

Q&A



LESSONS FROM THE C-SUITE: IDENTIFYING THE FASTEST PATH TO SUCCESS

AN INTERVIEW WITH DR. BOB MILES

Each year, 20% of the CEOs at American hospitals resign and by most accounts, the majority of this turnover is involuntary. The Conference Board reports that the average corporate CEO tenure is 8.1 years while recent studies has put healthcare CEO tenure at less than half of that – just 3.5 years.

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

DR. MILES: Can you imagine how difficult it would be to work in an institution like that? Or the lack of confidence patients might have in an institution that suffers from that much turbulence at the top?

Most new CEOs face multiple challenges from 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 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.

Industry experts such as Thomas Dolan, the former CEO of the American College of Healthcare Executives has stated that “four years is an inadequate amount of time (for a CEO) to create and sustain permanent change within an organization.” Do you agree?

DR. MILES: I respectfully disagree – while four years would be nice, the window for CEO success is much more limited - sometimes one, perhaps two years, depending on the state of the organization when he or she “takes charge.” The CEO tenure statistics you quoted earlier essentially confirm this.

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 readiness for change.

If the window for initiating effective change begins to shrink after the first 100 days, a quick start becomes critical. How does the Galloway CEO Transition process work and how is it different?

DR. MILES: Our process has been leveraged to great success in more than 30 organizations – both inside and outside healthcare – and I believe what really differentiates it is that it's a process led by the CEO and the members of the senior leadership team. Thus, the beginning of the overall transformation effort at the hospital becomes leader- led, not consultant-led, and the intervention becomes a permanent part of the company's management process and culture. This is critical for institutionalized and long-lasting change.

In terms of how our methodology works, the CEO Transition Solution can be the early stage of the larger Accelerated Healthcare Transformation, or AHT process. The AHT process is our customized approach for healthcare, using the same techniques and lessons that I developed working with global CEO leaders. It's designed to quickly focus and engage the full organization and then thoroughly follow through for implementation. 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.

Some healthcare leaders have recently argued that new CEOs should resist tackling too much too soon, and instead opt for a slower, more deliberate approach. How would you respond to that type of recommendation?

DR. MILES: No one would suggest making sweeping changes without an assessment and a clear objective. That is irresponsible. But virtually every organization can begin by launching "quick starts." They are a great way for a new chief executive to establish credibility and traction.

Our CEO Transition processes doesn't involve "action" until the end of the compressed Launch and Cascade sequence; typically, at the four-month mark. Our process is collaborative with all levels of the

organization and has as its foundation, an assessment focused on confronting realities of the current organization, its weaknesses and achieving early wins.

Taking three or four months for an organizational listening tour - I believe - is largely misguided and misses a key opportunity. Experience tells us that executives who fail discount how much an organization can learn from doing, underestimate their management team, and dismiss the value in demonstrating immediate progress.

What are some of the biggest inhibitors to change a new CEO will face?

DR. MILES: Organizations pursuing the same business model overtime build up certain inhibitors, ones that everyone is aware exists. Sometimes they are tolerated because the pain level is not quite high enough - they are essentially irritating but benign until challenged with an organizational transformation. These inhibitors, non-threatening under the status quo, can kill an organization transformation and a new CEO with a fresh vision and agenda.

The interesting thing is that the individuals nurturing the inhibitors are almost always known in an organization. How one works with them is important. The top executive should insist on their mandatory participation in the process, but also ensure they have safe passage – to debate and challenge some of the assumptions.

If you don't do this, you leave "wallflowers" on the sidelines. They won't learn how to play the game or more importantly, they won't learn how to coach the next level.

So, dealing with the recalcitrant is critical – you need them capable and committed – but there is also no substitute if they do not adopt the agenda. You cannot allow them to cast a shadow. Three or four people working subversively can kill 50% of the effort.

Can you specifically address two items: the level of employee engagement and how intense the need is for consultants to lead this process?

DR. MILES: Organizations that rely on hordes of consultants to navigate these issues effectively turn over the leadership of the transformation and the CEO agenda to outsiders. We can help facilitate and in certain cases; where CEOs desire a faster pace or more help in implementation, we have deployed bigger teams. But normally the consultant footprint is small and intimate and serves to facilitate, guide and coach. The initiative has to be leader-led not consultant-led.

While the early portions of the transition rely heavily on top executives, in order to take root, they cascade down deep in an organization, with successive levels of management serving as coaches. This high engagement cascade focuses

on clearly communicating to each level in simple and compelling terms, engaging all managers and employees in dialogue and two-way feedback, and ultimately establishing a clear line of sight accountability that refocuses and re-energizes the organization.

What are the two most common mistakes you see in organizations when a new CEO takes over?

DR. MILES: There are common problems, each of which can be catastrophic. First, leaders make their agenda too complex and chase too many ideas. This only creates gridlock and fails to get people focused. Second, underachieving executives dither at starting gate. In almost every case, executives I talk to who were not successful tell me they wish they had moved faster – they hesitated at the launch and thus lost race before they started.

ABOUT DR. ROBERT H. MILES

Dr. Miles has served CEOs as the principal process architect in more than 30 corporate transformations and is a former faculty member at the Yale School of Management, Harvard Business School, Stanford Executive Institute, and at GE's Crotonville executive management education institute.

He is the co-author of Big Ideas to Big Results: leading Corporate Transformation in a Disruptive World, and Leading Corporate Transformation. He is an active Galloway Partner and former Chairman of the Board of Galloway Consulting.