



CEO Succession and Transition: A Case Study on Extended CEO Transition at East Boston Neighborhood Health Center (East Boston, MA)

This case study describes one community health center's approach to CEO succession and transition which included a multi-year overlap between the exiting CEO and the incoming leader. Parameters for when to consider an extended CEO transition and when to avoid it are also discussed.

Community health center boards are responsible for the selection and oversight of the health center's Chief Executive Officer (CEO). As part of this role, it is considered good practice for boards to undertake **CEO Succession Planning**, which is the process of ensuring effective chief executive leadership over time. A CEO Succession Plan is not about naming a successor but, rather, it addresses both emergency and planned CEO succession, and outlines guidelines and steps to take when action is needed to find the next chief executive.¹ Boards are also responsible for **CEO Search and Transition**, which is the process of managing turnover in the CEO role and often involves conducting a search process, hiring, and onboarding the organization's next leader.

For boards of health centers that have founding or long-term CEOs who are passionate about the health center movement and mission, executive transition can be both emotional and challenging. Some organizations find that an **Extended CEO Transition** – which involves overlap of the exiting and incoming chief executives and a prolonged role for the exiting leader – to be a helpful approach. This case study highlights how East Boston Neighborhood Health Center (EBNHC) in East Boston, MA, approached CEO succession planning and utilized an extended CEO transition. Considerations for when to contemplate and when to rule out an extended CEO transition are also discussed.

Background on East Boston Neighborhood Health Center

East Boston is geographically isolated from the rest of Boston due to the harbor and rivers; for decades, patients had to pursue lengthy and burdensome travel to reach health care providers situated in other parts of the city. In 1970, EBNHC was founded to provide a local source of care for this underserved community. Dr. James Taylor, a founding member and Chief Medical Officer, worked with Jack Cradock and other community members to establish the primary care center, one of the few in the country to provide continuous care. Over the years, EBNHC has grown to four clinical sites and several additional locations that offer social services, with an annual budget of \$140 million. In 2016, it provided care for just over 70,000 patients, nearly 80% of which were from communities of color including a large Hispanic population, while roughly 60% of all patients were those with limited-English proficiency.²

After assisting with EBNHC's creation, Jack Cradock spent several years establishing and leading several other community health centers in the Boston area. He later returned to become EBNHC's CEO in 1978, serving in that capacity for 37 years.

Planning for CEO Succession

In the late 2000s, after roughly 30 years as CEO, Cradock envisioned retiring within next decade. He communicated with the health center's Board about his intention to retire in the years ahead, and he also proposed a "5-year plan" to identify and groom a possible replacement for the Board's consideration. The Board was open to this approach but was also aware that they would ultimately need to be determine if the possible successor was right for the role; the Board was clear that it had ultimate responsibility to select and hire the individual who was best qualified to serve as the next CEO of EBNHC.

1 See the Sustainability and Succession Guide on MyNACHC (<http://mylearning.nachc.com/>) for an overview of CEO Succession Planning practices.

2 East Boston Neighborhood Health Center, 2016 Profile, Bureau of Primary Care, Health Resources and Services Administration, <https://bphc.hrsa.gov/uds/datacenter.aspx?q=d&bid=010720&state=MA>

The role of a health center CEO requires a unique combination of skills to manage the health center, ensure overall financial sustainability, and ensure that the organization has the capacity to grow and adjust as the needs of the community changes. For EBNHC, Cradock also thought it would be important for the next CEO to have the following qualities:

- strong ties to the community;
- a diverse skill set, including expertise in operations, management, technology, and interpersonal communication; and
- patience for an extended transition process.

Cradock identified a former employee, Manny Lopes, as a promising leader. Lopes was born and raised in East Boston, MA. He had extensive connections to EBNHC, starting as a patient before later serving in multiple staff roles in research, human resources, information technology, and operations. Lopes had left the health center for private sector consulting and was away from EBNHC for roughly six years when Cradock approached him about returning.

