

THE GRACEFUL EXIT:

Lessons from CEOs

How you leave your organization may be almost as important as how you lead it. As a leader, you spend your days running to stay ahead of the complexities, changes and challenges presented by today's health care organization. What happens, though, when you begin to sense that your own personal finish line may be coming into view? Even though we more often see boards take full responsibility for finding successors, the departing chief executive officer's role in the transition is critical.

We recently spoke with a number of former CEOs, both inside health care and from other industries, to learn how they planned and executed their exits. We found that, while every CEO's situation is unique, and there is no one-size-fits-all approach to leaving the top post, there are a number of steps that CEOs and boards can take to ensure the most graceful exit possible.

Knowing When It's Time

There is no one reason that triggers a CEO to begin thinking about leaving. The reasons are as diverse as the people who lead health care organizations: their best work has been done; enthusiasm for the job is dwindling; an urge to explore new opportunities surfaces; the organization needs someone with different talents; and, the most obvious reason, it is merely time to retire.

For Tom Collins, after nearly 23 years with the same organization, it was important that he leave his post as president and CEO of MemorialCare in Huntington Beach, Calif., on a high note. "I wanted to leave while I still had the energy and enthusiasm—and professional acceptance—to pursue another chapter. As I was making my decision, it was invigorating to see

if I could actually pull off a career move," he says.

Frances Hesselbein, former CEO of the Girl Scouts of the USA, says she began planning how and when she would leave the organization from her first day on the job. She believes that a great leader chooses this point of view in order to stay focused on achieving goals and on bringing on potential successors. In 1990, after 13 years as CEO, she had led the Girl Scouts to 3.5 million in membership, with the greatest diversity and cohesion in its 78-year history. "It was one great movement. It was the perfect time to leave," she says. "My last year was the most exuberant of my whole career. The board and the staff moved through four critical stages: defining a vision, building a search infrastructure, delegating authority and conducting the search."

Family situations also influence when it's time for a career change. When Rich Statuto joined the Orange County, Calif.-based St. Joseph Health System in 1990, his initial plan was to stay for no more than five years. "Somehow, those five years turned into 10," recalls the former CEO and president. "After discussing it with my wife, we knew it was time for my family to plan our return to the East Coast."

BY JACK R. SCHLOSSER AND JANE HURD

In other scenarios, the CEO's departure is dictated by the organization's business cycle. After a successful stretch of rebranding and restrategizing at the Group Health Cooperative of Puget Sound in Seattle, Cheryl Scott began contemplating her retirement. "It was clear to me that it was going to take five to seven years to make this strategy a reality and, after some soul searching, I realized that I wasn't going to be the person to lead the process," says Scott, former CEO of the cooperative and now chief operating officer of the Gates Foundation in Seattle.

Treuman Katz experienced the same epiphany after 26 years as president and CEO of Children's Hospital & Regional Medical Center in Seattle. During a leadership retreat with the board in 2003, he realized that it would take another three to five years to make all the changes he envisioned. "I had to ask myself if I had what it took," he says. "I ended up taking a three-month sabbatical. Not only was it a great opportunity for other executives to shine, but I was able to give retirement a great deal of thought. At the end of my sabbatical, I knew that I didn't have the energy level and that now was a good time for my retirement."

Within the Right Timeframe

While the personal reasons for leaving run the gamut, there is a commonality among the majority of successful departures: finding the delicate balance between overstaying your welcome and leaving the organization in a lurch. The best exits occur when the interests of the organization and the executive are aligned. Hesselbein says, "You haven't been selfish during the time you're there. Why would you start being selfish when you're about to leave?" Scott gives similar advice. "I've seen a lot of CEOs in health care stay too long or take too long to leave, and what a terrible way to leave! Even if [your departure] is on your own terms, it shouldn't be a tragedy for the rest of the organization."

On the other hand, abruptly leaving the organization in less than six months can be just as damaging. While there is no concrete timeframe for completing the transition, a one-year plan is not uncommon. Hesselbein recalls: "I announced to the board on Jan. 31, 1989, 'I'm leaving exactly one year from now and together we're going to design the most remarkable process for finding my successor.'"

