

WANTED:

# CEOs with Taproots

## Searching for Small and Rural Hospital CEOs

**A**lthough the data are anecdotal, most agree that CEO turnover in small and rural hospitals is on the rise, a phenomenon with far-reaching consequences.

“Constant turnover of CEOs has a damaging effect on employees, medical staff and the community,” says Linda Powell of Mountain States Group’s Technical Assistance Program. Powell works with organizations in Idaho and the Mississippi Delta. “It can undermine the community’s confidence in the hospital. Some can’t recover.”

Relying on management companies to secure leadership can be a double-edged sword, says Mark Griffin, director of recruitment for South Carolina’s Office of Rural Health. “A corporation-provided CEO who ran a hospital like a military post turned a dilapidated facility around, garnering the support and resources to build a new hospital. Then the corporation moved him. For him, a great career move. For the little towns, not so good.”

Regulations may be a subtle contributor. “Hospital executives are moving from more regulated states to ones that are a bit more reasonable,” says Adrian Roberg, administrator of Meriter Health System, based in Madison, Wis.. “It’s not unusual for a Wisconsin opening to have applicants from surrounding states.”

Tim Putnam sees turnover as a real challenge to rural and small hospitals. “They may find themselves conducting a CEO search every five to seven years,” he says. As CEO of Illinois’ Mercer County Hospital for five years, Putnam recently accepted the CEO role at Batesville Hospital in Indiana.

As CEO tenures contract, search outcomes take on unprecedented importance. To recruit the right individual, trustees need to do a reality check, beginning with a thorough assessment of uni-

versal and specific challenges of the position, its rewards and a plan to execute a successful search.

### Challenge or Opportunity?

Small and rural hospital CEOs have to be self-reliant. The CEO’s staff typically consists of executives heading finance, operations, clinical, and human relations. “It’s the difference between a bomber pilot versus a fighter pilot. A bomber pilot has a few folks to help. As a fighter pilot, you’re by yourself,” explains Lanny Kope, chair of Arizona’s Sierra Vista Regional Health Center’s board and current member of the American Hospital Association’s Center for Healthcare Governance Blue Ribbon Panel of Trustee Core Competencies. Roberg sees two major issues facing CEOs that he believes are both problems and opportunities: physician recruitment and relationships with large multispecialty groups or large tertiary hospitals.

“Each financial decision has greater importance. There’s less wiggle room because smaller revenue means smaller budgets,” adds Kathy Noland, vice president of executive search services and practice leader of CEO services for B.E. Smith Inc., an executive search firm based in Lenexa, Kan.

One inescapable, critical aspect of rural health care leadership is visibility. “What you like best about living in a small community is that you know everyone,” Putnam laughs. “And what you like least is that everyone knows you.”

But high visibility in the community can be a plus. Often the largest employer in town, CEOs have a strong appreciation for what the hospital means to the community. Constant interaction with members of every constituency helps a CEO communicate

By CAROL GENTES

vision, secure support, and involve everyone in the organization's mission. They have a tremendous opportunity to make a real difference in a community. "Usually when someone is recruited, there's a reason, like to stop the bleeding," says Powell.

Noland, a former CEO of a small hospital, believes it is a great opportunity for an individual to run his or her own show. "These CEOs can stay very close to what they lead. They can do rounds with patients in 30 minutes, which many find extremely rewarding. They keep a close connection with middle management," she says.

### Accentuate the Positives

Location is perhaps the biggest downside in attracting candidates. "Isolation is all a matter of perspective," notes Powell. "Rural is different in Alaska, Idaho and the East Coast."

"Sell your successes and play up strengths," advises Kope. Sierra Vista boasts four seasons, the University of Arizona South Campus, a community college and good public education system. Tucson is about an hour away. The area appeals to history buffs and is the bird-watching capital of the world. The current CEO has 12 horses and was able to buy a ranch—a dream fulfilled.

Griffin describes the rural parts of South Carolina as extremely rural, even though most are only a half hour from a metropolitan area. "There's not much diversity or many educational opportunities," he explains.

However, rural settings can be the best of all worlds. "South Carolina is ideal for those who want it all," says Griffin.

Being a smaller state has its advantages: The beach and mountains are three hours apart, there's no congestion, private schools are available, and smaller towns are usually safer, Griffin says.

