

Governance Notes

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Minimizing Governance Disruptions Due to a New CEO

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When a new CEO takes charge, a new dynamic inevitably will replace the one that existed between the board and the previous CEO. A new leader from outside the organization likely will have had a different working relationship with his or her board than that of the outgoing CEO and the board of your health system. As both parties seek to build a strong working relationship, longstanding governance processes may be challenged or require modification. How can governance support professionals help to minimize unproductive disruptions in board processes during the transition?

“An ounce of prevention is worth a pound of cure” applies here. By planning ahead, many potential governance disruptions can be avoided, minimized, or mitigated. Seemingly small actions taken prior to and during both the recruiting process and CEO onboarding can yield positive results over the next 12–18 months.

Before and During the CEO Recruiting Process

A smooth, successful CEO transition with limited governance disruption starts before the recruiting process commences. At this point the board should:

- **Make sure it is already “the best it can be.”** Build on the results of a recent board self-assessment and/or compare your board to established governance best practices to identify changes that can be implemented even before the search for a new CEO begins. Consider the question, “If we could make only one or two changes to improve our board’s effectiveness, what would they be?”
- **Before recruiting, clarify what the board is looking for in its relationship with a new CEO.** Being as specific as possible, consider:

- » What do we need from a CEO to help us be as effective as possible in governing?
- » What do we as a board bring of value to the organization that we need a new CEO to value?
- » What are the three most important things we want the new CEO to accomplish in his/her first year?
- » Are we (really) open to changes in our governance structure or processes a new CEO might suggest—and why or why not? And if “yes,” when?

During the formal CEO interview process, ensure that you integrate questions specifically related to the board–CEO relationship:

- **Ask candidates about their preferred working relationship with the board.** For example, what information does the CEO need from the board to do the best job he/she can, or what behavior from the board would best enable a trusting relationship at board meetings, between board meeting, and in one-on-one meetings?¹

During the CEO Onboarding Process

Governance support professionals, the board chair, and the overall board each can and should play a critical role in facilitating a CEO transition with minimum disruption to governance processes.

Governance support can play a uniquely helpful role:

- You can serve as a historian and cultural translator for the new CEO. All governance evolves and understanding why the board operates as it does is as helpful to a new CEO as understanding how it operates today.
- As a facilitator of activities between the board and management and as someone who knows the styles and personalities of individual directors, you may be able to identify early warning signs of discomfort within the board that should be addressed before they become magnified.
- Ensure that the CEO is aware of what communication approaches have worked best with the board and with specific committee chairs in the past (e.g., preferred communication between meetings, level of detail in the CEO report, regular convenings of the committee chairs, and soliciting input for the board agenda).

The board chair should be the primary board contact for the new CEO and be prepared to devote considerable time to CEO onboarding. With governance support, the chair should:

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1 Dan Ciampa, “After the Handshake: Inside One CEO’s Transition,” *Harvard Business Review*, December 2016; pages 66–68.

- Encourage and welcome feedback about the CEO transition during board meeting executive sessions or one-on-ones with the chair, while reminding board members of the confidentiality of board-related discussions.
- Provide regular, candid feedback to the CEO regarding how the board is experiencing this leadership transition. Work collaboratively with the CEO to identify any changes to help achieve a board–management relationship characterized by mutual respect, trust, and open communication.
- Remind the board that the new CEO—despite his or her many talents—is not a mind reader. The board must clearly communicate its expectations to the CEO. While the board may have developed an effective shorthand communication style with its former CEO, this style is likely too cryptic to work well at the outset with a new CEO.
- Identify any proposed changes in governance processes that may need to be accelerated or slowed down.
- Arrange for the CEO, along with key board leaders as appropriate, to meet and develop strategically important connections, both internally (e.g., staff and physicians) and externally (e.g., community leaders).

The board as a whole plays key roles in minimizing governance disruptions during the CEO transition. Specifically, the board should:

- Avoid burdening the new CEO with baggage from the prior CEO. Even if members had lost confidence in the last CEO, the board must not micromanage or second-guess every decision or change the new CEO makes.
- Be clear on the protocol for board members interacting with senior managers. While board committee chairs typically work directly with senior management (e.g., the finance committee chair with the CFO), whether, when, and how individual board members should contact senior management directly varies by CEO and board, with most organizations expecting that, outside that for committee work, regular board member communications with managers go through the CEO.
- Adhere to existing governance processes and policies and when the board believes a change is needed, request through the chair that the governance committee review and recommend any changes.

Recruiting, hiring, evaluating, and—when warranted—firing a CEO are among the primary responsibilities of any board. Planning for thoughtful CEO recruiting and onboarding processes can help organizations enhance board functioning and identify potential roadblocks to success. Governance support professionals can play pivotal roles, both by anticipating potential disruptions in governance processes well in advance and by helping

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board leaders identify strategies to mitigate and manage these distractions. Working together, the board chair, governance support staff, and the CEO can make this transition a smoother and less stressful one for the board.

Key Takeaways

- Many potential governance disruptions can be avoided or mitigated if identified early—even before formal recruiting starts.
- Governance support professionals can play a unique role in serving as a board historian and cultural translator for the new CEO and identifying “early warning signs” of potential disruptions to governance processes.
- The board chair will need to spend more time than usual during new CEO onboarding and should provide regular, candid feedback to the CEO regarding how the board is experiencing the leadership transition.
- It is critical that the board not burden the new CEO with any baggage from its relationship with a prior CEO.

TGI thanks Marian C. Jennings, M.B.A., President, M. Jennings Consulting, and Governance Institute Advisor, for contributing this article. She can be reached at mjennings@mjenningsconsulting.com.

