



# COVID-19 and Executive Succession Management

*The pandemic has exposed the need to improve planning for executive turnover.*

The COVID-19 pandemic has made executive succession planning even more critical for the board, considering that only 45% have a plan in place for CEO (and other senior executive) succession, according to The Governance Institute's 2019 Biennial Survey of Hospitals and Healthcare Systems. This was true, even though 80% of survey respondents agreed that "succession planning for the CEO and other senior executives is a critical board responsibility."

Although some CEOs may defer their expected retirement, how many will instead lead their organizations through the first wave of the pandemic but then decide they don't have the stamina needed to lead through the next wave? Faced with daunting financial pressures related to the pandemic, will talented executives decide to leave the field of healthcare management rather than face endless rounds of layoffs, furloughs and cost-cutting?

The following six practical tips can help organizations immediately take necessary steps toward ensuring effective leadership succession management.

***Establish succession planning as one of this year's board priorities.***

Despite the many changes COVID-19 has wrought, every organization should include the creation or update of a leadership succession plan as a key board goal for the next six months. The board chair or vice chair should oversee this effort in collaboration with the CEO.

*The risks of not having succession or contingency plans in place are far worse than the anxiety and effort involved in developing them.*

***Incorporate succession planning objectives into this year's updated CEO performance expectations.***

Many (if not most) of the performance expectations that the board and CEO agreed on at the start of fiscal year 2020 will need to be adjusted to reflect the impact from COVID-19. The creation and maintenance of robust CEO succession and leadership development plans should be incorporated into this year's expectations for the CEO, for which he or she will be held accountable. Even if the CEO has no plans for retirement or departure, having these plans in place benefits

the CEO in leaving behind a legacy of having built a strong, successful team and an organization that did not miss a step upon his or her departure, no matter the circumstances.

***Create a robust CEO succession plan.*** With the many disruptions associated with COVID-19, it is not sufficient for the CEO succession plan to focus narrowly on simply naming a designated successor or agreeing on which executive search firm to hire to identify external candidates. The CEO, working collaboratively with the chair and executive committee, should develop a robust plan that includes: competencies and attributes needed in a future CEO to accomplish the organization's strategic vision and plan; a succession timetable; approaches to retaining senior leaders; potential future role(s) for the departing CEO, if any; a transition plan; retention planning for key executives; a communications plan; a rationale for and/or an approach to using an external search firm (if any); and a preferred timetable for a planned retirement or departure.

***Confirm that contingency plans are up to date.*** Amid this pandemic, an unexpected CEO departure would be particularly disruptive to an organization at a time when strong leadership

is most needed. It is essential that an up-to-date emergency succession plan is in place that identifies who would serve as interim CEO. Preferably, the interim CEO would be a competent current senior leader who knows the organization, its culture and its priorities. Alternatively, the board should have a firm grasp on what external organizations and resources can be used to fill the interim role quickly.

***Develop the next generation of leaders.*** Developing future leaders should be considered a necessity that is integral to an organization's operations. This pandemic has highlighted many of our health system's vulnerabilities. Somewhat less visible may be how effectively organizations have developed their next generation of leaders. Thriving hospitals and health systems already know who among their millennial and Generation X managers are in the leadership pipeline. These institutions conduct robust annual talent reviews of mid- and senior-level administrative and physician leaders, identify who is prepared or might be cultivated to replace each current senior leader, and individualize leadership development plans.

High-performing boards endorse these leadership development plans and create opportunities for directors and trustees to interact with up-and-coming potential C-suite leaders through informal events and formal processes, such as presentations at board retreats or meetings, or by serving as staff for board committees and task forces.

***Ensure a successful and smooth transition to the next CEO.*** Now more than ever, a new CEO needs to

hit the ground running. He or she, working in tandem with the board, should quickly get up to speed on the organization's strategic direction, short-term priorities and culture. The new CEO should work with the board to help establish strategically or politically important connections within the organization and in the local and regional communities. The CEO should also expect the board to express clear year-one CEO performance objectives and expectations for which the new CEO will be held accountable, recognizing that if COVID-19 persists or is supplanted by a similarly disruptive event, both the board and the CEO must be open to modifying these objectives.

Even thinking about replacing senior leaders during this unprecedented crisis may seem overwhelming. A current leader's strength and stability may lull leadership into a false sense of security. It can be tempting to hope for continued stable leadership until the pandemic has passed; however, hope is not a strategy. The risks of not having succession or contingency plans in place are far worse than the anxiety and effort involved in developing them. Taking an intentional approach to succession planning will pay long-term dividends for achieving the organization's mission without interruption—regardless of future pandemics, uncertainties and disruptions. ▲



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