

# GREAT BOARDS

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## BOARDROOM BRIEFING

### CEO selection: getting it right

By Sharon O'Malley

By the time board Chairman Freddie Burton convened a 12-member search committee to recruit a new chief executive officer for St. John Hospital and Medical Center two years ago, the facility had been through six CEOs in as many years.

This time, he vowed, the Detroit hospital's trustees would take their time deciding on a new CEO and would make that decision using a process agreed to up front by the facility's 24-member board of trustees, its medical staff and its parent system, St. John Health.

"We seized the opportunity to learn from our mistakes," says Burton, a Wayne County, Mich., probate judge, who watched a prior search committee of five trustees and one doctor select a CEO whom the full board did not endorse and the physicians did not embrace. Installed nonetheless by the system board, the executive lasted only one tumultuous year.

The new search committee, over nine months, solicited feedback from every member—including five trustees, six doctors and the CEO of the health system—on every issue; considered every motion from any committee member; and updated doctors and other staff after every meeting.

"This tedious process was very, very important," notes Burton, who says the new CEO is "working out wonderfully." He adds: "The process sometimes is almost as important as the outcome."

The process for successfully selecting the best CEO for the job varies from hospital to hospital, but generally involves several important elements:

- Forming a search committee that includes trustees, physicians and potentially other stakeholders.

- Developing a profile of the ideal CEO, based on a position description, a plan for the hospital's near-term future and the priorities for the CEO's first 12 to 18 months.

- Identifying and evaluating candidates.
- Making the selection.
- Negotiating compensation and other terms.
- Supporting the transition.

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*Freddie Burton*  
*St. John Hospital & Medical Center*

Some boards endeavor to manage the search process themselves, but more often, they select an outside search firm to facilitate the process, identify candidates who fit the ideal profile and lend an objective, experienced voice to the committee's deliberations.

"Do not try, as a board, to take on the job of recruiting," advises Frank Taylor, a trustee at New Hanover Regional Medical Center in Wilmington, N.C. Taylor spent his career as a health insurance executive and dealt with search firms both as an employer and as a job candidate. "There's a whole industry out there that does that, people who are trained to do that. The reason not to do it is because you don't know how to do it."

Search consultants obviously agree. "Most board members go through a CEO search once in their careers, if ever," notes Michael F. Doody, senior vice president for Witt/Kieffer in Oak Brook, Ill. "I've been in the search business for 15 years, so I've done 40 to 50 executive searches." The search firm, Doody adds, "is going to help you with a decision which is probably the most important decision you will ever make."

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### Plan before recruiting

The CEO profile is the cornerstone of the search process. “If you don’t know where you’re going, you may not get there,” notes search consultant J. Larry Tyler of Atlanta-based Tyler & Company. “If you don’t have specifications, a standard, a behavioral ideal in mind for the candidate, then you can get lost.”

Indeed, advises consultant Martha Hauser, senior vice president and regional director for Witt/Kieffer in Atlanta, the work the trustees do before they interview their first candidate could determine whether that candidate is a good fit for the hospital—and whether the hospital will be able to convince the candidate to come aboard.

“A pitfall is when you start moving toward trying to identify a candidate before doing the really hard work of saying what the needs are,” notes Jane Groves, managing senior vice president of MSA Executive Search in Kansas City, Mo.

To that end, search committees have much ground to cover before they look at a single resume. Committees should:

- Clarify their role in the process. Is the committee’s charge to identify a slate of finalists, or to recommend a single finalist for full-board approval? Defining the committee’s role up front will help committee members and non-member trustees manage their expectations later.

- Identify stakeholders in the process, and clarify their role in CEO selection. “Just think of how many lives this impacts: patients, employees, the community. It’s phenomenal,” notes Groves. Hospitals that are affiliated with medical schools, religious orders, local governments and foundations have a diverse group of stakeholders. But while search committees should solicit feedback from all interested groups, not all

of them should have an official vote on the candidates, says Groves. “A CEO search is board work,” she notes. Groves recommends that search committees be limited to about seven members, including a mix of trustees and physicians.