Even the most difficult situations have appeal. Paul Came, managing director of Came Sweeney Executive Recruiting, conducted a CEO search for a hospital on a Northern Plains Native American reservation. "It was a challenging environment socially, intellectually and economically," he says. The carrot? The hospital was part of a larger system. The successful candidate, wanting to break into administration, felt he would gain executive experience and be able to access other career opportunities. Mercer County Hospital, in Western Illinois, is an hour from five shopping malls in larger cities and provides a variety of cultural events and recreation. Climate is the con. But to stem possible turnover, CEO Putnam is very honest about it from the beginning. "It's one thing to understand cold. It's another to experience it day in and out in an area with limited winter outdoor activities," he admits.

### Know Who and For Whom You Are Recruiting

Powell believes a search for a CEO is really about finding a good match for the community. Intricate relationships between the CEO and all facets of the community and organization make it harder to work in rural areas than in urban ones. Putnam says

that some CEOs "grow a taproot" in the community, making it very difficult for them to leave.

"A question trustees should ask is 'How can we get them to grow a taproot?' That has more to do with family than career perspective." Trustees aren't just recruiting a CEO. "The family always comes first," says Griffin.

If a candidate looks promising, trustees need to discover spouse and family issues that may derail the search or cause a short CEO tenure. Career opportunities and activities for spouses, education systems, children's needs and lifestyle should be considered, and feasible solutions introduced as soon as possible. Few small hospitals have the luxury of growing their own CEO. "Succession planning is more of an academic exercise," says Kope. "You can have a great CFO who may not want to be CEO."

Leadership succession planning for rural and small hospitals usually has two parts: dealing with emergency needs, such as death, illness or CEO termination, and a longer-term plan that

details resources to help conduct a search, such as reputable search firms, resources, state hospital associations and regulatory networks. *CEO Recruitment Guide: Practical Step-by-Step Information for Recruiting a Hospital Administrator*, developed by Powell and Dave Berk, is an introduction to the process. (It is available online at [www.ruralcenter.org/documents/CEO%20Recruitment%20Guide.pdf](http://www.ruralcenter.org/documents/CEO%20Recruitment%20Guide.pdf).)

Trustees are particularly good resources, bringing diverse perspectives and experiences that give the process greater substance—and may help the organization avoid mistakes. All trustees

should be involved in the CEO search.

During a finalist interview with the entire board of an Arizona hospital, the candidate stated he had received a doctorate from a university in Minnesota. Kope recalls that after the finalist left, a trustee revealed he had grown up in the Minnesota community where the school was located and that the university didn't have a doctoral program. End of candidacy.

Boards shouldn't wait to begin recruiting until the current CEO is out the door. Noland worked with a "very forward-looking board" to replace a retiring CEO. By starting the process early, the new CEO was on board as soon as the CEO retired—a seamless transition. In addition, boards should take advantage of the exiting CEO's knowledge, experience and talents. Putnam is working with the transition team to begin the search process. The COO has agreed to be the interim CEO, and Putnam is bringing him up to speed.

### Don't Settle or Dismiss Process

"The search process has changed dramatically over the last 10 years," says Roberg. "The level of education and experience required of rural hospital executives has really escalated. This has actually helped in recruiting, as more people are trained to handle the role." He cites an instance when a pharmacist assumed a CEO role without any administrative experience. "You don't

Desire usually stems from candidates' backgrounds and lifestyle aspirations. Many CEOs of small and rural hospitals grew up in small towns and want to return.

see that much anymore,” he says. Trustees need to invest their time to develop a structured interview process with probing questions. They must execute the process consistently to be able to get a true sense of the candidates’ competencies and fit.

Patience is a virtue in attracting the right executive to a specific setting. A suggested timetable is six months. “One of the biggest mistakes boards make is being too eager to fill the vacancy with a warm body,” observes Powell. “Some don’t go through the background [check] process as thoroughly as they should and take people at their word.”

She recalls a situation when it was strongly suggested that a rural hospital board in the Mountain States hire a trustee’s friend. Electing not to go through a formal recruitment process or do background checks, the board hired the individual to be CEO. Coming from the urban South, the new CEO had never worked in a rural area or in the Northwest. He didn’t last. “He had no understanding of the complexities ... of the CEO’s role in the community and with the many constituencies,” Powell says.

