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What Healthcare Leaders Should Know About Recruiting Senior Executives: Lessons from Executive Search Firms

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Introduction

Healthcare organizations are going through an unprecedented period of change. The pressure of doing more with less, the rapid pace of mergers and acquisitions creating more and larger health systems, a rise in consumerism among patients, the increased focus on population health management, the increased complexity of insurance products and the rapid pace of advancements in healthcare technology all have created a need for new and different roles on senior healthcare leadership teams and new skill sets among senior team members.

Many healthcare leaders turn to executive search firms to help them more fully define and fill the roles on their senior leadership teams. For more than two decades, ACHE has maintained a relationship with some of the premier healthcare executive recruiting firms through the ACHE/Executive Search Firm Exchange. In the fall of 2015, ACHE conducted a survey of representatives of the 43 healthcare executive search firms in the Exchange to gain their insights on a broad range of topics having to do with the changes in their healthcare clients' senior leadership teams and the challenges of, and their approaches to, filling senior healthcare roles. Because the organizations in the Exchange serve a wide array of clients and collectively have a considerable depth of experience in healthcare search, their answers provided a broad perspective on the current state of the field, the needs of healthcare organizations and some things healthcare leaders need to consider to successfully staff their senior positions.

Surveys were sent to representatives of 43 executive search firms, asking about what their healthcare clients are requesting as they seek to fill senior leadership positions in their organizations. Representatives from 35 firms responded for an impressive response rate of 81 percent. Those executive search firm representatives who attended ACHE's Executive Search Firm Day in November 2015 were invited to comment on the survey results. Two practitioner panelists with 24 and 18 years' experience, respectively, in CEO positions in hospitals and health systems also participated in the November discussion. This white paper is based both on the survey results and the discussion that followed.

The State of the Field

How Healthcare Senior Leadership Teams are changing

A little more than half—22—of 35 respondents to our survey of healthcare executive search firm representatives agreed with the statement “In general, over the last five years, my firm’s healthcare clients have changed the positions or roles they include on their senior leadership teams.” While this suggests an evolution of roles held by senior leaders, it is noteworthy that 13 firms did not feel that their clients had materially changed how they structured their senior teams over this time. This may be due either to the fact that in these cases search firms were filling positions in established systems or, as indicated in earlier research conducted by ACHE (ACHE 2014b), some organizations are taking a more cautious approach to making changes in their upper ranks.

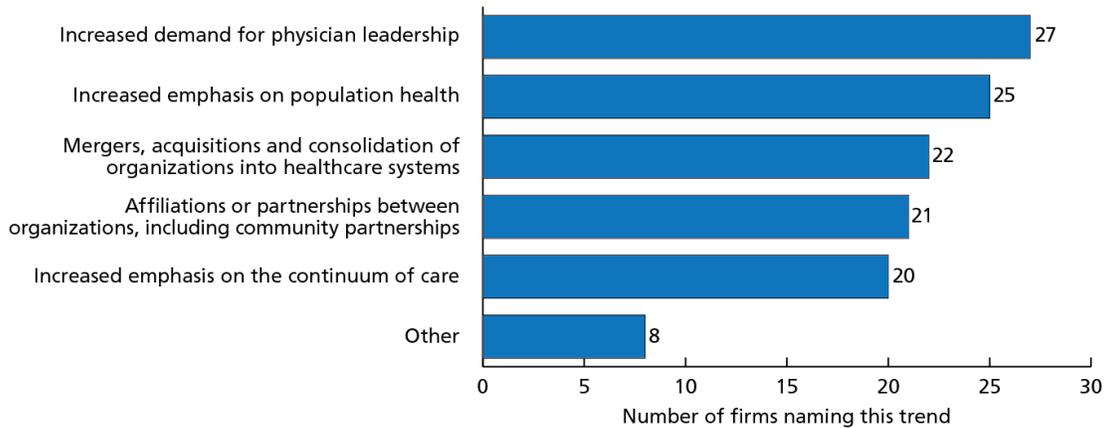
Survey respondents were asked to be more specific about the changes their clients are making to their senior leadership teams. Position or role changes mentioned by more than one firm included more physician leadership roles and an emphasis on integrating physician leadership into the senior team (mentioned by 9 responding firms), more population health roles (5), more positions relating to clinical integration or medical group management (4), more roles focused on quality (3), more roles with an IT or technology emphasis (3), more roles with a strategy or business development focus (3), more positions related to accountable care organizations (3), more clinical positions (2) and more roles addressing value-based payment (2).