- Objectively evaluate the hospital from the viewpoint of prospective candidates. Hauser asks: “How marketable is this position, this organization? Are there smoking guns” that will make candidates wonder if they can succeed? “You want all of those issues dealt with up front. The reality is: If candidates ask those questions and you’re not able to explain them, the candidates will pull back, and then it’s too late. You can’t go back and re-recruit them.”

- Set a timetable for selecting a new CEO. Most searches take several months. Tyler advises search committees to choose a CEO as quickly as possible: “Don’t let the process drag on forever,” he says. “Some candidates will drop out because they think you can’t make a decision or [the delay] is an indication of problems at the board level.”

- Develop a plan for communicating the committee’s progress to stakeholders. Most of the search committee’s work must be strictly confidential until the conclusion of the process, but too much secrecy can be harmful. Physicians, employees, community members and others can imagine the worst when they’re uninformed, notes Groves. And, as St. John Hospital’s search committee learned, those stakeholders can impede the success of a new CEO who is selected without their input.

- Take the opportunity to identify qualities for the new CEO that were lacking in the outgoing executive. “Even if you have a beloved CEO retiring, you can’t be afraid to talk about it,” says Groves.

Albemarle Hospital in Elizabeth City, N.C., is a textbook case that illustrates the value of careful planning for a leadership transition.

Before the 186-bed hospital put the word out that it needed to replace its departing CEO three years ago, the board hired a consulting firm—in addition to a search firm—to help it come up with “a clear picture of what we had.”

The consultant interviewed physicians, nurses, staff, executives, community leaders and board members to compile a profile of the hospital and a profile of the community.

They didn’t match.

The hospital’s board, upper management, doctors and staff, notes Ernest Sutton, the board’s immediate past chairman, were not nearly as diverse as the community. The 15-member board resolved to remedy that discrepancy, starting with its search for a new CEO. When it eventually hired an outside search firm, the firm’s first charge was to bring a diverse slate of candidates for consideration—and to make sure each candidate “understands the value of diversity so we can speak to the needs of our community,” says Sutton, chairman-elect of

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the American Hospital Association's Committee on Governance.

The consultant also discovered that the hospital's physicians were unhappy with the quality of their communication with the CEO and board. So the 12-member search committee—made up of Sutton, two board members, doctors and community leaders—deemed to find a leader who “was soft enough to develop good relationships, but tough enough to get done what needed to get done,” Sutton says.

Then the committee, the consultant and the search firm met with an advisory committee made up of community leaders to get their input before committee members chose seven candidates—from a slate of a dozen offered by the search firm—to interview.

The three finalists, whom the full board considered, included two men—one black and one white—and a woman. The woman became the hospital's first female CEO.

“What carried the day for us,” notes Sutton, “was the process. There were some tough times; there were some challenging times. But every time we had those challenges, I brought the board back to the process: This is what we said we wanted. This is what we said we needed. This is why we hired consultants to do a profile.”

### Remember who's in charge

The search consultant is an adviser, like an attorney or an auditor whom the board might hire when it needs an infusion of expertise, says Witt/Kieffer's Doody. The committee should weigh the consultant's advice thoughtfully, but in the end must reach its own conclusions. “It's their prerogative to accept or not accept my advice,” Doody says.

Indeed, members of Miami's Mercy

### Supporting the transition

The search committee's job doesn't necessarily end the day the full board approves its choice of a new CEO.

At some hospitals, the committee morphs into a transition team for 90 days or so once the CEO comes on board, helping the new leader get settled, introducing staff to the new boss and welcoming the newcomer to the community.

“It accelerates the process of assimilating a new executive into the organization,” notes Jane Groves, managing senior vice president of Kansas City, Mo.-based MSA Executive Search. “You manage it” rather than leaving the executive to walk blindly and alone into new situations.

Hospital search committee sharply disagreed with its consultant during a CEO search three years ago.

