

# Leadership Turnover: The Health Care Crisis Nobody Talks About

BY DANIEL J. SINNOTT

THESE DAYS, WHEN you talk about “The Crisis” in American health care, you have to be more specific. Would that be the crisis of 47 million uninsured? Or the access-to-care crisis? Perhaps it’s the nursing shortage crisis? Or maybe the reimbursement crisis? You get my drift.

What all of these many problems have in common is that they are largely external issues. They are problems that are happening to hospitals, not problems hospitals are bringing on themselves.

There is one big exception, however, and it’s something you don’t hear people talk about a lot: leadership turnover.

## It All Adds Up

According to a 2006 report from the American College of Health Care Executives, the median tenure of a hospital CEO is only 43 months, or about three and a half years. Think about that for a minute.

The first year, the person is just trying to find the bathrooms, build a team and understand the place. The second year is when the plan is developed and being implemented. By the third or fourth year, when the plan should be starting to take effect, the person is gone! Then the whole process starts all over again.

The direct and indirect costs of this can be staggering. Consider a CEO who makes \$200,000 a year. The direct costs of losing that person include everything from severance pay to recruitment fees and expenses, not to mention the next CEO will probably make more money. According to one estimate, the final tally can be as high as two- to three-times a CEO’s salary. Using our hypothetical CEO, that adds up to a median of \$500,000.

The costs don’t end there. In many

cases, members of the senior leadership team follow the CEO out the door—VPs, COOs, CFOs and so forth. The 2005 “Study on Executive Turnover in Healthcare” from the University of Oklahoma estimated that many on the existing leadership team will leave within a year of a new CEO coming on board.

If a leadership team has eight members and four leave within the first year, the estimated direct cost of this turnover is \$1 million (4 positions x 2.5 salary cost x \$100,000 leadership salary = \$1 million). Combine this with the direct cost of the CEO turnover and the total bill is approximately \$1.5 million dollars.

None of these estimates even mention the indirect costs of leadership turnover. Indirect costs refer to losses caused by the organizational “stall” that occurs during the recruitment process and the toll that is taken when people are pulled from other areas to keep things running. Once you add in these costs, it becomes clear that the loss of a CEO and members of his or her team can easily run into millions of dollars.

The problem of leadership turnover shouldn’t come as a surprise. After all, today’s America is all about the quick fix. Fortune 500 company losing money? Boot the CEO and bring in a “turn-around expert.” Need to lose 50 pounds? Go on this diet and drop the weight overnight. Pro sports team has a losing season? Fire the coach and hire a new one. While this is the way the rest of America has gone, it’s not the way health care should be going.

I know of one hospital that had five CEOs in 16 years. Let’s assume half of them were competent, talented people. What happened? Why didn’t they survive? More importantly, why didn’t the

hospital board ask pointed questions about why this high level of turnover was happening?

Here are some suggestions on how hospitals and hospital boards can reduce leadership turnover:

**Recruitment readiness.** Before the recruitment process is initiated, the organization’s leaders (e.g., board members, corporate staff, medical staff, etc.) need to be in agreement about what skills and type of leader they feel is needed to lead the organization into the future. Often the above-mentioned leadership groups do not reach agreement on this very important step, yet each group can independently impact (positively or negatively) the new CEO’s chances for success. For example, the board may want someone who is a “hard-charging leader to whip the organization into shape,” yet the medical staff will not respond to that style of leadership. I can guarantee that the new CEO will not win that battle, but will instead be caught in the middle throughout his or her tenure.

**Develop a process and stick with it.** Quick fixes rarely work. Hospitals need to think more like Toyota and Johnson & Johnson—two companies that think in terms of years and decades rather than the current fiscal year. For example, if the person recruited is a first-time CEO, then get the individual some assistance to help with the transition into the new role. This assistance will help develop positive relationships with the board, corporate office, medical staff, employees and community, all of which are needed to be effective in the new role. I can remember when I first became a CEO at the age of 39. After

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## VIEWPOINT

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two months on the job, the “honeymoon” wore off and I struggled with, “Now what do I do?” I couldn’t tell my board or the corporate office that I didn’t know what to do since they had just hired me. Eventually I reached out to other more experienced executives both inside and outside of health care to provide guidance. If I had had someone to work with directly, I am sure I would have grown faster into the CEO role and probably prevented making some mistakes.

**Establish an internal “leadership bank.”** In a November 2007 article in the *Harvard Business Review* titled “Solve the Succession Crisis by Growing Inside-Outside Leaders,” Joseph Bower writes that there are four things a new CEO must do to drive a company forward: (1) determine where the company’s markets are headed and frame a vision of how the company should reposition itself; (2) identify the talent that can turn the vision into reality; (3) understand in a deep and substantive way the problems the company faces; and (4) know, comprehensively, how the company really works. An internal person has a leg up on numbers two, three and four simply because he or she is familiar with the organization. It is much more efficient, less costly and less time-consuming to have internal candidates ready to step up into leadership roles than it is to go outside the organization. That is why I recommend every hospital create a leadership bank to develop its own internal talent.

**Be honest with people.** The greatest gift any leader can give to a direct report is the gift of candor. Leaders have to be very honest with their direct reports and provide very timely feedback regarding their performance. I will be the first to admit that during my 26 years in executive leadership positions, I was not as good at this as I should have been. Yet I can remember two distinct times when a direct report came into my office, closed the door and told me I was “messing up.” I must admit I didn’t initially like that feedback, but after cooling off I realized they were right. That was when

I realized candor was a gift and I owed it to my co-workers to provide such candor in order for the organization and the individuals to grow.

**Create a work/life balance.** Leadership burnout is a real problem. I can’t tell you how many times I’ve seen leaders who are 50 pounds overweight, whose blood pressure is sky high, who are twice divorced, and whose kids are having all kinds of problems. Hospitals need to create a reasonable work/life balance for their leaders that allow them to enjoy life a little. There needs to be realistic expectations set about the outcomes expected and the amount of time needed to accomplish those outcomes. It is the responsibility of the board and the corporate staff to check in with the CEO to make sure a professional, personal, physical and spiritual balance is maintained. Without this conscious effort, the CEO will drive right through “yellow and red blinking lights,” not stopping until it’s too late to resolve a problem in an area necessary to drive the organization forward. A problem with maintaining life balance will result in a premature need to recruit a new CEO.

I am not saying there should never be CEO turnover; in some cases it is absolutely warranted. I am saying that the decision to replace a CEO should be taken seriously and with full understanding of the direct and indirect impact on the organization.

More focus should be placed on hiring the right person for the CEO position. Once that decision is made then the organization should invest in the individual to develop and grow his or her respective leadership skills to meet the ever-changing needs of the organization.

As John Maxwell has said, “If you want to improve the performance of the organization, then you need to improve the leadership of the organization.” **T**

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