

Transitions in Leadership

Options for Filling Crucial Executive Roles

White Paper



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INTRODUCTION

Healthcare is an industry fraught with numerous management turnovers, especially at the “chief” or senior level. Often called the “C-Suite,” chief officer positions in a hospital are the chief executive officer, chief financial officer, chief operating officer, chief nursing officer, chief information technology officer, and possibly other chiefs. Skilled and experienced healthcare executives at the C-Suite level are in a rather short supply. Reasons include an industry-wide talent drain, lack of emphasis on mentoring, and little to no succession planning. Realistically, the recruitment and hiring of replacements for departing healthcare leaders often can take considerable time to accomplish even with the engagement of a search firm. Delays and disappointments arise that leave crucial positions open for extended periods, and in the interim, communications suffer, initiatives lose pace, and disruptions occur. Some organizations cannot afford to leave senior leadership positions vacant, even when they anticipate a brief transition period. Therefore, an increasing number of healthcare organizations are considering interim management solutions as a transitional step to permanent replacement of vacant positions, often in conjunction with the use of a search firm to fill the position.

The purpose of this paper is to assist you in your approach to the period after a vacancy occurs and to consider the pros and cons of immediate replacement as opposed to seeking an interim solution.

ADVANTAGES OF INTERIM MANAGEMENT

When organizations face vacancies in their senior leadership structure, interim management offers advantages over available alternatives.

First, temporary assignments often require the incumbent executives to add extra responsibilities to an already “full plate”, which can lead to work overload and compromised performance of the leader. However, an interim executive, who is fully capable of filling the vacant position's responsibilities, can devote full time and attention to the vacant management role. This temporary appointment is in welcomed contrast to assigning extra responsibilities to incumbent executives when a resignation occurs.

Second, interim leaders usually are not affected by the internal politics of an organization, especially those related to a promotion or a permanent placement into the vacant role. This disassociation allows the interim executive a unique perspective often not available to others within the organization. It also enables the ability to make decisions unencumbered by the affect those decisions may have on their future role within the organization, thus removing “vested interest” from the leadership paradigm. In addition, bringing in an objective outsider, with a fresh set of eyes, can offer an advantage to an organization that may be unable to view issues clearly.

Finally, interim executives are seasoned healthcare leaders who enjoy serving in this capacity. Therefore, they tend to come to the job with extensive experience, often in areas of particular relevance to the hiring organization. This experience and accompanying knowledge can allow the interim manager to serve as a short- or medium-term replacement for a vacant position and as a valuable consultant. The parent organization benefits from the interim manager's experience and ability to address the ongoing challenges of the organization. If a national search to fill the position is concurrently being undertaken, the opportunity to enhance the cultural fit exists as the search consultant and interim executive work closely together. Nuances unique to the operation, culture, and strategic initiatives that are subject to omission or misunderstanding by the search professional are minimized as the two executives work together.

DISADVANTAGES OF INTERIM SOLUTIONS

An interim management solution may not be the best option for every organization or at every occurrence of a vacancy. Quickly hiring and filling the position may be more expedient. In spite of the advantages, a delay in hiring may cause more unrest than is necessary.

Many C-Suite executives hasten to fill a position with just anyone who can be counted on to be present. Rather, they put in place a "warm body" without fully considering the skill set and personal attributes necessary to ultimately succeed in the vacated role. This tendency is true in most industries and not just characteristic of healthcare. Rushing to a decision or quickly identifying an individual to fill the vacated position may be harmful and not be the best approach. Other leaders and managers throughout the healthcare organization may become disillusioned when a vacancy is filled hastily with an internal interim solution. Likely, the result would be a lack of support for the provisional decision and more importantly an unwillingness to support the interim candidate fully. Another clear disadvantage of presenting an internal temporary solution is the perception that senior management is willing to "float along" for a period while the entity secures the right person with the precise skills.

Another significant consideration that could seem unfavorable is how current staff members view the interim placement whether it is an internal or external solution. Some individuals may regard themselves as capable of filling the vacated slot either on a provisional basis or for consideration as the permanent replacement. As a result of not being chosen, they become disenchanted and less effective in their current role.

GUIDELINES FOR INTERIM MANAGEMENT

Experience shows that if your decision is to engage an interim executive, several guidelines are recommended for interim executive placements to work successfully and to provide an organization with a value-added service beyond merely supplying a temporary workforce.

USE OF REPUTABLE AND QUALIFIED PLACEMENT FIRMS

First, a reputable executive search firm should be used to identify candidates and to vet them prior to placement. Using a professional firm to fill interim assignments provides the organization the ability to off-load the time-consuming, and often expensive, recruitment and screening process. Some search firms have both a strong short-term bench and the capacity to conduct the search for the permanent placement. Thus a subject matter expert, the interim executive, works in collaboration with the search professional to produce desired results.

