Healthcare Executives: Should They Stay or Should They Go?

The Two-sided Dilemma of Continued Employment

White Paper

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Abstract: Executive retention is one of the most important tenets of an organization, particularly at a time when the talent pool is stretched thin across the healthcare industry. In addition to identifying and hiring the right person, it is equally essential to coach the executive to perform at the highest potential and to explore areas of dissatisfaction. Your greatest and most valuable investment are your leaders. As a leadership team is often only as good as its weakest member, it is equally important to evaluate and determine when it is time to let go. This paper discusses when and why it may be time to change leadership. It considers the high cost of turnover and the value of focused executive coaching to retain tenured executives. Additionally, it examines the importance of having leadership who fit personally, professionally, and culturally in your organization. Employers must ask themselves questions about potential costs, long-term performance, and organizational morale. If and when a decision is made to dismiss an executive, it is crucial to have a replacement plan in place.

Key Words: Healthcare Executives, Executive Replacement, Executive Retention, Executive Coaching, Leadership Training, cost of turnover, job performance,

Introduction

Employment and careers have two sides: the employer and the employee. Both, or either, can become dissatisfied with the other party. Further, an individual's tenure in an organization is multifaceted. Often, outside influences are the malefactors. This paper uses a variety of examples and scenarios to present when and why it may be time to change leadership. It also considers the high cost of turnover and the value of focused executive coaching.

A skillful employer in any industry will know within the first few months if a new hire is a suitable professional and an appropriate cultural fit for their organization--whether or not they are willing to admit it. Early discoveries are less complicated to address. However, when a tenured executive's performance falls short of the standards of the job, the retention decision becomes more challenging, especially when that person has mentally "checked out" of his or her commitment. The individual may feel as if they have nothing left to offer the company or their current position; thus, it is difficult for them to give whole-heartedly to something they no longer have the drive to do. In healthcare entities, this stalemate can be devastating.

Healthcare executives "check out" from engagement in their work for a number of reasons, from personal to professional. This circumstance creates difficulties for any organization. Though the executive's position may vary, the consequences are apt to be the same whether the role is a chief executive officer (CEO), a physician executive, or another leadership function. The dilemma is whether the individual should stay or should he or she leave the organization. Is additional training or motivation appropriate to retain an executive? Will outside coaching be useful, or has the time and opportunity passed? The ultimate decision is in what is best for the organization.

THE ISSUE OF TURNOVER

Selection of the best candidate is crucial in making the correct placement. Some turnover is common, however, especially among newer hires. Experience shows that in 75% of searches for employees, turnover occurred because of either professional or personal cultural incompatibility. Often, the root of the problem for early turnover is a lack of broad-based interviewing. Many hospital-based human resource (HR) professionals who are tasked with executive recruiting do not have the time to consider culture, communication style, and the myriad aspects that lead to excellence in leadership selection. Initial recruitment initiatives call for in-depth exploration of the personality and the professional skills to ensure an appropriate match. Through past experiences, we have found that two in seven executive candidates who are not fully vetted across a multi-faceted spectrum will not last more than a year.

Turnover is expensive. While the candidate selection is important, retention of longstanding executives is also crucial. The expense of losing new executives is minimal compared to the cost of failing to retain tenured executives. Executive coaching, the identification and nurturing of high potential professionals, a staple in other industries, is the exception rather than the standard in hospitals and health systems.

When a hospital, healthcare system, or practice group employs an executive who performs at an executive level for many years, those expectations become the norm. The inference is that the employee will continue to perform at that level with minimal supervision.

Most organizations have no idea how much executive burnout costs them each year. Many industry experts agree that corporate health benefits cost the average company 45% of its after-tax profits. Although the relationship between burnout and healthcare costs has received considerable attention, the real price tag is far greater than healthcare costs alone.

Turnover seems to vary by the wage and the role of employee. A study by the Center for American Progress (CAP) found the average costs to replace an employee are:[1]

- 16% of annual salary for high-turnover, low-paying jobs.
- 20% of annual salary for mid-range positions for managers and directors.
- Up to 213% of annual salary for highly educated executive positions in the C-Suite. For example, the cost to replace a CEO making $100,000 is $213,000.

When top talent leaves, they leave holes in a workforce that negatively affect employee morale and productivity, and they take with them knowledge and skills that provide a competitive

[1] https://www.americanprogress.org/wp-content/uploads/2012/11/CostofTurnover.pdf. Accessed March 15, 2017.

advantage in the marketplace. Their departure causes a harsh ripple effect on both direct and indirect costs in an organization. Perhaps the biggest blow is to the culture itself, and culture building is a tall order for many organizations.