The search consultant, recalls Sister Elizabeth Worley, chairwoman of both the hospital board and the search committee, adamantly opposed the committee's plan to include senior managers in candidate interviews, a practice that should be allowed, the consultant said, only if the candidate asks to meet with them. Others might disagree, but the committee's position, Worley recalls, was that the board did not want to hire a CEO with whom the managers might be uncomfortable. In the

end, managers—who offered feedback to the committee but did not get to vote—met with each candidate over lunch, and some conducted one-on-one interviews.

The staff was enthusiastic about the candidate the search committee selected, which promoted an “incredible” transition, says Worley.

“We never lost a breath.”

Indeed, the interviewing process takes various forms at different hospitals, although at most, the search committee conducts group and personal interviews with four to six candidates before narrowing the field to two or three finalists. The remaining candidates and their spouses attend social functions with the full board, and the finalists meet at length with the search committee and board members, and sometimes with community leaders, medical staff and upper management.

“At the end of the interview period, you've got a culmination of knowledge—not just what's set out in front of you, but behaviors you've observed over the course of ... four or five hours of individual and group time with each candidate, and time spent socializing,” notes Tyler.

Board Chairwoman Gayle Van Velsor describes New Hanover Regional Medical Center's unique approach to getting to know its two finalists in a hurry as it attempted—and succeeded—to replace its departing CEO within four months.

The center's search consultant arranged for members of the search committee and the full board to have dinner with both candidates and their spouses. The candidates arrived separately, and never saw each other that evening. Instead, the board

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## Knowing what to ask: priceless

Catholic Health East, a Philadelphia-based, multi-state health system, has created a tool to help search committees ask questions that will reveal a job candidate's core values and leadership abilities.

A successful candidate for an executive-level position in the system, notes Peter Giammalvo, the system's vice president of leadership formation, has both moral and business competencies.

The 20-page "Guide to Interviewing and Selection" is based on a "leadership profile," which says a model leader is "spiritually grounded," practices Christian values, is "interpersonally gifted" and has superior business skills.

The guide offers sample questions that search committee members can ask to draw responses on seven core value competencies and eight leadership competencies.

Core values include:

- *Reverence for each person*, and a belief that human life is sacred.
- *Community*, or demonstrating a connection with others through inclusive and compassionate relationships.
- *Justice*, whose practice allows all people to realize their full potential.
- *Commitment to the poor*.
- *Stewardship* of financial assets, human resources and ministerial imperatives.
- *Courage* to take the risks the Catholic faith demands.
- *Integrity*.

Leadership competencies include:

- Instilling vision in others.
- Strategic agility.
- Embracing ambiguity and coping effectively with change.
- Political astuteness.
- Business acumen.

- Ability to set priorities and take action.
- Customer focus.
- Quality leadership.

For each value, the guide offers a definition. "Integrity," for example, is defined as, "We keep our word and are faithful to who we say we are."

Next, the guide gives indicators that the person possesses that value. For example, indicators of integrity, according to the guide, are:

- Is widely trusted.
- Keeps confidences.
- Is seen as a direct, truthful individual.
- Doesn't blame others for his/her own mistakes.

Sample questions for the candidate include:

- What kind of breach of ethics or integrity in your workplace would prompt you to consider resigning?
- How much of what you know do you generally pass on to subordinates or associates?
- How do you earn the trust of your subordinates and co-workers?

Finally, the guide mentions "things to notice" as candidates reply. For example, a successful candidate is:

- Able to be candid.
- Understands the importance of confidence.
- Has clear moral or ethical boundaries.
- Can present the truth in helpful ways.

Giammalvo says the tool has helped committees select CEOs and other healthcare executives, and has even been used by a school system with Catholic Health East's permission.

The tool's designers, notes Giammalvo, believe leaders in a Catholic health system should be professionally competent, but also are called upon to be equally competent in terms of their values.

*For more information about the copyrighted tool, contact Peter Giammalvo at [pgiammalvo@che.org](mailto:pgiammalvo@che.org).*

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## What CEOs look for from the board

Hiring a CEO is a two-way process. The search committee chooses a candidate, but the prospective CEO assesses whether the organization represents a good career move and a place where he or she can be successful.