Other observations made about changes in senior leadership team positions included that organizations are streamlining or consolidating roles (mentioned by 3 respondents) and that health systems are centralizing roles, such as those in human resources (also mentioned by 3 respondents). On the other hand, one respondent reported that more roles are being created to acknowledge the talents and qualifications of individuals and keep them in the organization. One respondent commented that there are more service line positions aimed at breaking down departmental silos and that some CEOs are taking system leadership of service lines. Another respondent mentioned that there is greater integration between hospitals and academic partners.

What is driving the change?

Respondents to our survey of executive search firms were asked what trends in the healthcare field are most influencing the way their healthcare clients are constructing their senior leadership teams (**Figure 1**). Most—27 out of 33 respondents—named an increased demand for physician leadership. One respondent elaborated that while physician leaders are more in demand, they can be hard to find. This was followed by an increased emphasis on population health (25); mergers, acquisitions and consolidation of organizations into healthcare systems (22); affiliations or partnerships between organizations, including community partnerships (21) and an increased emphasis on the continuum of care (20). Other trends that individual respondents said have influenced how healthcare organizations structure their senior leadership teams included cost cutting, new reimbursement strategies and requirements and patient satisfaction.

Figure 1. Trends in healthcare influencing how executive search firm clients are structuring and assembling their senior leadership teams



Challenges in Finding Qualified Candidates for Senior Leadership Positions

Both the survey of healthcare executive search firms in the ACHE/Executive Search Firm Exchange and the discussion of the study results in November provided food for thought for senior leaders evaluating their senior leadership teams, examining development programs for key senior staff and considering changes to team members.

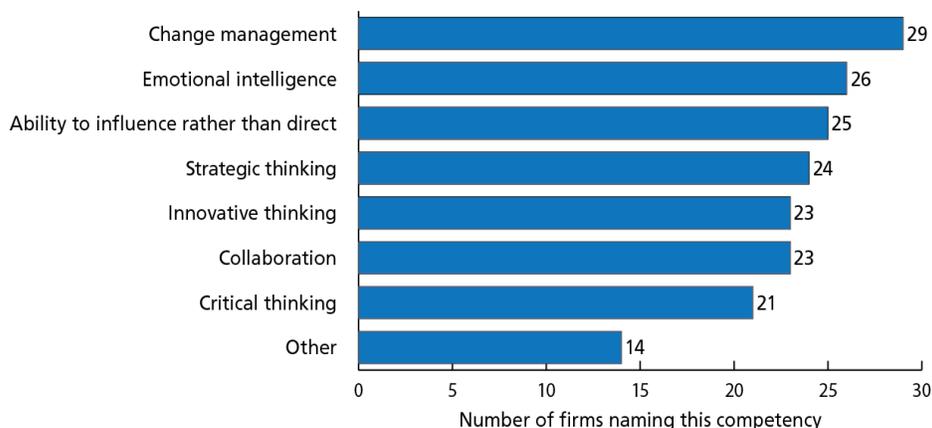
Qualifications Most in Demand for Senior Leaders

More than half of the survey respondents—22 of the 30 search firm representatives who gave an answer to this question—agreed with the statement: “In general, over the last five years, my firm’s healthcare clients have changed the requirements for skills, knowledge or credentials needed by members of their senior leadership teams.” In response to a question about which competencies were most in demand by healthcare clients for their senior leaders

(**Figure 2**), respondents most often named change management (selected by 29 respondents), followed by emotional intelligence (26), ability to influence rather than direct (25), strategic thinking (24), collaboration (23), innovative thinking (23) and critical thinking (21). Three respondents also named adaptability, and two respondents listed each of the following: decision-making ability, being visionary, interpersonal skills, financial management skills and ability to foster good relations and engagement among physicians.

This subject generated some discussion about emotional intelligence at the November meeting. Discussion participants generally agreed that emotional intelligence is very much in demand, but what it means is not always clear. The inclusion of emotional intelligence among areas for evaluation and professional development is a more recent one. Although the term means different things to different people, as one participant in the November discussion remarked: “You know when someone doesn’t have it.”

Figure 2. Competencies most in demand by executive search firm clients for senior healthcare leadership positions



The concept of emotional intelligence was introduced more than 35 years ago (Salovey and Mayer, 1990) and refers to the ability to identify and manage your own emotions and the emotions of others (*Psychology Today*, 2016). It is an acknowledgement of the fact that human beings approach situations emotionally and the ability to recognize that, manage one’s emotions and be able to influence the emotions of others will lead to more successful and productive collaborations. The term “emotional intelligence” is now a commonly used one and is sometimes taken to mean the possession of “people skills” more generally, although this is not true to the original definition.

