

Interim Executive Leadership

Options for Filling Crucial Executive Roles

White Paper



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Abstract: Immediate replacement versus interim management is a consideration for every executive team that must fill a vacancy in its high-level leadership positions. Management turnovers, especially at the C-Suite level, are prevalent in the healthcare industry. Realistically, the recruitment and hiring of replacements for departing healthcare leaders often take considerable time to accomplish even with the engagement of a search firm, leaving an organization vulnerable during the time the position is vacant. A growing trend in the healthcare management market is to fill these vacancies with an interim solution instead of seeking an immediate full-time and permanent replacement.

This paper presents advantages and disadvantages for both immediate replacement and interim management. The purpose is to assist you in your approach to executive staff replacement and to offer the pros and cons of provisional management models. Careful consideration of the advantages and disadvantages should provide some valuable insight into determining which process will work best for the organization.

Keywords: Interim Management, Executive Search, Leadership Vacancies, Management Turnover, Executive Recruitment

INTRODUCTION

The healthcare industry is 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, chief compliance officer, and possibly other chiefs. Skilled and experienced healthcare executives at the C-Suite level are in a rather short supply and not easily or quickly replaced. Reasons include an industry-wide talent drain, lack of emphasis on mentoring with little to no succession planning, and the more challenging, dynamic nature of healthcare management. Delays and disappointments arise that leave central 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. Realistically, the recruitment and hiring of replacements for departing healthcare leaders often take considerable time to accomplish even with the engagement of a search firm, leaving an organization vulnerable during the vacancy. Therefore, an increasing number of healthcare organizations are considering interim management solutions as a transitional step to the permanent filling of vacant positions, often in conjunction with the use of a search firm to fill the position.

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ADVANTAGES OF INTERIM MANAGEMENT

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

First, interim management staffing offers an immediate solution and place-holder for the vacated position to allow some settling of the dust before pursuing a permanent solution. There are no traditional interview, relocation, or orientation delays. The interim executive steps into the position and immediately begins to review, absorb, and acclimate. An interim executive who is fully capable of filling the vacant position's responsibilities can devote full time and attention to the management role. In some organizations, the immediate response is to redistribute the duties of the terminated executive to other members of the executive team, adding extra responsibilities to an already "full plate." This scenario leads to work overload and compromises the performance of the remaining leaders. The interim 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 unavailable to others within the organization. It also enables the interim executive 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. More importantly, bringing in an objective outsider with a fresh set of eyes can offer an advantage to an organization that has become stagnant and unresponsive to the dynamics of healthcare management.

Finally, interim executives are seasoned healthcare leaders who enjoy serving in this capacity. They tend to come to the job with extensive experience, often in areas of particular relevance to the hiring organization. This expertise 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 to the organization. The parent organization benefits from the interim manager's experience and exposure to other organizations as well as their ability to address the ongoing challenges of the organization. If a national search to fill the position is concurrently underway, an opportunity is available to enhance the cultural fit as the search consultant and interim executive work 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

In spite of the advantages, an interim management solution may not be the best option for every organization or every vacancy. There are challenges associated with interim management, especially when the temporary solution is from within the organization.

Many C-Suite executives hasten to fill a position with just anyone who can be counted on to be present. They try to promote from within by placing a “warm body” to fill the vacancy without fully considering the skill set and personal attributes necessary to succeed in the vacated role. This tendency applies to most industries and is not just characteristic of healthcare. Rushing to a decision or quickly identifying an individual to fill the vacated position may be detrimental and not the best approach for the organization.

Other leaders and managers throughout the healthcare organization may become disillusioned when a vacancy is filled hastily with an internal solution even if only in an interim capacity, especially if the internal process for identifying candidates and going through the interview process is not followed. Likely, the result would be a lack of support for the provisional decision and more importantly an unwillingness to support the selected candidate fully. Filling the position with an interim management executive gives time to follow the appropriate process and to allow all interested internal candidates to apply. 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. Sometimes the temporary solution is seen as a lame duck that has no authority or power to effect change; thus, they may not garner the respect due.

Another consideration that could seem unfavorable is how current staff members view the interim placement, whether it is an internal or external solution. As stated, some individuals may regard themselves as capable of filling the vacated slot either on a provisional basis or for consideration as the permanent replacement. If they are not chosen, they become disenchanting and less effective in their current role. Further, they may attempt to sabotage the efforts of the interim replacement.

GUIDELINES FOR INTERIM MANAGEMENT

If you decide to engage an interim executive, we recommend several guidelines 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, choose a reputable executive search firm to identify and vet candidates before placement. Using a professional company 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 robust short-term bench and the capacity to search for the permanent placement. Thus, the interim executive works in collaboration with the search professional to produce desired long-term results.

Next, the candidates should be fully aware of the expectations of both the hiring organization and the placement firm. It should be clear that the interim executive's primary focus and loyalty are to the organization where they are 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 critical for the interim executive's success. The placement firm should provide executive oversight to ensure the transitional executive approaches the work in this manner, focusing on results. Walking the tightrope between the organization and the recruiting firm is not always an easy task without clearly defined expectations and limitations.

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 and make all efforts to resolve the issues 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 properly, 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 2015, a large multi-specialty healthcare system engaged Coker Group to assist them with the interim management of their physician billing office director. Coker was engaged to assess the effectiveness of the billing functions with a plan to disengage the current director from all billing functions. The assessment of the physician group billing functions uncovered significant issues and revealed excessive internal dysfunction. Despite the identification of

these problems, there was a reluctance to terminate the individual at fault, due to his 15+ years with the organization.

The interim billing office director role was filled in the first quarter of 2015 with much posturing and passive aggressive behavior exhibited by the long-term director. 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. Understanding all the challenges that faced the organization took some ramping up, but the staff eventually warmed to the new manager and recognized the perspective and talent that this person brought to the table.

Over the next 24 months, the interim director was able to advance many of the initiatives that had stalled prior to her arrival. She was able to gain the respect and support of staff in all clinical areas and became their “go-to” person if there were revenue cycle questions. Utilizing the skill set from previous permanent and interim assignments, the interim quickly aligned with other members of the health system’s senior management team to identify and prioritize opportunities to align costs, increase reimbursement, challenge charge master assumptions, and analyze service line margin contributions. This interim engagement stood in contrast to the previous C-Suite member’s inability or unwillingness to collaborate with peers and subordinates, which created a silo mentality regarding routine tasks and operational responsibilities.

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 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. The healthcare system successfully traversed a time of significant turnover and disruption in their senior management structure. During this period, the system continued to acquire practices and engage local physicians to join the hospital network to move toward a clinically integrated model. In the second year of the assignment, the hospital and physician group was on a path to partner with a large multi-hospital network to strengthen healthcare in the local community and statewide.

CONCLUSION

Immediate replacement versus interim management is a consideration for every executive team that must fill a vacancy in its high-level leadership positions. This paper has presented

advantages and disadvantages for both options. Each opening 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. Before making a decision, consider the options, reflecting on the personalities of the existing executive management, the political climate of the organization, and the skills and expertise needed for the work. What is better for your organization: engaging an external interim candidate, utilizing current staff, or obtaining assistance from outside recruitment professionals to conduct a search and place an interim while locating permanent candidates?

The careful consideration of the pros and cons presented in this paper should offer some valuable insight into determining the process that will work best for your organization.