100-Day CEO Toolkit
White Paper: CEO Transition

Accelerating to Drive Sustainable Change
Each year, 20 percent of the Chief Executive Officers (CEOs) at American hospitals resign and, according to Black Book Rankings, the majority of turnover is involuntary. CEO turnover in healthcare is more pronounced than in other industries. In fact, the Conference Board reports that average corporate CEO tenure is 8.1 years while many recent studies have reported that healthcare CEO tenure is less than half of that, or 3.5 years. Further, CEO annual turnover is increasing each year – a result of changing market dynamics, increased financial pressure, more demanding boards, and impatient investors.

In some organizations, CEO turnover seems to be part of the fabric of the institution. An ACHE study reports that 57 percent of hospitals have had more than two CEOs in the past five years; amazingly 25 percent had three or more!

We leveraged the iVantage Hospital Strength INDEX™ study to review 46 recent hospital CEO transitions (July-November 2014), reported by Becker’s Hospital Review. By reviewing the hospital performance metrics for each impacted organization we were able to identify some of the immediate challenges a new CEO will face in his or her role.

Our findings reveal that these new CEOs face:

- Below average patient outcomes
- Financial instability
- Sub-standard quality
- Lower relative market share

These key performance areas will require decisive and quick action.

Poorly executed CEO transitions can have dramatic ripple effects throughout the organization and are at the heart of the CEO turnover problem. As a 2013 Becker report outlined, when a new CEO is hired, almost half of the current senior team – CFO, COO and CIO – are replaced within a year; stunningly, nearly 90 percent of CMOs are as well. Competitors are also likely to take advantage of the instability by recruiting a hospitals’ physicians, marketing to their patients, and recruiting away other key employees.
Forbes revealed that only 55 percent of CEOs came from within an organization and the statistics are similar in the healthcare industry, with the ACHE reporting that 57 percent of CEOs are internal candidates. Hospital board members fret about the lack of quality candidates inside an organization, the depth of organization management, and the inadequacy of succession planning and talent management. They often turn to outsiders because they expect action and don’t believe the internal candidates can move a hospital far or fast enough. These statistics tell us three things:

1. Getting a CEO transition right – picking the right person and having that person achieve notable and meaningful success – is critical to an organization.

2. The ripple effects of a poor selection will be profound.

3. CEOs have a limited amount of time to show results before boards become restless and an organization dynamic starts to change.

Industry experts such as Thomas C. Dolan, the former CEO of the American College of Healthcare Executives, has stated in Healthcare Executive magazine that “four years is an inadequate amount of time (for a CEO) to create and sustain permanent change within an organization”. We respectfully disagree. While four years would be nice, the window for CEO success is limited to one, perhaps two years, depending on the state of the organization when he or she “takes charge.”

Further, our research and experience in leading and advising both public and private sector organizational settings has shown five main themes are critical to any new CEO:

- **Focus on a Few Core Themes** – Many executives make the mistake of splitting their efforts and having an excessive number of initiatives; all this does is divide their time away from where it should be focused -- the truly big ideas that will transform fundamental change. As part of our work, we’ve found it critical that leaders pick no more than four big ideas that will make a difference. Once these visionary notions propagate down into the organization and transform into specific action plans at the tactical level, the organization will have dozens of specific plans that tie to these few core objectives. Don’t over complicate the transformation by adding multiple themes at the top. We often counsel, “Do more ON less.”

- **Define the End State** - Set a clear and distinct end state for where you are headed; this should be a goal that is easily understood throughout the organization and obviously one that is critical to its long term success. Think through how you want the organization to change in two to five years. Consider less about your personal legacy but more about how your tenure will impact the organization’s core at the end of a defined time.
Quickly Assess Your Core Team – While we find the industry executive turnover that normally accompanies a new CEO alarming and likely unnecessary, it is important to quickly assess one’s team to determine their appetite for change and ability to support the transformation, and equally quickly to engage them in shaping your plan and their role in it.