Can someone learn emotional intelligence? There is no clear or definitive answer to this question at the moment, and participants in the November discussion came down on both sides of the issue. For example, a CEO panelist talked about the time he spent coaching staff members about being more effective with others on a personal level, demonstrating a belief that it is possible for executives to develop in this area. By

contrast, one of the search firm representatives expressed a strong belief that executives cannot make up deficiencies in emotional intelligence through coaching or professional development to the extent required to take on leadership roles requiring these skills.

Qualifications That Are Hard to Find in Candidates for Senior Leadership Positions

Respondents to the Executive Search Firm survey were asked to name which of the competencies, skills, knowledge or credentials were the most difficult to find among candidates for senior leadership positions. Innovative thinking was the most often-cited skill, named by seven of the 27 search firm representatives responding to the question. This was followed by emotional intelligence (3), strategic thinking or skills (3), change management (2), effective communication skills (2), the ability to influence rather than direct (2), and deep experience in population health management.

The discussion in November lent more insight into what was on the minds of the executive search firm representatives as well as members of the CEO panel on the topic of needed but difficult-to-find skills. One theme in the discussion was finding candidates for leadership roles who can not only influence, but also influence with integrity, as opposed to those who manipulate or bully others. On the topic of the latter, one search firm representative remarked: “There are plenty of those.” In that vein, employers are looking for senior leaders who can demonstrate the ability to engage staff. Another requirement for senior executives in the current healthcare environment is to be a “master of systems,” that is, to function well in a matrix organization and be successful when they are unable to control all of the components or elements that impinge on the operations under their direction. A customer service orientation and ability to instill customer service in the organization is also a much-sought but difficult-to-find quality in healthcare senior leaders.

Effective Physician Leadership

The executive search firm survey respondents were asked specifically about skills, knowledge and credentials requested by their clients over the past five years for physicians taking on senior leadership positions. The most common response, given by 10 of the 28 respondents answering this question, is demonstrated knowledge of and experience on the business side of healthcare. For some, this included the requirement that physicians also hold an MBA degree. This was followed by

leadership skills (named by six of the 28 respondents), collaboration (5), financial skills (4), and four other respondents commented that the requirements for physicians taking executive roles are no different than they are for other leaders. Also mentioned were an understanding of operations (3), the ability to engage physicians and to promote physician integration (3) and population health expertise (2). Individual respondents also mentioned that their clients have requested the following traits in physician candidates for leadership positions: ability to think strategically, having a vision, strong communication skills, a deep understanding of quality improvement, being outcome-oriented, a knowledge of risk, an understanding of how to build an ACO, an ability to manage change and knowing how to effectively “manage up.”

The executive search firm representatives who participated in the discussion of the survey results in November stated the need for qualified physician leaders, and the challenges in finding qualified candidates for these positions, even more strongly. As one participant said, there is a dire need for physicians who operate well in executive roles and have an understanding of the business side of healthcare, but physicians with this skill set are rare. Ability to collaborate is a particular issue for physician executives, who have little training for, or experience with, relying on others or effectively influencing them. Physician executives need the full array of leadership skills that other healthcare executives require to be successful in leadership roles including a deep commitment to quality improvement, an ability to think strategically, an ability to set a vision, a deep understanding of finance, an outcome

orientation and an understanding of risk, among other things.

One member of the group commented that the physicians receive little training to help them succeed in administrative roles, and MHA or MBA programs do not fully meet this need. Further, rising physician executives may be in need of basic career coaching, including knowing “who to talk to and what to say.” Two discussion participants noted that ACHE is well-positioned to fill the gap between academic programs and what is needed to successfully navigate a career in healthcare administration.

Members of our CEO panel also shared insights regarding successful experiences placing physicians in senior leadership positions. Physicians were much more likely to succeed in those roles if they had been able to develop their leadership skills by taking on lower-level administrative responsibilities during their careers. Such development opportunities raised the chances that physicians would be effective in senior administrative roles considerably. “Grow your own” was the advice of one of the CEO panel members about setting up physician leaders for success.

On a related topic, one CEO panel member offered some advice about acquiring physician practices and integrating them into existing hospitals or health systems. That advice was: make sure you understand the culture of the practice and how well it is aligned with your culture before bringing a practice into your organization. The more diverse the cultures, the more difficult it will be to create a smoothly running combined operation.

What Healthcare Leaders Should Know About Hiring From Outside of Healthcare

The current demand for qualified senior healthcare executives is high. Further, as organizations need to change to meet the challenges of a new healthcare environment, some have looked to other industries to find senior leaders who have proven track records of meeting similar challenges. While there have been success stories, the representatives of healthcare executive search firms and the CEOs on our practitioner panel who participated in the November discussion urged caution when recruiting executives from outside of healthcare.

