



selecting the right
CEO

How to prepare for one of the most important
decisions a healthcare organization must make

When the CEO's Chair is Vacant

Leadership transitions are inevitable. For one reason or another, the board discovers it needs to recruit a new chief executive officer. Some CEOs accept other positions and some retire. Still others are not doing the kind of job the organization requires and will be replaced. While each organization's situation is unique, the need for strong leadership has never been greater. Therefore, in recruiting a new CEO, it is critical to use a proven, comprehensive process. This will not only increase the likelihood of selecting the right person for the job, it will also bring credibility to the chosen candidate and provide an essential foundation for his or her tenure.

When You Must Recruit a New CEO

How then does the organization prepare for one of the toughest decisions it must make?

Witt/Kieffer is pleased to provide this guide through the complex process of selecting a new CEO. It is based on decades of experience conducting successful searches for hospitals, health systems, integrated delivery systems, children's hospitals, academic medical centers and other healthcare organizations.

As you prepare for this process, keep in mind:

Opportunity. View the task of recruiting a new CEO as an opportunity to reflect on the organization's past, present and future. This is the perfect time to evaluate strategic goals, programs and services, expectations for leadership and internal senior management talent.

Maintain a positive attitude toward the search experience. It can be an exciting and challenging time for the board and organization.

Caution. Proceed with caution on new ventures, programs and services. Postpone promotions and discussions on new affiliations, mergers, acquisitions, alliances until the new CEO is selected. If circumstances require otherwise, be prepared to evaluate with your search consultant how such decisions may impact your search process.

Select Interim Leadership

If circumstances require choosing an interim leader, consider the following:

Orderly Succession. Act immediately to orchestrate an orderly succession. Doing so will help ensure that the organization maintains its strategic direction and sustains day-to-day operations.

Logical Individual. In some cases the designated number-two executive is the logical individual to serve as interim CEO. Or consider appointing an individual from outside the organization.

Avoid False Signals. Avoid giving false signals to a temporary appointment. The title *interim* CEO is more accurate than *acting* CEO. It also may be advisable to leave the CEO's office vacant, especially if the interim CEO is an internal candidate for the position.

Some organizations have had success creating an "Office of the President," which includes senior leaders and board members who maintain organizational effectiveness in the absence of a single CEO.

Form a Search Committee

Role of the Board and Search Committee. The board or parent organization must define the level of authority it will delegate to the search committee, and establish parameters within which the committee conducts the search.

Committee Membership. Consider a core group composed of the immediate past board chairperson, current chairperson and chairperson-elect.

Input from physicians is important. Consider influential physicians who can be objective and represent the broader interests of the medical staff. Include stakeholders and senior-level executives. Committee members should have expertise, thorough knowledge of the organization and the ability to evaluate candidates objectively. It is also important to prioritize diversity of members and opinions.

Time Commitment. Members must also have the capacity to serve. The amount of time needed to conduct a comprehensive search is significant and requires individuals to set aside other responsibilities and be consistent during this key period.

Optimal Committee Size. Most committees consist of seven to nine participants. A larger group might become slow and unwieldy, while a smaller group might not represent a cross section of views.

Search Committee's Functions. Committee members evaluate the organization's leadership needs, establish criteria for evaluating candidates, interview candidates and, in most cases, recommend a candidate of choice, subject to the full board's or parent organization's ratification.

Role of the Committee Chair. Select a search committee chairperson with the political savvy and interpersonal skills to lead the group. The reason: candidates will judge your organization based, in part, on their interaction with the search committee chair.

Consider Selecting a Search Firm

Expertise and Objectivity. A search firm can offer an organization the expertise and objectivity it needs to manage a search from beginning to end and match the position, organization and community with the right person.

Full-time Commitment. High-quality search firms dedicate full time to orchestrate a successful search. Their role is to:

- Provide counsel on organization strategy and structure

- Develop a recruitment strategy that fits the specific requirements of the position
- Vet candidates thoroughly with credential verification and deep references.

Time and Cost Management. Consultants not only develop the most qualified candidates but also make the best use of committee members' time, keep costs in line and handle politically sensitive issues with objectivity.

Prepare for the Organizational Assessment

The organizational assessment is the first and the most critical step in the search process. During this time the consultant becomes familiar with the organization's mission, operations, strategic direction, challenges and opportunities. The standard and framework for the entire search are developed at this juncture.