Lopes was initially recruited back to EBNHC as Vice President and Chief Information Officer (CIO) to oversee an area in which the health center was struggling. Initially, there was no explicit discussion about a possible pipeline for CEO succession. However, Cradock made it a point to expose Lopes to many aspects of management, including the “daily huddle” where the CEO, Chief Financial Officer, Chief Operating Officer, and Chief Medical Officer had discussions on all aspects of the health center’s operations. Cradock did recognize the importance of obtaining buy-in from other senior staff to avoid tension over the perception of an outsider encroaching on current roles or competing for leadership opportunities; he informed the C-suite of this plan and worked on building support for the extended transition. He also used this a mechanism for the C-suite to consider their own succession and transitions, many of which were approaching.

A key component to the grooming process was Lopes’ sequential increase in responsibility, but in a manner that did not displace existing leadership in the C-suite. Instead, Lopes was appointed to a series of newly-created positions that both supported the health center’s needs and continued to prepare him as the potential next CEO; he eventually became Deputy CEO in 2010.

Formalizing the Transition

The Board Chair and the Executive Committee of the Board worked with Cradock to devise a formal CEO succession plan which included an overall process for Cradock’s transition and eventual exit. Additionally, the Board met with its General Counsel to review the board’s responsibilities, process for selecting a CEO, and to approve the succession plan.

The Board conducted a rigorous interview process with Lopes to evaluate him for the CEO position. The board agreed that Lopes would be the ideal next leader for EBNHC and to forego a broader search. In an interview for this Case Study, the Board Chair shared that the board felt it had the perfect fit in Lopes but realized that if that had not been the case, a CEO search process would have been needed.

As a next step, the Board agreed to keep Cradock on for two years as President and transition the role of CEO to Lopes. They hired an outside consultant to conduct a compensation study. The Board’s Executive Committee, which functioned as a Compensation Committee, and Board Chair negotiated contracts for both leaders which took effect in October 2012 through December 31, 2014. During this time, the CEO (Lopes) was responsible for all internal health center activities and functioning, and the senior management team reported directly to him. The President (Cradock) was responsible for outside strategic efforts, ongoing mentoring of Lopes, and supervision of Lopes.³

Cradock also made sure that Lopes was invited to participate in prominent external activities as well, such as Primary Care Association (PCA) meetings, National Association of Community Health Centers (NACHC) conferences, and other important events. They often referred to this as the “Velcro™ plan” (in which the successor was “stuck” to the incumbent in all settings to gain exposure and familiarity with key stakeholders and processes). Both Lopes and Cradock report that this was enormously helpful. Lopes also built a relationship with the health center’s Board by attending, participating in, and presenting at meetings.

³ While EBNHC successfully used this model, research outlines that most extended transitions do not entail dividing the President and CEO roles; additionally, research demonstrates such transitions are most successful when the outgoing leader reports to the new executive who, in turn, reports to the board. See Frances Kunreuther and Stephanie Clohesy, “The Long Goodbye: Advice, How-Tos and Cautionary Tales for Extended Leadership Exits,” Building Movement Project (2016) for more discussion on this.

Two years later, Cradock retired as President as planned, Lopes was named President and CEO, which completed the CEO transition process.

Considerations for Boards Contemplating an Extended CEO Transition

Health center boards considering an extended CEO Transition for a founding or long-term CEO may find the following best practice guidance helpful:

- **Research demonstrates that extended CEO transitions are most effective when a qualified successor comes from within the organization, and the incoming and exiting leaders have an existing relationship** – For years, experts have warned against extended CEO transitions. Research by the Building Movement Project and Bridgespan illustrates that extended CEO transitions are most successful when the successor comes from within the organization and the two individuals already have a substantive working relationship.⁴ Additionally, new research from Bridgespan demonstrates that organizations where a founder or long-term CEO stayed on to help an internal successor resulted in some benefits, including a higher percentage of successors who stayed more than three years.⁵ In the EBNHC case, Cradock, Lopes, as well as the Board, reported satisfaction and pride that such a qualified individual with deep roots in the community (Lopes) was able to be promoted from within.
- **Certain processes and conditions must be in place to consider this approach** – In addition to a successor being internal, Bridgespan’s research points to various processes and conditions that needed to be in place for this model to be successful including:
 - both the founder and successor needing to let go of their “egos;”
 - the founder or long-term CEO must have the ability and desire to remain engaged;
 - the board must see a clear value from continued involvement of the outgoing leader and define a role that aligns with their interest and capabilities;

- the long-term CEO must want the successor to succeed; and
- the successor must be willing to engage in an extended transition.⁶

Research by the Building Movement Project notes that the motivation for such transitions must be to promote overall organizational sustainability.⁷ In the case of EBNHC, there was role clarity and the Board reported the extended role for its long-term leader allowed them to carefully transition external relations, which was critical to the overall sustainability of the organization.