Respondents to the executive search firm survey were asked how frequently they had placed executives from outside of the healthcare field in various senior positions in their clients’ organizations within the last two years. These positions included CEO, chief operating officer (COO), chief information officer, chief financial officer (CFO), chief quality officer, strategy officer, chief human resources officer, chief experience officer and chief diversity officer. The survey results confirmed that this occurs relatively rarely. The most likely position to be filled from outside the healthcare field was chief human resources officer (with 5 representatives saying their firms often successfully place candidates from outside of the healthcare field in this position and 15 representatives saying their firm does this sometimes). Somewhat less frequently, survey respondents reported filling the positions of strategy officer, chief information officer, chief diversity officer, chief experience officer and chief financial

officer with candidates from outside of healthcare. The positions of CEO, COO and Chief Quality Officer were the healthcare executive positions least likely to be filled from other industries.

To what industries are firms looking to staff top healthcare leadership positions? While the industries reported in the survey were varied, some themes emerged. Industries from which executive search firms found the widest range of successful candidates for healthcare management positions included the allied biopharmaceutical/pharmaceutical field, and customer-focused industries such as consulting, consumer goods, retail and hospitality. Top healthcare executives were also recruited from the following industries: banking, financial services, IT/technology, manufacturing, general service, airlines, education, insurance and government.

Expertise for senior healthcare management positions sought by clients from outside of the healthcare field was varied, as reported by survey respondents. Some requirements named were position-specific, and in some cases, employers were seeking a fresh perspective. But, certain types of desired expertise appear multiple times in the survey responses. Some of the capabilities that organizations are seeking in leadership candidates coming from outside of the healthcare field include: a proven track record in successfully running complex organizations and operations, a focus on metrics, experience in mergers and acquisitions, an understanding of technology on a large scale, and most definitely a consumer focus, among other things.

However, executive search firm representatives and members of the CEO panel participating in the November

discussion reported mixed results from attempts to fill senior healthcare administrative roles with executives coming from other industries. Both members of the CEO panel reported that some of their attempts to place non-healthcare executives into senior healthcare leadership positions have not been very successful. Executive search firm representatives agreed. Healthcare is a complex and multifaceted field, and some of the challenges that were new to executives coming from outside of healthcare included working with unions, the ability to influence physicians and working effectively with nursing staff. Some members of the group felt that CFO positions were the most difficult to fill successfully from outside of healthcare, possibly due to the complicated reimbursement structures and allocations of costs and fees in healthcare organizations. As one discussion participant noted, how much revenue a hospital receives for a particular procedure is a complicated question and the answer depends on many factors, which is not a state of affairs to which many financial executives from other industries are accustomed. What helps make transitions of leaders from outside of healthcare into senior healthcare roles successful? One participant suggested that, in general, organizations with well-functioning leadership and current staff positioned to help the new leader adapt are the most likely to find non-healthcare executives successful in their new roles.

Attracting and proposing qualified candidates from outside of healthcare presents its own challenges. For some positions, salaries in healthcare organizations are lower than candidates are offered in other industries. Some non-healthcare candidates only find the transition

to healthcare attractive in large organizations where they can be paid something closer to their industry's wages. One of the largest barriers to staffing healthcare positions with non-healthcare executives is that many candidates from outside of healthcare cannot show a proven track record *that can predict success in healthcare*.

The 24/7 nature of healthcare can also be a bar to some. One healthcare executive search firm representative shared the experience that some non-healthcare executives get into the field and then get out of it again in a couple of years. Another search firm representative agreed and added that one executive from outside of healthcare told him he left healthcare within a few years because: "I don't want to work that hard." "Millennials," that is, those who reached adulthood around the turn of the century, in particular are more likely to be looking for nine-to-five positions than their "Baby Boomer" parents. Challenges with work-life balance are not limited to those considering entering healthcare. It can also be a factor in healthcare professionals leaving the field. One executive search firm representative noted that senior healthcare executives who have lost their jobs due to mergers sometimes leave healthcare because they view it as lacking job security or not conducive to maintaining a healthy life outside of work.

What Healthcare Leaders Should Know About Using Assessment Tools

Senior leaders represent a large investment for any organization, and some healthcare organizations are searching for tools or

diagnostics to help ensure that newly hired senior executives will be successful in their positions. Most—28 of the 35 respondents answering the question in the executive search firm survey—said their firm's healthcare clients currently use leadership assessment tools to evaluate candidates for hire. When asked which leadership assessment tools were used by clients, respondents named as many as 28 different approaches used to measure leadership abilities.

