. For example, as the interim CEO continues to learn more about the organization and its opportunities, he or she can provide an opinion about the specific leadership skills and experiential background that will be needed from the permanent CEO. Candidates for the permanent position will also value the interim CEO's frank perspective on the organization's current situation. The interim CEO becomes a key contributor to the permanent CEO's orientation to the organization.

As the board implements its CEO search communication plan to key constituency groups, the interim CEO is well positioned to emphasize the board's key messages to internal staff. The interim CEO can help reduce organizational anxiety about the search by reinforcing

the board's communication points about the progress of the search.

In most cases, the community engagement of the interim CEO will be significantly less than that of the permanent CEO. The interim CEO will most likely focus attention on internal matters. With this reality, the interim period is an ideal time for the board to target its own external community connections.

Board Focus

The most important governance responsibility is to recruit and select a CEO with the experience and talent to lead the pursuit of the healthcare organization's mission and vision. Having an interim CEO armed with a clear board-approved agenda will create a sufficient window for the board to conduct a thoughtful and intentional search for its next CEO.

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.