The assessment typically includes personal interviews with members of the search committee, other key members of the board, leaders of the medical staff, key members of the senior management team, and often external stakeholders.

The organizational assessment includes the following critical areas:

Focused Questioning in Substantive Areas. What CEO competencies does this organization need to move successfully into the future? For instance:

Background

What kind of experience and education should the CEO have?

Skill Mix

Does the board prefer a CEO with specialized financial skills and/or someone with greater expertise in marketing strategy, insurance or new business ventures? Are there other critical skills needed? Does the board want a turnaround expert or one who will fine-tune the organization?

Influence

How much authority will the CEO have? How do the roles of the CEO and board complement each other?

Expectations

What are the organization's top five priorities for the CEO?



General Questions

1. What is the organization's mission and how well is it fulfilled?
2. What are the characteristics of the culture that define fit?
3. What are the organization's values and how effectively are they integrated into business operations and patient care?
4. What is the organization's overall strategic direction and how well is it articulated and implemented? Does the organization's current structure contribute to achieving its strategic direction?
5. What is the organization's current and projected financial condition?
6. How is quality of care measured in the organization?
7. How does the organization's image and reputation compare with those of competitors?
8. How qualified is current management to address the organization's problems and achieve its goals? Are there logical internal candidates?
9. How do internal politics affect the organization's ability to realize its goals?

Candid Feedback. Immediately following the assessment, the search consultant meets with the search committee to provide feedback, validate and gain consensus on the leadership profile and advise the committee of problems that might interfere with the search. Potential barriers include compensation, structure, governance practices, concerns about quality, unrealistic expectations, etc. The consultant works with the committee to provide solutions to any problem areas to ensure the organization is well positioned to attract the very best talent.

Leadership Profile. A carefully crafted leadership profile outlining the position specific to the organization and its need is the foundation for a successful search. The leadership profile aligns key stakeholders and the search committee around qualities and prerequisites that are essential for ideal candidates and provides a framework for priorities and responsibilities when the new CEO comes on board.

Timeline. The committee and consultants work together to identify aggressive yet realistic milestone dates for the search process. Members begin to adjust their schedules to accommodate key upcoming steps, particularly first-round candidate interviews, which require significant time to conduct.

Internal Candidates. One or more individuals inside the organization may express interest in being considered for the CEO position. Search consultants have extensive experience in bringing objectivity to such situations. That experience can be very helpful to the committee and board in working through delicate and perhaps politically sensitive dynamics.

Select Top Candidates for Face-to-Face Interviews

Following the organizational assessment, the process of searching for candidates begins. Potential candidates are approached and evaluated against the criteria established during the organizational assessment. Once an appropriate number of qualified individuals has been developed, the consultant meets with the search committee to present, on paper, a screened slate of candidates. The consultant explains in detail how each candidate has the required blend of skills, experience and leadership style to meet the organization's needs.

Narrowing the List. The search committee, with the consultant's guidance, narrows the list of candidates for personal interviews, based upon the profile, experience and skill set of each candidate. This gives the committee an opportunity to compare a select number of candidates without the process becoming overly burdensome.

Conduct Committee Interviews with Candidates

While the search committee will focus on the candidate's executive presence, leadership skills and overall ability, be mindful that the candidate will make similar judgments about the organization.

The following guidelines can make the interview experience meaningful and productive for both the committee and candidates:

Interview Approach. The consultant should recommend an approach to interviewing that is right for your organization. For example, consider inviting candidates for a preliminary meeting with the search committee. If there is mutual interest after the initial "chemistry check" interview, follow up with a second, more comprehensive visit that includes the candidate's partner.

Scheduling. Schedule interviews to allow plenty of time for interaction. Schedule interviews on successive days so that committee members can better compare candidates' responses. Focus on the same areas in interviewing each candidate. Keep in mind the candidate profile developed in the assessment phase as you prepare your questions. Make the candidate feel welcome and valued. Listen to their needs with sensitivity. Ensure that candidates avoid the potential embarrassment of running into each other.

Leadership Assessments. Between first- and second-round interviews and prior to finalist visits, the search firm can provide skills-based, behavior-based and other forms of leadership assessments in order to distinguish between two or more qualified CEO candidates.

The assessments can suggest how an individual will perform within the given role and your culture, and provide qualitative and quantitative information to support the committee's selection process. Assessments can also shed light on whether the chosen candidate may need coaching or other support upon joining your organization.