Get Traction Early – Early success is key and small wins have a disproportionately positive impact on an organization, especially early in the change cycle. Early wins will suffocate the energy of the non-believers and those recalcitrant to change. Momentum builds on its own and reinforces success. So, be sure to include some early visible wins in your game plan.

Repeat Your Message – Don’t overestimate the importance of regular communication on the entire strategic effort, in a variety of mediums best suited to the varied demographics of your audience. While the electronic media can predominate, regular face-to-face contact is essential, especially in hospital and other organizations dedicated to the human endeavor.

Even with the new CEO’s implied mandate, achieving change is difficult. But beyond these broad keys to success comes more difficult and important questions: How do I make progress and what are the main challenges to overcome?

Taking Charge Fast – Show ’em You Mean Business

As Dr. Robert H. (Bob) Miles, former chair of an innovative program for new CEOs at Harvard Business School and an iVantage advisory affiliate states, “New CEO’s face many challenges the moment they are appointed. They must quickly develop a plan for taking charge and for launching the next major phase in their company’s success. In essence, they are immediately confronted by a transformation challenge that not only requires a re-examination of the company’s business realities and corporate strategies, but also a re-shaping of its management process and culture, a fundamental realignment of its business and functions and a re-engagement of all of its managers and employees.”

Miles’s research identified in a multitude of industries, six core “inhibitors” to successful change that an effective CEO transition must overcome. These form the foundation for iVantage’s AHT-- Accelerated Healthcare Transformation™ methodology.

- **Cautious Management Culture**: Executives, even some on the senior team, will keep their heads down, protect their business, and try to avoid big mistakes by sticking to the “tried and true.” Caution is typical as there is normally little reward for those with the initiative to speak out with bold, new ideas. There is preoccupation with incremental improvements as opposed to breakthrough results.

- **Business-as-Usual Management Process**: Day-to-day processes and meetings, as well as management bandwidth are already overtaxed and there is little room for anything new or different. Executives are therefore stuck waiting for the perfect new business model.

- **Initiative Gridlock**: Frequently, too many separate initiatives are being thrown at the organization and its people at the same time. Uncoordinated functional initiatives, layered one on top of another, can create task overload across the whole hospital.
- **Recalcitrant Executives:** Some executives remain unconvinced and uncommitted to the organization’s transformation agenda. Executives avoid conflict while exhibiting an unwillingness to re-allocate their resources to support the transformative agenda. Turnover at the senior level can be seriously disruptive, but a protracted tolerance of nonaligned leaders throughout the organization must be solved.

- **Disengaged Employees:** The lack of understanding surrounding the need for transformation prohibits employees from grasping the new strategy and transformative agenda. Employees are not certain they will be rewarded for new expected behaviors and therefore do not feel safe sharing their best ideas.

- **Loss of Focus during Execution:** Just when the change effort seems to be working, the process hits a slump often caused by the desire to relax immediately following the launch of new initiatives or by the daily emergencies that crop up in any business. The belief that things are progressing well blinds executives to take their foot off the gas.

New CEOs not only need to engage and overcome these inhibitors …they need to do it fast. Leaving even one of them unattended may derail an otherwise successful new CEO transition.

Experience tells us that after the first 100 days the window on initiating effective change begins to close. As time passes, the entrenched status quo, the existing protocols and pecking order begin to calcify an organization’s desire for change. Those that would normally embrace change expect to see action and when they don’t, become ineffective. The change agent can lose that key asset. Moreover, those who are prone to resist or remain uncommitted to the organization’s transformation agenda gain more clout.

Our process has identified six “accelerators” that will speed the transition and overcome the inhibitors:

1. **Mandatory Participation with “Safe Passage”**: This process involves clarifying how and when individuals at all levels will be involved, establishing the ground rules for structured dialogue and decision-making, and finally employing a third party to get difficult issues and objective data on the table. It compels all members of the executive team to confront reality and play an active role in the later Launch Phase.