There are many intangible and often untracked costs associated with executive turnover, making it difficult to predict the true cost. It is costly to replace executives because mission critical initiatives often lapse when someone leaves a job. The value of established relationships, connections, and job knowledge is seemingly immeasurable. Further, the costs of hiring and training a new executive can be substantial. Finally, different communication styles may become issues, which may result in reduced productivity. When you consider all of the costs associated with executive turnover (e.g., interviewing, hiring, training, reduced productivity, lost opportunity costs, etc.), the impact can be substantial.

A well-qualified search firm can step in and offer personal executive coaching to prevent unnecessary turnover. In many cases, the help of a skilled coach can allow a senior leader to stay in place or get the firm in a healthy frame of mind so that when a new executive starts, the organization has a strong transition plan. When turnover is necessary, a search firm can also help an organization fill the role, through interim and/or a full search, to help minimize lost productivity.

Leaving for Personal Reasons

Individuals make career decisions for personal reasons that only they may know. The same goes for their lack of engagement. In fact, some issues may even be so subtle that they are unrecognizable and may be at a personal level at home. Childcare, eldercare, illness, depression, stress, and low morale are just a few examples of personal dissatisfaction that affect a career. People want to do a good job and desire to put their best foot forward in the workplace. Many do not express when something is wrong, fearing the issue will be perceived as a sign of weakness.

Executive search consultants are able to have candid conversations with individuals and organizations about the reasons an executive is considering leaving a position or why the organization is considering asking them to leave a position. The information learned helps to coach the individual back to the expected performance level or helps to structure the approach to recruiting and filling the vacant role.

Leaving for Professional Reasons

The professional reasons a person leaves or mentally disengages from a job are more, though not completely, in the employer's control. The sense of not being appreciated for the time and effort put into their work and feeling stagnant in their role are a few examples of why an executive may disconnect or underperform in their current role and subsequent responsibilities.

In a recent interview for a senior leadership position, a candidate was asked for the rationale for making a change. The person stated, "I feel as if I am continually being put down by the board of directors. Nothing I do seems quite right, and many decisions I make are constantly questioned." Despite 20-plus years with the organization, this individual wants and needs to make a change.

Often, the executive who spends many years with an entity becomes a part of the cultural fabric. Their knowledge about other employees, the culture, and its associated communication and decision-making style, vendors, the facility, etc., is a valuable asset with significant monetary value. However, when that executive starts to "burn out" and the organization begins to suffer, the question becomes should they stay or should they go? It's hard to put an accurate monetary value on executive turnover, but as previously mentioned, the cost is usually greater than most think. Therefore, it is in an organization's best interest to investigate the reasons for an executive's burnout. When equipped with this knowledge, the decision-makers can make an informed decision on how to proceed with the executive.

When to Let Go

At what point should a board decide it is time to cut ties with an executive or senior leader and at what cost? A search was recently conducted for a physician-driven organization where an executive was let go after 25 years of service and dedication to the group practice. The reason was differences in business opinions, strategies, and styles. The practice experienced a severe loss when many physicians in the group followed this executive, and then the patients followed their physicians. Not only did the billings and patient encounters decline by 69%, but collections fell as well, and the practice was unable to make payroll a few months later. So, why was the executive dismissed? Another lead executive with the group was going through a tough time in his life, personally and professionally. He was having some personal problems that the soon-to-be-released person discovered and brought to the attention of the board of directors. These personal issues were being taken out on the executive that was let go, which was a detriment to the executive's performance. Again, after working together for 25 years in an environment where matters ran smoothly, a difference in business opinions, strategies, and styles suddenly arose. The terminated executive felt as if he was being retaliated against because he had brought to the attention of others what the other executive was experiencing. Although the executive that was pending dismissal notified the board chair of the issue, no action occurred because the remaining executive was a family member of the board chair. The executive that was let go felt as if he was "not part of the family" and ultimately that he would receive the blamed for anything that went wrong. The executive that remained at the practice should have been coached or counseled or the one dismissed. Sadly, the group has since dissolved and is no longer in business.

Search firms can provide consulting services before, during, and after a candidate search. Had the practice sought assistance for the executive going through some issues via an outlet such as executive coaching, or let him go and severed ties, the organization might still be around. In this example, no amount of consulting before the search could have prevented the challenges that the physician-driven organization faced, but it could have changed the outcome.