### Choosing a Search Firm

More small hospitals are retaining search services. In the last two years, Witt/Kieffer, a national executive search firm, estimates it conducted 10 to 12 CEO searches annually for small and rural hospitals. Jim King, vice president of the firm, says “There’s a great deal of competition to get the best talent.”

Kope sees the selection of the search firm as an important step in a search. “You must find a search firm that has an affinity for rural settings,” he says. Many trustees are unsophisticated buyers of search services. “They don’t realize that people don’t always do what they say they’ll do,” Griffin explains. “A good search firm will spend time evaluating the specific situation and say we can help you or we can’t help you. They’ll identify problems and discuss salary and benefits.”

“With Internet access, you won’t have a shortage of resumes, but finding the people who fit the needs of an institution—that’s where a search firm earns its fee,” states Putnam. Trustees should meet prior to entering into discussions with a search consultant to identify general competencies, skills and attributes needed and special programs and issues facing the next CEO. These need to be articulated clearly so that the consultant can be brought up to speed quickly.

Noland’s goal is to have a transparent partnership with trustees, one that is built on trust and open communication. She advises boards to project all necessary steps and work in concert with the search consultants. King spends two to three days on-site at the hospital and in the community. In addition to trustees and medical staff, he meets with community leaders, the mayor, city manager, town council, the chamber of commerce, and the economic development executives of the town, county or region. “My goal is to get a sense of the culture of the hospital, what are the people in leadership roles looking for in a leader and what type of experience they want the CEO to have,” he says.

Noland does community stakeholder interviews to obtain a deep understanding of the community, its expectations and needs. “There’s not a shortage of individuals who want to do this,” she says. A key stakeholder is the medical community. “The CEO can’t do the job if the medical staff aren’t supportive,” Griffin

cautions, recalling the plight of a chief executive in one rural South Carolina community. “The CEO’s only goal in life was to make a good hospital for the community. He was wonderful. But the medical staff and he couldn’t get along, and he left.”

Ultimately, the trustees, not a constituency, must make the decision based on a global view and the courage of its convictions. The medical staff at Kope’s hospital wanted a community member to become CEO of a rural hospital startup foundation. After going through a structured process, the trustees instead recruited a CEO with superior foundation experience. The displeased chief of staff confronted Kope, who asserted that the board hired the best person.

### Evaluate Candidates’ Desire

Putnam sees candidates falling into two categories: those who are willing to work in a rural area and those who desire it. “It is vital from a trustee’s perspective to see the ones who truly desire to do it,” he says. Desire usually stems from candidates’ backgrounds and lifestyle aspirations. Many CEOs of small and rural hospitals grew up in small towns and want to return. Some want a better quality of life. “People who really enjoy small communities have very strong family values,” says Putnam. His question in going to Batesville was: “Does the community reflect the same values, ones where I want to raise my family?”

Trustees should put candidates in different settings to see where the individual is really comfortable. Putnam advises, “Get them on neutral ground. We put candidates up in the local B&B. If a person isn’t comfortable at a local establishment, he or she probably won’t be comfortable in the community.”

Does the candidate take initiative to learn about the community? In considering the Batesville position, Putnam spent a great deal of time walking around the community to learn its strengths, values and what is most important to it. “I used the YMCA while on an interview. I talked to a lot of people there. They made a very positive impression on me,” he says.

### Focus on Goals

King undertook a search for a small, independent 90-bed hospital that had had only two CEOs in 40 years. Trustees knew their next leader wouldn’t have a 19-year tenure like the retiring executive. Changing to a 10-year strategic plan, they decided to recruit a CEO who would commit to staying seven to 10 years.

Of two great candidates, one would stay seven years. The other, better qualified executive saw it as a great opportunity but would only promise four or five years.

In discussing both candidates with trustees, King posed the question: If this person was the ideal candidate but can only give you four great years versus a person who is not quite as qualified but would stay, would you be better off? The board selected the stronger candidate.

“A key part of my job is to manage client expectations through open communication. If you are up front about things, boards are very open to listening,” says King. “They want to get the strongest candidate.” **T**

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