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HEALTH CARE LEADERSHIP IN TRANSITION: The Value of Executive Assessments for the Hospital Leadership Team

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HEALTH CARE ORGANIZATIONS ARE OPERATING IN AN INCREASINGLY COMPLEX AND RAPIDLY CHANGING MARKETPLACE, AS FEDERAL REFORM AND ONGOING DEVELOPMENTS IN HEALTH CARE DELIVERY, REIMBURSEMENT MODELS, AND TECHNOLOGY ADD EVEN MORE UNCERTAINTY TO AN ALREADY CHALLENGING ENVIRONMENT.

These developments are raising the bar for hospital leaders, who will be expected to devise winning strategies amid health care's constantly changing ground rules, and guide their organizations through a period of dramatic change. Boards and chief executive officers (CEOs) of these organizations should begin identifying what skills and leadership traits are needed as health care evolves. An organization that is actively developing future leaders needs a robust succession planning and talent management process that identifies these required skills and traits, tests executives in a variety of roles, and includes executive assessments of senior leaders to identify and address their developmental needs.

Health Care in Transition: The Emerging Skill Set

While the specific set of skills an organization requires in its top leaders will vary depending on the role, the organization's strategy, its academic or research mission, size, core constituencies, funding sources, and role in the community, we see several skills becoming more important for the future.

Strong business judgment and the ability to manage complexity. Health care reform, changing delivery models, and declining state funding are among the forces driving dramatic change in health care. As hospitals and health care systems grapple with the challenges and opportunities these changes present, they will need executives with the business judgment and strategic skills to make the right decisions at the right time. Individuals best able to adapt

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to the new complexities will be those who can accurately frame issues and view them from multiple perspectives. They will ask the right questions about underlying assumptions and the quality of the information being relied on for decision making. These leaders will challenge their teams to think through potential consequences and be nimble enough to make adjustments to the strategy or execution, based on new information or early results.

Exceptional interpersonal skills. In addition to running large, complex organizations, health care leaders must work effectively with numerous and diverse internal and external constituencies. A hospital CEO is the face of the institution and, as such, is constantly in the public eye. With much of its revenue coming from public sources, including state and federal governments, and its public health mandate—not to mention donors, trustees, and volunteers—a hospital must be accountable to its community. Hospital leaders, therefore, must manage the organization exceptionally well and be adept at working with external stakeholders, including politicians, regulators, contributors, community groups, and the community at large.

Leaders able to do this effectively possess strong communication skills and are able to recognize the agendas and motivations of the individuals and groups involved in any given situation. They anticipate the emotional reactions people will have to actions or communications. They can accurately identify the core issues and perspectives central to a conflict and balance the different—and sometimes competing—needs of stakeholders.

These skills are equally important for hospital leaders as they work with internal stakeholders. The success of all sorts of initiatives—from cost containment to quality improvement—requires hospital leaders to partner with multiple constituencies, including physicians, nurses, and other staff who are not always driven by the same agenda, and, in some cases, do not report directly to the CEO. Without directives from the top, health care leaders must draw on social skills, charisma, and creativity to influence behavior and accomplish key objectives.

Creativity and innovation. Health care organizations have long faced the challenge of providing the best quality care amid intense pressure to control costs. Health care reform is



changing the demand and payment sides of the health care equation. Hospitals and health care systems will have to develop alternative delivery models to provide care to new patients in a more cost-effective manner, and employ creative staffing approaches to ensure adequate access for all.

This will require bold leaders who actively seek new ideas and foster an environment that promotes innovation and encourages prudent risk taking. More so than in the past, health care organizations will need leaders who are willing to take calculated risks on the big ideas that have the power to change the rules of the game.

Great developers of people. The best leaders surround themselves with talented people representing diverse perspectives. They create an environment where individuals demand the best from each other and push each other to make better decisions. This leadership capability will become even more important as hospitals face challenges requiring fresh thinking and new approaches. Strong leaders in this area are willing to delegate to their team and give people creative freedom to accomplish their tasks, while holding them accountable for results and taking corrective action when commitments are not met. To do this effectively, leaders must be willing to invest the necessary time to coach members of their team through informal conversations and ongoing feedback on what they are doing well and what areas need improvement.