The following example is a different scenario about "when to let go." The search was for a CEO for a large independent hospital in a major metropolitan area. The position was open because the leadership team felt the CEO had "checked out" after 20 years of service. The quality of his decision-making had declined, and many of his decisions were obsolete before any action occurred. Further, the independent hospital had just merged with a nationwide health system, and the independent hospital's CEO did not have the same mission, vision, and values as the health system's CEO, and they did not agree on matters. One wanted an aggressive growth strategy, and the other was more interested in measured, organic growth. The battle of these opposing strategies led to the burnout of the hospital CEO who was once the face of the hospital in that community. Before his dismissal, this CEO was constantly in the community promoting the hospital, as well as the employees and physicians. With the enforcement of the health system CEO's new strategy, the hospital CEO's decisions were no longer in line with an overall strategy; thus, and he began to disengage mentally from his role. His position was terminated. The open position was posted online, and the chief operating officer (COO) was inundated with resumes and had to contact these candidates. After a week of following up and determining that most candidates lacked the necessary experience, the organization opted to work with our search firm. In less than four weeks, we identified three candidates who were not in the HR's pool. The contenders completed comprehensive dossiers, underwent interviews, and one received an offer. Although we accomplished our work and filled the position, the expense of replacement was high, not only financially but also in the community. In this incident, the cost to the healthcare system and community could have been prevented if the governing board had explored and determined why the CEO had "checked out."

Executives make career moves for career advancement, a growing family, life changes of parents and other family members, a desire to change location, and many other reasons. However, with the recent spike in hospital mergers and acquisitions, such as the acquisition of Health Management Associates by Community Health Systems, the industry has experienced a significant paradigm shift. Many executives find that being with a private hospital or community health center for many decades, with the same governing board, physicians, administration, and undergoing all new changes in day-to-day operations, from billing, finances, operations, and administration, to be too much to handle. This frustration is especially valid when the new governance and operations do not align with the customary way they operate and run a facility. Such upheavals have become a major reason for executive burning out and turnover.

CONCLUSION

When should an employee stay or when should an employer let them go? Employers must ask themselves questions about potential costs, long-term performance, and organizational morale, such as the following:

- With the cost of replacing an executive versus the cost of an executive's diminished job performance and the investment of personal and/or professional counseling and coaching, when should the decision be made to replace the executive?
- Is there a point where the executive can return to his or her previous level of performance?
- What effect are an executive's personal demeanor and communication style having on his or her peers and subordinates and the overall organization?

Talented leaders carry a value that is difficult to replace. They are equipped with deep institutional knowledge of the organization and have extensive strategic and financial knowledge. They maintain executive leadership relationships that developed over many years. They know what works and what doesn't in the organization. Great leaders have camaraderie, empathy, and influence with their coworkers and the institution that, when lost, affects the corporate culture. Decreased personal and/or professional morale can lead to widespread absenteeism, grievances, turnover, errors in judgment and action, operational challenges, and increased resistance to change.

The extensive knowledge held by a long-term senior leader personally and professionally within an organization cannot be measured. Or can it? It ultimately comes down to evaluating the damage an executive is causing to the reputation of an organization or the leadership team and the CEO. If the board of directors concludes that in the end, the executive will bring more harm than good to the organization, it should be time to let the employee go. However, a strong, knowledgeable, and dedicated executive who is a cultural fit and an effective communicator is difficult to replace and should not be dismissed without the proper consideration and transition plan. Executive turnover takes a toll on morale, productivity levels, and customer satisfaction. For this reason, executive retention is an increasing priority for corporations around the globe, specifically with high-performing team members. Many organizations have systems in place to identify high-potential professionals and programs to nurture their professional growth. Every person goes through difficult times personally and professionally at some point. Successful organizations can observe these changes and act on them when they surface rather than react after it is too late.

Executive retention is one of the most important tenets of an organization. As a leadership team is often only as good as its weakest member, it is equally important to evaluate and determine when it is time to let go. Your greatest and most valuable investment are your leaders. If and when a decision is made to dismiss an executive, it is crucial to have a replacement plan. Select a search firm staffed with professionals who will help you identify, recruit, coach, and retain executives who will strengthen and guide your organization over the long haul. Make every effort to find the best leadership fit personally, professionally, and culturally for your organization.