2. **The “No-Slack” Launch**: The CEO transition must be compressed in time, preferable over three to four months while striving for high-visibility early wins, or “quick starts.” This streamlined launch overlays on top of the regular management process.
3. **Deliberately Compressed Agenda:** Perhaps as much as any part of the solution, this step requires discipline and management courage; focus your entire organization on no more than four major initiatives. Each initiative requires two, but no more than three, areas of focus with well-articulated metrics to define success. The process requires executives to determine what to stop doing and focus on **doing more on fewer initiatives.** No more 100 point plans.

4. **Committed and Capable Change Leaders:** All senior executives play an important part in leading elements of the transition. They are required to commit to both performance improvement and behavioral change. Those executives who are not aligned with the transformative process need to first, be given an opportunity to become engaged, and failing to do that, should be dealt with swiftly and visibly.

5. **Top-to-Bottom Employee Buy-In:** Deploy a rapid, high-engagement, all-employee cascade which goes beyond communication campaigns and town hall meetings. Require line managers to take charge of aligning performance management to individual commitments.

6. **Anticipation of Post-Launch “Slumps”:** Plan for the predictable setbacks, slumps, overconfidence and post-launch blues; executives must conduct quarterly leadership checkpoints and mini-cascades. By setting appropriate expectations and exhibiting visible leadership behavior, post-launch slumps can be avoided.

iVantage’s Accelerated Healthcare Transformation, or AHT, methodology was specifically developed to provide this kind of assistance to new CEOs.

**The CEO Transition Solution**

The CEO Transition Solution is the early portion of a larger AHT transformation process. The AHT process has been designed to quickly focus and engage the full organization and then thoroughly follow through for implementation (as shown in the figure above). By design, AHT incorporates a **compressed Launch Phase** (usually no more than 3-4 months) so that the entire organization can quickly get into Execution and accelerate the process of learning from performing. **This is the essence of the iVantage CEO Transition Solution.** The CEO
Transition Solution was designed over the past three decades to enable a leadership team to rapidly and sequentially overcome all of the typical barriers that often derail CEO transformation attempts.

Launch Phase

The Launch Phase begins by reviewing the key elements of the hospital's external and internal environments as well as the results of an initial round of executive team confidential interviews. The latter is used to gauge the scale of the required changes, identify major improvements needed in the organization design, and assess the functioning of the leadership team. Given the earlier statistics on senior leadership turnover, this is clearly an important step.

Then, preliminary versions of the company's new performance aspirations, strategic vision and intent, business success model, and values are developed, before being reviewed and refined in the initial meeting of the Senior Leadership Team.

This is also the time to identify and put into play some “Quick Starts” that can generate early returns to reinforce the transformation effort, even before its plans are cemented.
What follows is a series of meticulously designed meetings of the Senior Executive Team and the Extended Leadership Team, each led by the new CEO and structured to successively refine and ultimately finalize the new core tenants of the company’s new direction, including agreement on Business Realities, Strategic Vision and Intent, Business Success Model, Values and Culture, Organization Design, and Transformation or Strategic Initiatives - each with specific Areas of Focus, Outcome Metrics and Action Programs.

Proprietary templates and procedures are utilized to guide this process. *Structured Dialogue* is established to ensure that the process is rigorous and that all executive leaders are engaged and ultimately aligned.

The deliverable at the end of this step is a simple, but comprehensive set of CEO led constructs that prioritize the focus of the enterprise for transformation. Only after this plan has been refined and vetted by the top three levels of management is the plan cascaded down through the organization to all employees to set the stage for full execution.

To accomplish this last pre-execution task, the *CEO Transition Solution* methodology incorporates a streamlined, high-engagement, all-employee cascading methodology to rapidly create clear line-of-sight accountability between the new company-wide initiatives and the job-level objectives of all managers and employees.

**Cascade, Then Execute**

At this point, further consultant assistance is optional as the CEO Transition is well on the way to success. The cascade begins within a meeting of the extended leadership team during which the final transformation plan is reviewed. In the cases of the strategic initiatives and company values, specific commitments to action are first presented by senior leadership team members to their teams before their team members discuss and then develop their own preliminary action plans. Subordinates meet within a week with their senior leadership team member to finalize their plans, before they lead a similar process with their direct reports, and so on, until all employees have created individual commitments that establish clear line-of-sight accountability from top to bottom in the organization.