Next, the candidates should be made fully aware of the expectations that both the hiring organization and the placement firm will have for them going forward. The interim executive needs to understand that their primary focus and loyalty should be to the organization where they are being placed. They should consider their provisional assignments as a full-time role and not just act as a placeholder. This ownership of the job responsibilities at hand will be a critical success factor for the interim executive. The placement firm should provide executive oversight to ensure the interim executive approaches the work in this manner, focusing on results.

ALIGNMENT AND AVOIDING CONFLICTS OF INTEREST

The organization and the placement firm should be transparent and focused on alignment to assure that the interim executive succeeds. The two should identify any potential conflicts of interest between them and make all efforts to resolve these without involving the interim executive. The executive should be able to commit his or her full loyalty and attention to the hiring organization. He or she should not be in a position of having to choose between fidelity to the interim employer or their direct employer, i.e., the placement firm.

COMPENSATION

Compensation is another reason executive search firms that know the market rate for high-level managers in healthcare organizations are best suited to handle interim placement assignments. An interim role may demand a premium payment for travel expenses, dislocation of the candidate from his or her family, relocation to a geographically isolated facility or overseas location, and placement into an often chaotic and dysfunctional environment. However, the fees for the interim manager should be valued fairly, not exceeding the boundaries of fair-market-value or commercial reasonableness. This test is especially important when hiring physician executives into these roles, as Stark and anti-kickback laws may apply, especially if the physician continues to practice clinically.

CASE STUDY

In early 2014, a large multi-specialty healthcare system engaged Coker Group to assist them with interim management of their Chief Financial Officer position. The assignment also included conducting a search, national in scope, for filling the position permanently. Coker vetted several candidates and then agreed to place into the role a full-time Coker employee with extensive experience as a CFO and CEO of several healthcare organizations.

The interim CFO assignment was filled in the first quarter of 2014. The acting executive immediately faced several issues, encompassing declining revenues in several important service lines and some growth and business development initiatives in critical service areas (cardiac services and orthopedics). Other challenges included competition from providers outside the region, who were making strong forays into the local market.

Over the next three to four months, the interim CFO was able to advance many of the initiatives that had stalled prior to his arrival. This individual performed in this role so successfully that he was asked to assume the role of interim CEO upon the resignation of the CEO for the system's large flagship hospital. This move left the CFO position vacant, which Coker then filled with another interim candidate with considerable experience in this area.

Utilizing the skill set from many previous CFO and CEO assignments, the interim candidates quickly aligned with other members of the senior management team of the health system. They expeditiously identified and prioritized opportunities to align costs, increase reimbursement, challenge charge master assumptions, and analyze service line margin contributions. This engagement provided an example of the previous C-Suite members as not collaborating with their peers and subordinates, thus creating a silo mentality regarding routine tasks and operational responsibilities. The advantage and the accomplishment included the interim appointees quickly developing closer and more effective peer relationships to focus on the identified priorities. When a leader of an organization has been in the slotted C-Suite position for some time, often they lose objectivity. In turn, they lose the confidence of their senior peer group. Fresh ideas offered by an objective outsider almost always are welcomed, appreciated, and embraced.

In these instances, an entire team can appropriately experience and celebrate better performance and an atmosphere of closer collaboration.

This case is an example of how interim executives can enter into an organization and guide it successfully through very precarious times. It also demonstrates how an interim leader can take ownership of an acting role and consider it his or her full-time position, to the point of promotion and assignment of greater responsibilities to the successful leader. Ultimately, the CFO position was filled permanently as a result of the executive search, and the organization lost no momentum during its conduct.

While the hospital CEO position eventually will be filled by a permanent employee, in the interim, the healthcare system has successfully traversed a time of significant turnover and disruption in their senior management structure. During this period, the system has acquired a new orthopedic ambulatory surgery facility and made steady progress with a clinically integrated model. Across the system, the organization has improved or maintained their financial performance within an increasingly competitive marketplace.

CONCLUSION

Immediate replacement versus interim management is a consideration for every executive team that must fill a vacancy in its executive positions. This paper has presented advantages and disadvantages for both options. Each vacancy in healthcare leadership offers a unique challenge. No two situations are the same. What may be beneficial for one organization may not work well for another entity. Consider the options, reflecting on the personalities of the existing executive management, the political climate of the organization, and the skills and expertise needed prior to decision-making. What is better for your organization: An external interim candidate, utilization of current staff, or obtaining assistance from outside recruitment professionals to conduct a search and place an interim while locating permanent candidates?

The guidelines presented will help you see the pros and cons of your options.