There are times, however, when more transition time may be needed for the CEO. When Statuto announced his intention to leave, he gave the organization a two-year notice. "I actually moved my family in advance of my departure in order to meet both my personal and professional goals. I commuted back and forth for quite a while—six months longer than originally planned—and while it caused some wear and tear, it was the right decision for my family and the right decision for St. Joseph." Statuto is now president and CEO of Bon Secours Health System in Marriottsville, Md.

Scott also stayed a year longer at Group Health Cooperative than first planned. "At the time, the business issues transcended my own personal plans. By staying a year longer, it provided leadership to the organization over a long period of time, as opposed to me just treading water," she says. "The board also liked the idea that I brought a higher level of energy and focus to take on some bigger challenges because everyone knew I was leaving."

Putting the Plan in Motion

H. Russell Smith is an expert on departure strategies. While serving as chairman and CEO of Avery Dennison Corporation in Pasadena, Calif., for more than 20 years, Smith also chaired a number of nonprofit boards, including the Children's Hospital in Los Angeles from 1980 to 1988. Not only has he witnessed numerous departures, but he has also mapped out his own exits. "When planning your leave-taking, involve the organization's other leaders," he says. "And, as the Chinese proverb says, 'Measure, measure a thousand times, but cut once.'"

A key component of a graceful exit strategy is the relationship between the CEO and the board chair. "I had a great bond with the chair, which was key to the successful transition. It was a relationship built on the mutual trust and admiration that we had for each other," Katz says.

It is imperative that the CEO and the board of directors map out a detailed exit strategy, preferably in writing, whether the transition is slated to take six months or 26 months. By spending ample time up front to plan a win-win situation for all involved, the board chair will improve the odds of overseeing a smooth transition for both the organization and the CEO.

To aid further with the departure strategy, many CEOs seek the neutral advice of someone who does not have a stake in the organization. When Katz announced his retirement to the board, he made two recommendations to the executive committee: first, that they retain a consultant to help roll out the strategic process for succession, and second, that he have a personal adviser. "The board and I both needed objectivity, and I needed a sounding board," Katz says.

CEOs also need to determine what they can reasonably complete before the change in leadership. "As I was planning my departure, I allowed plenty of time in order to oversee the completion of a few key programs," Statuto says. Collins' plan gave him approximately five months to finalize future funding for accessing capital—a project that everyone knew he wanted to complete. But he adds: "I also didn't start a lot of initiatives that would require somebody else to continue with them."

Yet in completing these final initiatives, the CEO must avoid "lame duck" status. "I told my team I could either be a lame duck or they could continue to see me as the boss," Scott says. "They chose to have me lead through the transition time. The transition itself cannot be a dark, mysterious thing. It must be straightforward and clear. It goes beyond transparency, it's about engaging people to keep the focus on what's best for the organization, not on concerns about their own self-interest."

Who and When to Tell

While an organization's leader may take some time to wrestle with the idea of leaving and possibly being a lame duck, the departure often does not truly become a reality until the CEO announces his or her decision to the board and the organization. Once they make the official announcement, top health care executives should expect reactions ranging from shock and grief to understanding and even relief.

"I spoke one-on-one with each member of my team shortly after I announced my decision to the board," Katz says. "Initially, the board wanted to announce my departure date right away,

afraid it would get out informally. For me, I didn't want to lose the momentum of the few initiatives we were working on, so I thought it best to wait."

Hesselbein adopted the same approach. "After I communicated I was leaving, I quickly got people to focus on the future and begin the process for choosing the successor," she says. "It's best for everyone if you draw the attention away from yourself and back to the organization."

Following Scott's discussion with the board, a small group of board leaders began working on succession, holding off on a formal announcement until they were further along in the process. "There were definitely a lot of stressors during this time, but the rumor mill never got out of hand," Scott says. "When I finally announced [my departure] to our management staff of 800, it was a complete surprise."