There was some consensus among executive search firm representatives participating in the November meeting that while the results from assessments can be used as food for thought during the hiring process, for example, to direct interview questions, they should not be used as major factors in the final decision about whether to hire a particular job candidate. Search firm representatives named a number of issues they had encountered in the past with using these assessment tools in the hiring process such as misinterpretation of test results and clients "putting too much faith in them." Members of the CEO panel noted that many healthcare institutions with which they are familiar do not use leadership assessments to evaluate candidates. However, some discussion participants agreed that these assessments can be valuable for crafting professional development strategies for current staff.

What Healthcare Leaders Need to Think About Regarding Sustainability

Executive search firm representatives who answered the survey and who participated in the November discussion voiced strong

concerns about staffing senior healthcare leadership positions in the future. Both because a number of senior leaders delayed retirement due to the economic crisis, and because the oldest “Baby Boomers” have now reached retirement age, the field may be facing a cliff in terms of large-scale retirement of the most senior executives. And, there does not appear to be a sufficient number of highly-experienced, well-prepared, more junior executives to take their place. As one executive search firm representative said: “We need to be focused on the pipeline.”

Most would agree that succession planning is a good thing. But, historically, healthcare organizations have lagged behind organizations in other industries with respect to preparing for turnover in senior leadership positions (e.g., ACHE 2011, Garman and Tyler 2007). This is still true more recently (e.g., ACHE 2014a, ACHE 2014b). Common reasons cited for lack of succession planning for CEOs include that the CEO is new to the position, succession planning is not a priority for the board, or that there are no viable internal candidates for this most senior position (ACHE 2014a). Succession planning can also be challenging for smaller organizations where budgets may not accommodate the redundancy in positions needed to train or onboard a CEO successor (ACHE 2014b).

However, the message from the November discussion with executive search firm representatives and our CEO panel was clear: organizations need to be focusing on developing the next generation of leaders because there is likely to be a very high demand for qualified candidates in the next five to ten years that will outpace the supply. Studies have shown that CEO successors

groomed and promoted from within the organization are more likely to be successful than those hired from outside or chosen from within after a “horse race” style competition (ACHE 2011). Organization leaders need to be looking at their succession plans more critically and investing in developing not only the immediate successors to their most senior positions, but also the group of executives that will follow them into those senior positions.

What Healthcare Leaders Need to Think About Regarding Diversity

Most—23 of the 33 executive search firm representatives responding to this question in the executive search firm survey—agreed or strongly agreed with the statement that over the past five years most of their firm’s healthcare clients have requested diverse slates of candidates for senior leadership positions. Respondents were more divided on the question of how challenging their firm found this request for the senior leadership positions for which they recruited candidates. About half—15 of the 29 respondents answering this question—said they agreed or strongly agreed with the statement: “In general, over the last five years it has been challenging for my firm to identify diverse slates of candidates for senior healthcare leadership positions.” By contrast, 11 respondents disagreed or strongly disagreed with this statement, and three neither agreed nor disagreed.

The discussion during the November meeting suggested that there remains variability among healthcare organizations in the priority they place on increasing the

diversity of their senior leadership teams, and commitment to this goal may depend on the presence of individual diversity champions in the organization. This is an area where leaders may need to take another look. The U.S. Census Bureau estimates that within the next 30 years the population of the United States—and therefore the workforce and patient population—will be mostly non-white (ACHE 2015). That, combined with expected shortage of qualified senior leaders within the next decade, suggest that to remain competitive in an environment of changing demographics organizations need to make sure they are positioned to attract, retain and develop talented, diverse staff in leadership roles.

Important Things for Job Seekers to Know

The representatives of the executive search firms participating in the survey and subsequent discussion conveyed a clear message to job seekers. Employers are no longer as interested in just credentials or experience; they are looking for candidates

who can demonstrate, in quantifiable ways, their ability to carry out the responsibilities of the job they are seeking. Successful candidates are those who can turn the interview discussion to descriptions of what they have achieved, with specific examples. Particular items mentioned in the November discussion included that job candidates for senior leadership positions need to be able to clearly communicate *how* they influence others; show a track record, with specific examples, of *how* they engage employees; and be able to demonstrate their effectiveness in matrix structures. More generally, job candidates need to be able to answer the question, “How did you do that?” and have tangible results to demonstrate success. Some executive search firm representatives in the November discussion noted that this can be challenging for some candidates, and this is a point on which candidates frequently require coaching from executive search firms. Given this, job seekers should consider whether rehearsing or receiving some coaching would be helpful to them to be effective in interviews for senior positions.

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