

Executive Hiring Today: Turning Vacancies into Opportunities

By Dan Phillips, Partner, Phillips DiPisa

You've just gotten some bad news. A valued member of your senior management team is leaving your organization. Perhaps he/she has chosen to pursue another career opportunity – or has decided to retire early or step down for health reasons. Whatever the reason, the news is troubling: You're losing a key player.

If you're like most healthcare CEOs, you may quickly begin to ponder how your organization will function in the near term with a vacancy in a key executive slot. Your instinct may be to replace the departing executive as quickly as possible – and start the hiring process right away.



Hold that thought. Consider the possibility that you may be facing not only a challenge, but also an **opportunity**...an opportunity to take your organization on a new path. Too often, hospital executives – beset by the pressures of our demanding industry – move immediately to hire a replacement when a senior manager leaves or is let go. By moving too quickly to begin hiring, however, you may automatically hire someone similar to the

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Handled well, a transition in the senior management ranks can be an opportunity for successful organizational change. The key? Thinking through your strategic and organizational goals before you set out to hire.

person who left, especially if that person was successful in the role and well-liked. In the process, you can miss an important chance to reexamine the position and, in particular, the way it relates to your organization's evolving strategic goals. I've written this white paper to help you consider how your next executive vacancy may, if managed properly, represent an opportunity for your organization.

Before You Recruit: Taking Stock

The key to gaining a long-term strategic benefit from an executive opening is a bit of good preparation before you begin recruiting. Here are several preparatory steps you should consider:

1) Get your senior team together. Ask hard questions about what your organization really needs in the open position and function. What worked well with the person who is leaving? What didn't? If the vacancy is due to an executive resigning or retiring, the CEO should also meet with the departing executive to get his/her perspective on the position as it is currently structured.

As part of your discussions with your senior management team, think about the budgetary implications of the position. Ask yourselves questions like: Should we eliminate this position – and what would be the impact on the organization if we did? Or should we hire two people instead of one? Have we properly structured the position to meet our institution's needs?

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Consider, for example, the question of whether a hospital should have a VP of Patient Care Services or a VP of Nursing. A vacancy at that level provides a good opportunity to evaluate which of these two positions is right for your institution. You and your team might decide that a VP of Nursing will be more successful because he/she will not be distracted by responsibility for non-nursing duties – which can be a benefit if your organization is dealing with complex nursing challenges, such as a high nursing vacancy rate or a nurses union. On the other hand, a smaller organization without a Chief Operating Officer might determine that a VP of Patient Care Services is the correct choice.

2) Look at the big picture. As part of your dialogue with your team, consider how the open position meshes with your organization's strategic plan and the challenges anticipated in the years ahead. Ask yourself: What are we really expecting from this position and from the executive who fills it? And what should we avoid? A key aspect of this strategic discussion should be the dynamics and skills of the senior team as a whole. How do senior team members complement each other in their work together? What skills are missing on the team?

In a recent Harvard Business Review article, Stephen A. Miles and Michael D. Watkins note that leadership teams in which members have complementary roles accomplish things that individuals without that synergy can't. People with complementary abilities can not only compensate for each other's weaknesses but also create a more effective team, Miles and Watkins observe¹.

For example, basketball fans may remember the highly successful 1985-86 Celtics "team" that won the NBA championship and had a 67-15 win-loss record. The Celtics featured perenni-

al NBA All-Star Larry Bird, along with Danny Ainge, Robert Parish, Kevin McHale, and Dennis Johnson in complementary roles. Together, that Celtics team proved far stronger than any individual player – and the result was outstanding performance.

However, Miles and Watkins also point out in their article that, if a leadership team currently relies on individuals with complementary functions, making changes in the makeup of the team is more challenging, and leadership succession may thus be smoother if there is some thoughtful planning by the Board of Directors and the CEO². That's all the more reason to plan carefully before you make an executive hire.

3) Benchmark informally. Consider how other healthcare organizations you know that have a similar size and mission are handling the function. Seek to identify current best practices for the role you need to fill, making use of your own knowledge and that of your senior team members, as well as informal research.

For instance, hospitals traditionally hired CFOs who had risen through the controller ranks. But now some organizations are rethinking that approach. They are instead seeking CFOs who, in addition to strong financial expertise, have backgrounds that also emphasize revenue management and strategic

¹ Stephen A. Miles and Michael D. Watkins, "The Leadership Team: Complementary Strengths or Conflicting Agendas?" Harvard Business Review 85, no. 4 (April 2007): 90-98.