Boards can do a lot to successfully appeal to an excellent candidate:

- Choose an outstanding board chair who is willing to invest the time to help a new CEO get off the ground.
- Ensure leadership continuity. The CEO will want to know that the current board chair will be in place for at least another one or two years, and that an equally effective member is next in line.
- Adopt a board position description that demonstrates the board understands its fiduciary duties, roles and responsibilities—and the difference between governance and management.
- Demonstrate that the board is engaged and prepared to invest time in board education and strategic planning, two activities most CEOs believe are critical to board effectiveness.
- Express the board's willingness to support the organization and the CEO with key stakeholders, including the medical staff, local business leaders and potential donors. The CEO wants a board that will take ownership of needed but controversial measures.
- Address any major dysfunctions—disruptive members, for instance—before the search process begins.
- Commit to a board self-evaluation and development process during the CEO's first year, including a review of the board's committee structure.

—Barry S. Bader

split itself in two in separate banquet rooms. One candidate had cocktails with half of the group, while the other mingled with the rest in a different room. The candidates switched rooms for dinner. During dinner, board members divided among three tables in each room. The candidate in each room ate appetizers at one table, the entrée at another and dessert at the third.

The next day, the candidates met—separately—with board members for formal interviews.

Van Velsor says it “worked well,” but her colleague, Frank Taylor, says he wouldn't repeat the social experiment. “I think our decisions were made during the actual interviews,” he notes.

During those interviews, Taylor says, the 10-member search committee—composed of trustees, doctors, a nurse and an employee—asked “a broad range of questions” based on their stations at the hospital. He says search committees that let members come up with their own questions rather than prescribing a list of queries solicit creative, spontaneous input from interviewers. “It makes the conversations more dynamic,” he notes.

But Hauser recommends that committees ask some identical, core questions of each candidate. “We want to make sure we're asking the basic questions of each candidate,” she says, “and that the search committee looks smooth, together and focused. The candidates are watching how the search committee handles itself as well.”

Because most of Mercy Hospital's search committee members were new to the process, Worley turned to its parent system, Catholic Health East, which had devised some interview questions that its hospitals could use to reveal each candidate's position on both personal and business values.

“I think people needed assistance in knowing how to interview,” notes Worley. “It's an art.”

The interviewing tool is based on 15 leadership competencies and personal values that CEOs should exhibit (see sidebar on Page 4). “Values can be measured,” notes Peter Giammalvo, the tool's architect and CHE's vice president of leadership formation. “They're demonstrable, livable. You know them when you see them.”

CHE's tool helps assess whether a candidate is suited for service at a Catholic

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hospital where mission and values are so important, Giammalvo adds.

**2-way street**

A good set of interview questions works both ways, notes Tyler. The interview process reveals as much to the candidate about the hospital as it tells the search committee about the prospective CEO.

“One thing you absolutely shouldn’t do is act as if you’re in the driver’s seat all the time,” he says. “Good candidates have other options—including staying where they are. If you don’t at some point put on your recruiting hat, you’ll lose the candidate.”

At the end of the process, admits Van Velsor, search committee members have to rely on their intuition when selecting the hospital’s next leader. “No matter how well you do [during the search], you still know it’s going to be a leap of faith,” she says.

Tyler confirms that. He recalls one search committee that couldn’t decide among three equally qualified candidates, so its members asked the hospital’s administrative secretary which one was easiest to work with. “That eliminated one of the candidates,” he admits.

“When you get down to the end of it,” Tyler adds, “it is still an abso-lutely subjective, gut-level decision. That’s how it ought to be. If your gut feels bad but everything looks great on paper ... you still ought to listen to your gut.”

**Concluding the process**

Still, the process doesn’t end there. It’s likely that the full board must approve the choice and extend a formal offer of employment. Hospitals that are parts of systems may have to offer their choice to the system’s chief executive or board for another approval.

Then the committee and the candidate need to agree on compensation and contract details.

Tyler, who advises hospitals not to make the board’s chairman the head of the search committee, says it’s important to allow the CEO-elect to negotiate these details with just two people: the committee chair and the board chair. “You can’t put one [candidate] in a room with five or six or seven people to negotiate the contract,” he cautions.