In light of the dramatic changes ahead for health care, aggressively grooming successors for key leadership roles has never been more important. More than ever, hospitals

and health care systems need exceptional leaders at all levels. In addition, observers anticipate additional leadership turnover as the baby boomer generation retires and the industry continues to evolve. A recent study by the American College of Health Care Executives (ACHE), for example, reported CEO turnover at U.S. hospitals reached 18% in 2009, compared with 14% in 2008. A primary driver, according to ACHE, is the retirement of health care leaders in the baby boomer generation.

Executive Assessment and the Hospital Leadership Team

An important component of any succession planning process is conducting a thorough assessment of potential successors to key roles. Formal, third-party assessments can provide detailed insight into the strengths, weaknesses, and potential of internal candidates. A comprehensive assessment also reveals the specific developmental needs of individuals so that the organization can provide executives with opportunities to acquire needed skills and experience through targeted coaching or new assignments.

Beyond succession planning, a growing number of corporate boards are undertaking executive assessments of their organizations' senior leadership teams in times of change or transition to ensure the right people are in the right roles. These situations include the adoption of a new strategy, when the organization may require additional or different skills to successfully execute the new plan, or the arrival of a new CEO who is looking for insight into the capabilities of his or her inherited team.

Several trends in health care underscore the importance of executive assessments for hospital executive teams. These include:

- **A desire to tap internal candidates for top hospital roles.** Internal candidates are more likely to be in the candidate mix for key roles. For example, in our experience, more than 60% of our CEO searches for health care and non-profit institutions included an internal candidate, and nearly 30% resulted in the placement of an internal candidate. There can be no guarantee that even the best succession process will produce the right candidate at the right time—for example, the most likely candidate might depart early for another opportunity, or a transition is needed before an up-and-coming leader is ready. However, boards improve the chance of having succession-ready leaders in place when they carefully define the skills needed for the future and identify the skill gaps of top candidates through a thorough executive assessment.
- **The emergence of physicians as a growing source of hospital leaders.** With the increased focus on quality, safety, and risk management, and a need for leaders able to win the confidence of the medical staff, many boards are choosing physicians as hospital leaders. Physicians bring medical knowledge and a great appreciation for the needs of patients to the CEO role, giving them credibility with the medical staff. With the movement to link



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quality to payments, this trend is likely to continue. Some physicians pursue Master of Business Administration degrees to improve their management and strategic thinking capabilities. A formal executive assessment can identify up-and-coming physicians who have the creativity and business acumen essential to success, as well as any developmental needs individuals should address as they ascend to broader management roles.

A succession planning process that includes assessments of the CEO's team has additional benefits. An organization that periodically benchmarks top leaders and creates development plans that prepare these executives for broader and more complex roles increases the likelihood that it will have succession-ready leaders available when necessary. An organization that is continually developing successors also drives organizational productivity and performance.

The most thorough executive assessment evaluates individuals in three areas: their business and functional expertise; their executive intelligence, or cognitive abilities relevant to business, including their problem-solving ability, understanding of people, and self-evaluation skills; and the individual's performance in current and past roles.



HEALTH CARE IS ENTERING A PERIOD OF SUSTAINED AND MONUMENTAL CHANGE. FOR HOSPITALS AND HEALTH CARE SYSTEMS OPERATING IN THIS DEMANDING ENVIRONMENT, THERE IS LESS ROOM FOR ERROR. THE OPPORTUNITIES AND CHALLENGES THAT LIE AHEAD FOR HEALTH CARE ORGANIZATIONS DEMAND EXCEPTIONAL LEADERS WITH THE STRATEGIC AND ANALYTIC SKILLS TO FIND GAME-CHANGING IDEAS AND THE INFLUENCE AND PEOPLE MANAGEMENT SKILLS TO IMPLEMENT THOSE IDEAS.

IN THIS EXCITING AND UNCERTAIN TIME, HEALTH CARE TRUSTEES AND CEOS WILL WANT TO RETHINK THE SKILLS THEIR ORGANIZATIONS NEED AND EMBRACE THE TALENT DEVELOPMENT PRACTICES THAT WILL MAKE THEIR TEAM STRONGER.



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