Sell. Maximize any opportunity to "sell" the organization and community. Remember, candidates will be evaluating you as well.

Evaluate Candidates and Provide Prompt Feedback

Following the interviews between the candidates and committee, it is critical to meet quickly to evaluate those sessions and begin the process of further narrowing your choice.

Consider the following:

Evaluation Method. The search consultant will offer suggestions about a deliberation and ranking method that is right for your situation. For example, the committee may want to conduct a secret ballot or develop total scores on a weighted system. Or it may prefer an open process where each committee member describes his or her ranking and provides a rationale for the decision.

Choice. It is always helpful for a committee to choose at least two, but probably not more than three, top candidates for the position.

Arrange for Return Interviews

The committee can make the second interview a valuable experience for the organization and each candidate by considering these points:

Partner Sensitivity. Arrange a thorough visit for the candidate's partner that includes a tour of the facility and surrounding community. The consultant will suggest a schedule that fits the family's needs, interests and priorities, as well as provide the committee with information to facilitate consideration of career options for the partner.

Arrange for an introductory dinner that involves the candidate, partner and committee members and their partners. This provides an opportunity to extend a warm welcome and observe the candidate in a public, social situation.

Confidentiality. Arrange a meeting with key leaders. In preparing for this meeting, remind stakeholders that the meeting is confidential and that its purpose is to become acquainted with the candidate's leadership style, background and ideas — not to vote on the candidate.

Meeting with Board and Other Leadership. Schedule one-on-one time between the candidate and the board chairperson (and executive leadership within the larger system or organization as appropriate). This will help ensure that the required chemistry exists.

Wrap-up Session. Conduct a wrap-up session with the full search committee as a final step to the visit. This meeting will give both parties an opportunity to ask probing questions and clarify any difficult issues.

Extend an Offer to the Candidate and Negotiate Contract Terms

If the committee is enthusiastic about the candidate, and the candidate is excited about the opportunity, the chairperson of the search committee and/or the chairperson of the board should contact the candidate and extend congratulations and the board's offer. In some cases, the committee delegates this task to the consultant.

Negotiations. The negotiation process varies from organization to organization. The committee should review the compensation information and recommendations that were made during the initial assessment.

In addition to the base salary and incentive compensation component, candidates may seek a wide range of perquisites, including among others: sign-on bonus, supplemental executive retirement plan, relocation assistance including moving, temporary residence and potential assistance in the sale of home. Given the complexity of executive compensation packages today, it is good practice to consult on parameters with a compensation consultant at the outset of the search.

The committee can also rely on the search consultant's negotiation expertise. By bridging the gap between the board's expectations and expectations of the candidate, the consultant can ensure that both parties come out winners.

Confidentiality. Emphasize confidentiality until an offer has been accepted. Neither the search process nor professional careers should be compromised. Breaches in confidentiality can derail a search and damage the reputation of the organization.

Severance Agreement. Most candidates seek a contract and a severance agreement. Such arrangements have become increasingly common for senior executives within the healthcare industry. Because of the high level of risk inherent in many CEO positions — frequent board turnover, medical staff dynamics and potential mergers and acquisitions — most CEO candidates will want basic economic security before they accept a new position.

Final Thoughts

Selection of the right CEO completes the first step in ensuring the continued success of your organization. Maintaining that success is a complex formula and will require continuous attention.

As you plan for the future, your CEO naturally will be expected to provide vision, direction, inspiration, influence and integrity to the organization — in sum, leadership. That leadership is a manifestation of character, and everything the leader does is a reflection of that individual. More than any other one person, the CEO will personify the organization.

Your expectations of new leadership are significant. But remember, no one leads in a vacuum. Successful healthcare organizations rely on “stakeholder symmetry” — in which board, medical staff and CEO function as true colleagues and partners. Stay engaged and involved with the new CEO so the change in leadership strengthens the organization and positions it for continuing success.

Search Process

New CEO needed

Board or parent organization appoints search committee

Search committee retains executive search firm

**Consultant evaluates organization;
Committee and consultant establish leadership profile**

**Based on established criteria, consultant evaluates and
interviews candidates, checks credentials/references**

**Consultant recommends candidates;
Search committee selects candidates to interview**

**Search committee conducts first and second round interviews;
Leading candidates are assessed;
Additional references are checked**

Search committee selects finalist - choice is ratified

Terms are negotiated

New leadership begins/transitions for success

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