² Ibid.

and analytical strengths, such as the ability to evaluate new business plans. Accordingly, you might consider CFO candidates who came up through the revenue management side (for example, a VP of Revenue Cycle Management or VP of Financial Planning) and supplement such a CFO with a strong controller.

Similarly, a number of hospitals are reconsidering the position of Vice President of Marketing and Planning, which traditionally oversaw the strategic planning process and the marketing budget. Instead, they are now often creating VP of Business Development positions, which still include marketing but have a stronger emphasis on developing business plans and launching new initiatives. (See “Strategic Trends in Healthcare Leadership Positions” sidebar for more information on this and other healthcare recruiting trends.)

Rethinking the Position

As you reevaluate the open position from all of these perspectives, you may find yourself with a slightly – or substantially – changed job description and requirements. As a result, another question that you should ask at this stage is whether you want to consider candidates with somewhat nontraditional backgrounds when you begin recruiting.

For example, one hospital I know recently hired a partner from a large accounting firm as CFO who had a specialty in healthcare. While the candidate didn’t have direct experience working as a hospital executive, he had worked with hospitals extensively, and he had witnessed a variety of best practices. Similarly, some hospitals have hired Chief Medical Officers who are physicians with a background working for managed care organizations in roles involving healthcare quality evaluation³.

Another question to keep in mind is whether the position might be filled by a “high-potential,” up-and-coming candidate. Such an individual might not have years of experience serv-

STRATEGIC TRENDS IN HEALTHCARE LEADERSHIP POSITIONS

Leadership Position	Key Trends
<i>CEO</i>	<i>Hospital Boards are increasingly looking for CEOs who not only have strong operational backgrounds but who also have a strong external focus – i.e., an ability to do fundraising and advocacy and work with the community. The role is becoming more analogous to that of a college President in that regard.</i>
<i>COO</i>	<i>With CEOs now often expected to have more of an external focus, the COO role is becoming ever more nitty-gritty – as CEOs increasingly delegate more of the operational details to their COOs.</i>
<i>CFO</i>	<i>There are a variety of ways hospitals can configure this position; for example, in some organizations, the information technology function or the medical records function reports to the CFO. But hospitals often are now looking for not only financial acumen but also strong strategic skills in their CFOs.</i>
<i>CMO</i>	<i>Hospitals increasingly see the Chief Medical Officer as the point person for quality and patient safety⁴.</i>
<i>VP of Quality or VP of Performance Improvement</i>	<i>This is often a new position, elevated from what had generally been a director-level position.</i>
<i>VP of Service Excellence</i>	<i>This is a new position we’re seeing at some hospitals, reflecting an increased focus on customer service and customer satisfaction.</i>
<i>VP of Business Development</i>	<i>This role is becoming increasingly common and sometimes replaces a VP of Marketing and Planning position.</i>

³ For more on the changing role of the Chief Medical Officer, see my colleague Tom Lynch’s article on this topic, which appeared in Trustee magazine. (Tom Lynch, “The New Chief Medical Officer: A Bridge to Your Hospital’s Future” Trustee, March 2006.) You can also find a copy of Tom’s article on our website, www.PhillipsDiPisa.com.

⁴ Ibid.

ing in the type of position you have open but nonetheless demonstrates talent and capacity for high achievement. If you do hire such an executive, however, it's important to think through how you will provide the new hire with the mentoring he/she needs – whether from the CEO, an external coach, or a peer on the senior management team. Without coaching, a “high-potential” hire’s chances of success are lower.

A third question you may want to think about at this point is whether it makes sense to hire someone to fill the vacant position on an interim basis while you conduct your search.

Hiring an interim executive can give you time to look for the best long-term candidate, since it relieves the pressure for you to make that long-term hire immediately. One option: If you have an up-and-coming internal candidate you think might be able to handle the job as a promotion, you could “test-drive” that person, giving him/her the position on an interim basis and using the word “acting” in the job title.

Alternatively, you may consider working with an interim management staffing firm to bring in an experienced interim executive from outside the organization. Experienced interim executives can be especially helpful if the person who left had been in the job for a long time, or there are significant changes that need to be made. Because a professional interim executive is not seeking the position on a permanent basis, he/she can often be a particularly effective change agent.

Ready for the Future

While an executive departure is difficult for an organization, it does offer the potential for renewal and change. By taking a little bit of time to analyze the way a vacant position fits into your organization’s structure and strategy going forward, you can transform a negative – a vacancy on your senior team – into a positive: an organization better prepared for the future and its challenges.

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