He suggests that boards let the search consultant gauge the candidate’s needs—well before the hospital makes an offer.

“I can test the pulse of the candidate,” he says. “I can ask, ‘What’s it going to take?’” If the candidate’s response—in terms of pay and benefits—is out of the hospital’s reach, the consultant can let the committee know before its members set their heart on someone who is unattainable. **GB**

**Best Practices  
Checklist****CEO selection**

1. Spend significant time before beginning the recruiting process creating a vision for the hospital’s near-term future and a profile of the kind of CEO who can fulfill that vision. Use the CEO selection process to re-evaluate the qualities and expertise the hospital needs in a CEO.
2. Write a job description for the new CEO, including priorities for the

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*CEO selection from page 6*

## Best Practices Checklist

# CEO selection

- first year or so on the job. This will help the search committee select candidates with the specific skills the hospital needs. It also will show candidates what is expected of them—and help them decide if they're suited for the job.
3. Agree on a salary range, based on market research.
  4. Appoint a search committee that is separate from the full board. The search committee should include a mixture of trustees, medical staff and upper management. Some hospitals also include nurses and employees, although most consultants recommend against putting rank-and-file staff in a position to vote for a potential boss.
  5. Generally, do not include the outgoing CEO on the search committee. This is especially important if the retiring CEO is remaining in the community.
  6. Invite the retiring CEO meet with finalists and share an assessment with the committee.
  7. Keep the search committee a manageable size. Consultants recommend groups of about five to nine members. Larger groups can become unwieldy when it comes to scheduling. It's important that every committee member attend every meeting and interview.
  8. Clarify the role of the search committee: Will it bring a full slate of candidates to the board for consideration, or will it present just one finalist for approval?
  9. Ask stakeholders like community members, upper management and medical staff for their input, even though they are not voting members of the search committee.
  10. Maintain the confidentiality of individual applicants and candidates, but communicate the committee's progress regularly to staff and the community to allay any fears or gossip.
  11. Consider hiring an outside search firm that can narrow the field of applicants down to those who qualify, and that can identify current healthcare executives who might not be looking for jobs but still would consider an attractive opportunity.
  12. Set a realistic timeline for hiring a CEO. Most searches last four to six months, although some wrap up in as few as two months or drag on for as long as 18 months. The longer the search, the greater the risk that some of the candidates will find other jobs in the meantime.
  13. Spend several hours interviewing each candidate—both as a group and individually.
  14. Ask tough questions that will reveal how well the candidates understand the hospital and whether they support the vision and values of the organization.
  15. Invite the candidates to make a brief, formal presentation to the search committee to demonstrate their understanding of the organization and the job.
  16. Ask about prior jobs, particularly if the candidate was fired. If an explanation doesn't feel right, it probably isn't. Ask your search consultant to investigate. Don't be afraid to reject a candidate if you're not convinced. Such questions reveal patterns that can help the search committee gauge whether similar problems would occur at their hospital.
  17. Notice if the candidate asks informed questions. They reveal how well the applicant has studied the hospital's situation.
  18. Spend some social time with the finalists and their spouses to see how they interact with each other and in social situations.
  19. Observe the candidates' behavior outside of the interviews. Note if the applicant is friendly to staff and courteous to strangers.
  20. Arrange for the finalists' spouses to tour the area, meet with a realtor and talk about schools and other necessities while the candidate is meeting with the search committee.
  21. Consider the selection process as a two-way street: Just as the search committee is evaluating how appropriate the candidates are for the job, the candidates are sizing up the board, medical staff and the hospital to decide if they would like to work there. At some point in the process, board members need to move from making a judgment about the candidates to recruiting them.
  22. Treat internal candidates honestly. Give them a chance to prove themselves, and if they are not selected, explain the decision tactfully before it's generally announced. Do not promise unsuccessful candidates that they will have job security, as that's up to the incoming CEO.
  23. Trust your instincts, no matter how impressive a candidate's credentials are. You know the culture of the hospital, the people who work there and the community it serves, so you are in the best position to gauge how well a candidate will "fit."