**Client Success**

**Client:** Midwestern healthcare system  
**Challenge:** New CEO hired to transform a struggling healthcare system into a meaningful player in its market  
**Results:** After a rapid, system-wide assessment the initial project focused on identifying and implementing $40M in short-term improvements.

A worsening economy soon expanding the scope of the project to $70M and eventually $100M in improvement, including the sale of two hospitals which were losing money.

Once the client’s financial situation stabilized, focus shifted to driving increased market share while continuing to build upon the cost improvement. In addition to the AHT methodology, iVantage deployed a ‘CEO Extender’ who worked side by side with the senior management team throughout the process. This approach effectively doubled the CEO’s capacity to drive the necessary change.
Typical First-Year Performance Outcomes

By focusing on no more than four strategic initiatives using the compressed CEO Transition Solution/AHT roadmap, executive leaders have been able to routinely generate breakthrough results by the end of the first full performance year.

- **Proven**: Typically CEO’s will find a substantial financial improvement in addition to organizational alignment. A full AHT transformation will historically yield a five point improvement to the bottom line.

- **Fast**: In just a few months, results will be noticeable; the early achievement of break-through performance on the key initiatives reinforces the transformation process and re-energizes the workforce for the remainder of the effort.

- **Leader Led**: While the consultants remain in support, this process is clearly CEO lead, allowing the organization to see the CEO leading from the front. Successful corporate transformations keep the responsibility for leading the transformation squarely in the hands of the business leaders.

Leader-Led Approach

In contrast to traditional consulting approaches, The CEO Transition Solution relies on a seasoned business advisor with a robust process architecture to coach the leadership team over the predictable obstacles to and through the essential steps for a successful hospital and executive transformation. The result is dramatic improvement in the key business initiatives, cultural alignment in a shorter-than-expected period of time, and fundamental improvement in leadership acumen from top to bottom in the organization. It is a transition led by the CEO and the senior leadership team. Thus, the beginning of the transformation effort becomes leader-led, not consultant-led, and the intervention becomes a permanent part of the company's management process and culture.
Meet Our Experts

Hunter Clark is an Account Executive at iVantage Health Analytics, helping hospitals and health systems across the country navigate the New Healthcare. A graduate of Bowdoin College, Hunter primarily focuses on the rural market and works with clients to find innovative ways to overcome daily challenges.

Boe Young is a Senior Vice President with the iVantage Advisory Services Division and has personally led new CEO/senior executive transitions in five private and public sector organizations. He has an MBA from Goizueta Business School at Emory University and has over 25 years of private sector, senior executive profit and loss experience. He is a Major General in the US Army Reserves.

The AHT-- Accelerated Healthcare Transformation™ and many aspects of the CEO Taking Charge solution presented here are founded on the Accelerated Corporate Transformation (ACT) process developed by Dr. Robert H. Miles. The AHT process is the ACT process customized for the healthcare industry and has been used at over a dozen major healthcare systems and hospitals, nationwide, with proven success. Dr. Miles, an iVantage Affiliate and former Chairman of Galloway Consulting, has served CEOs as the principal process architect in over 30 corporate transformations.

A summary of the major insights from his experiences, titled “Accelerating Corporate Transformations,” appears as a feature article in the January/February 2010 issue of the Harvard Business Review. Dr. Miles also is the author of many books on corporate transformation and organizational effectiveness, including Leading Corporate Transformation: Blueprint for Business Renewal and BIG Ideas to BIG Results. At the Yale School of Management and Harvard Business School faculties for many years, he was also the Hopkins Distinguished University Professor and Dean of the Faculty at the Goizueta Business School at Emory University and also served for over a decade as a faculty member at both the Stanford Executive Institute and at GE’s Crotonville executive management education institute.