CEO's Role in Finding the Successor

Once the CEO's decision to leave has been made and communicated, the next important question is, "What part should I play in finding my successor?" Ultimately, that decision rests with the board. Our experts agree that it is unrealistic for the departing CEO to be an objective participant, but this does not mean that the CEO should not be engaged.

"As CEO, you should mentor your possible successors over time to make sure it would be a good fit for that individual, which is something I did," Smith says. "However, once you announce your intentions to leave, your participation in succession planning is dictated by the board or, in a worse-case scenario, you [may] perceive that the organization needs your help to achieve a good outcome."

Best practices indicate that CEOs should play a supportive role that is clearly defined from the beginning. "Once you've registered your intentions, you can't be surprised when others begin to assert themselves and assume their proper role in the transition—and that is exactly what happens," Collins says. "You're still going to do your job, but in regards to the search and your successor, they will have to do their job."

At Seattle's Children's Hospital & Regional Medical Center, the board met with search firms off-site, but it did consult Katz on who should sit on the search committee, in addition to asking him to make a 90-minute presentation on the status of the organization. "My role had to be limited since there was legitimate concern that I would be viewed as a very powerful person who was ultimately selecting his own successor," Katz says. "While I was supportive of the process, I wasn't involved."

Rather, boards should encourage the CEOs to pass on their accumulated wisdom to both the search committee and the final candidates. Hesselbein helped the Girl Scouts' board design the succession planning process, but her involvement with the actual selection was limited to sharing with the search firm the qualities she thought the new CEO needed to possess. Going one step further, Katz, Scott and Collins met with candidates, briefing them on the organization's challenges, but none of them chose their successor. "One of the hardest things, if you're the CEO, is when the board takes over the search and all of a sudden you're not in control," Scott says.

Collins adds, "I knew that when I left, someone else would be in charge. The board would pick a person and they would give that person authority to implement a plan that might include different things from what I'd spent body and soul developing. I also knew there were smart people capable of taking what we had done and bringing it to the next level." Because the health care field requires CEOs to advocate for specific initiatives, however, leaders do become very attached to those projects. "So letting go of those initiatives can be frustrating," Collins says. "You just have to remind yourself that you've done good work and it's now time to bring the organization up a notch or two."

Staying Connected

Just as there are many reasons for leaving, there also are many reasons for the former CEO to remain connected to the organization. Ultimately, that level of connectivity is determined by both the individual and the board.

Our experts advise that the CEO's personal strategic plan should not stop with his or her last day in the organization, but that as least as much time and thought should be devoted to considering post-departure goals, roles and aspirations. "I was encouraged by my coach not to take on too much," Katz says. "I've joined a couple of boards. I have very little contact with the hospital. Nobody has called me to complain ... they're very careful about what they talk about and appropriately so."

Whereas some former leaders stay on as honorary board members or consultants, others may move into the chair role. "I was leaving just as the chairman's term was up," Collins says. "I was asked to stay on as chair, where it was my responsibility to help the new CEO be successful in the position, be his cheerleader and mentor. In short, I answered the phone, I didn't dial the phone." Collins speaks with the current CEO once or twice a week to discuss personalities or to provide him with background.

Handing over the chief executive reins and saying goodbye to the organization can be a rewarding, though emotional, experience, if done gracefully. Leaving when it is best for the executive and the organization—armed with a detailed transition plan that maps out individual roles and responsibilities—will greatly contribute to a smooth transition for all involved. The ultimate win-win situation finishes the race on the right foot, enabling both the executive and the organization to begin the next race with fresh and reenergized legs. In the words of Hesselbein: "Leaving well and at the right time is one of the greatest gifts a leader can give an organization."

Smith believes that Colin Powell had the right idea about final departures. "His strategy was simple: Be ready to leave for good on the last day. No dilly-dallying. No return trips to empty desk drawers. No sentimental reminiscing with the staff. Get the car packed up in advance. After the parade, hand over the flag and get into the car and drive. And don't look back." **T**

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