

PROTECTING YOUR LEADERSHIP CULTURE

THE CEO SEARCH

No job is perhaps more important for the board of trustees than selecting the organization's next leader. And yet, hospital boards are finding themselves charged with that task with greater frequency. The average tenure of a hospital chief executive is currently 3.5 years, according to Black Book Rankings. About 56 percent of the turnover is involuntary.

"The environment is challenging," says Deborah Bowen, president and CEO of the American College of Healthcare Executives, noting that consolidation and retirements are fueling many of the vacancies. Hospital CEOs who delayed retirement five years ago because of the weak economy are now able to do so. "Given the challenges in health care today, they are thinking about a transition plan in their own lives," she says. "Encore careers are more desirable."

The overall CEO talent pool continues to get smaller, notes Mark Madden, senior vice president of executive search for B. E. Smith. Given the complexities of health reform implementation, hospital boards increasingly are looking outside of health care to fill vacancies. "Some progressive hospitals and health systems are changing their view of what the CEO should look like," Madden

says. "We're seeing more nontraditional candidates, including individuals with backgrounds in engineering and change management." According to Black Book,



only 39 percent of hospital CEO hires in 2013 came from another hospital CEO position. That's down from 79 percent in 2009. Black Book predicts that as many as two-thirds of CEOs hired in 2014 will have little or no health care experience. "It's unlike anything we've seen in the past," says Madden. "There's a real need for new skills and competencies in health care."

CASE STUDY

CHARLES NELSON
BOARD MEMBER, HENDRICKS
REGIONAL HEALTH
DANVILLE, IND.

We started the process of hiring a new CEO in late spring 2012 and hired a new CEO on Oct. 1. We are a five-member board and we focused on finding the right fit for our organization. The chief medical officer

and the head of quality were also part of the selection committee. We are all concerned about the future of health care and trying to navigate the waters of health care reform. We have a good operations team at Hendricks. We wanted a leader to help develop the organization's strategy and vision. My advice to trustees is to recognize that people are interested in what you are doing. Everyone within the organization has a vested interest and we tried to involve as

many people in the process as possible. The community has a vested interest as well. The hospital CEO is a de facto leader in the community. We met with community leaders, including the chambers of commerce, to find out what they want in a hospital CEO. Broad participation legitimizes the process.

Trustee

Protecting Your Leadership Culture is a four-part series that examines how organizations can ensure smooth leadership transitions. This series will explore interim leadership, the CEO search, executive compensation and succession planning.



Getting Started

The CEO search process should not be rushed and, in some cases, may take up to a year. Depending on the circumstances, boards should consider interim leadership to fill the CEO position until a new person is hired. Before beginning the search, it's critical to evaluate the organization's current position, as well as assess its strategic direction. This will help to identify the skills and competencies needed in the new CEO. Boards should consider the kind of leadership style they want in a new executive. In today's rapidly changing health care environment, relationship management is key, as are flexibility and the ability to think strategically.

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Once this process is complete, a job description should be developed that clearly outlines the responsibilities to help set expectations. If using an outside search firm, the firm may assist in these tasks as well. Transparency and inclusion are critical during the CEO search process, even though the final decision remains with the board and search committee. Seeking input on the desired traits and qualities of a new leader helps to garner support and ensure a smooth leadership transition. "It's important for boards to think of the CEO search as an opportunity to move the organization forward," Bowen says. "It's an opportunity to transform the organization to deliver better patient care."

WHAT THE BOARD CAN DO

- 1 Look for a five- to 10-year commitment. CEOs need time to establish themselves in their new role and to accomplish their strategic vision. Boards should look for long-term commitment from CEO candidates.
- 2 Have succession plans in place. Hospitals and health systems should have at least one person identified to fill the CEO role should the position open up unexpectedly.
- 3 Hire from within. CEOs hired internally typically have a longer tenure than outside hires.
- 4 Plan on one to three years to prepare the new CEO and a one-year onboarding process. It's important to support CEOs during their first year with a robust onboarding plan.
- 5 Maintain open communication and conduct regular evaluations. Communication is key to a successful relationship. Boards should conduct CEO evaluations at least yearly.

Source: "Improving Leadership Stability in Healthcare Organizations," American College of Healthcare Executives, Winter 2011

CASE STUDY

MARK DEWANE BOARD MEMBER, MARICOPA INTEGRATED HEALTH SYSTEM PHOENIX

Our CEO's term was ending Dec. 31, 2013, and we wanted a plan in place prior to her departure. We began our search in May by developing a set of formal qualifications and parameters, including the salary. Through our search firm, we initially reviewed about 30 candidates and narrowed the list down to a dozen. We got the list down to six and met off-site in executive session with each of the candidates for lengthy interviews. We narrowed the list further and asked the remaining candidates to come back for additional interviews and dinner. It's important to see how the candidates interact socially. Once we selected the candidate, the contract phase was negotiated between counsel. It was a very time-consuming process. In May alone, we met for 60 hours. We have a five-person elected board; everyone participated in the process. We are a public hospital and wanted a candidate with strong political and diplomatic skills. The personality piece was very important. We wanted someone confident, yet humble. My advice to other trustees is to keep emotions out of it. Be polite, yet frank, with your opinions. The process was exhaustive, but time well spent. We are very happy with our CEO.