- **An extended CEO transition for a founder or long-term CEO is not right in all circumstances** – Some long-term leaders want to retire or move on to other opportunities. In other cases, the leader may need to move on for performance or other reasons. In those cases, an extended transition would not be appropriate. Research also shows that this model should not be used as a “perk” to help an outgoing leader or to hide weaknesses in the organization.⁸ Additionally, this model should be avoided if the conditions listed earlier in this section are not met.
- **The board must be a critical player in designing an extended transition and such transitions require careful preparation** – Hiring a CEO is the board’s responsibility. The board must work closely with the exiting executive and the incoming executive to design the transition arrangement.⁹ Significant planning is needed for extended transitions related to: clearly defining the role of the outgoing CEO, establishing a timeline for the transition, determining whether an executive coach will be engaged to aid in the transition, establishing processes for con-

4 Kunreuther and Clohesy, “The Long Goodbye.”; Jari Tuomala, Donald Yeh & Katie Smith Milway, “Making Founder Successions Work,” *Stanford Social Innovation Review* (Spring 2018).

5 Tuomala, et al, “Making Founder Successions Work.”

6 Ibid.

7 Kunreuther and Clohesy, “The Long Goodbye.”

8 Kunreuther and Clohesy, “The Long Goodbye.”; Tuomala, et al, “Making Founder Successions Work.”

9 Kunreuther and Clohesy, “The Long Goodbye.”

flict resolution, establishing a plan for transitioning key relationships (i.e., board, staff, community, etc.), and defining a reporting structure.¹⁰ While it is not the model that EBNHC used, research outlines that most extended transitions are successful when the outgoing leader reports to the new executive.¹¹

- **Boards must be aware of the costs of an extended transition, be realistic about the health center’s ability to bear the costs, and budget accordingly** – An extended transition for a long-term leader has financial implications; it is critical that the board understand the expenses involved and builds a budget that includes reflects these costs.¹² In the case of EBNHC, having a two-year overlap with Cradock as President and Lopes as CEO was something that the EBNHC Board Chair noted that the Board was very cognizant of, was approved in the health center budget, and was something that the organization could afford at the time. It is worth noting that not all health centers may be able to afford an additional salary for a senior leader for a long transition period.
- **Focus on ensuring effective board governance practices are in place prior to transition** – Research by Bridgespan identified that some boards with long-term or founding CEOs did not have some critical governance practices in place including CEO evaluations, adequate oversight, and independence from the founder and recommended that organizations address governance challenges prior to a CEO transition.¹³ Utilizing a board self-assessment to reflect on their overall duties and how the board is performing, holding board training, and/or involving an outside governance expert can help a board through this process.¹⁴

Additional CEO Succession Practices to Consider

As noted above, Extended CEO Transition should only be considered in very particular circumstances related to the succession of a founding or long-term CEO. Otherwise, health center boards should consider general CEO Succession practices including:

- **Proactively broach CEO succession** – Planning for CEO Succession is a board responsibility. Whether a CEO has been in place for 6 months or 30 years, it is important to have plans in place to help ensure organizational sustainability, mitigate risk, and increase the likelihood of well managed transitions.
- **Develop plans for emergency and planned CEO succession** – It is considered a good governance and good risk mitigation strategy for the board to have plans in place for CEO succession that addresses both emergency and planned CEO succession plan.¹⁵

10 Kunreuther and Clohesy, “The Long Goodbye.”; Tuomala, et al, “Making Founder Successions Work.”

11 Kunreuther and Clohesy, “The Long Goodbye.”

12 Ibid.

13 Tuomala, et al, “Making Founder Successions Work.”

14 Additional information on Board Self-Evaluation/Assessment can be found on MyNACHC (<http://mylearning.nachc.com/>).

15 Sample plans that address Emergency and Planned Succession can be found in the Sustainability and Succession Guide on MyNACHC (<http://mylearning.nachc.com/>). This resource also contains an overview of CEO Search tools and processes.

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