



AAMA EXECUTIVE ONLINE

Advancing Excellence in Healthcare Leadership

Peer-Reviewed Healthcare Articles and Book Reviews

Interim Leadership Services: Elevating Healthcare Organizations through the Strategic Use of Interim Leaders

John “Doug” Smith, MBA, MHA
President and CEO
B. E. Smith, Inc.
Lenexa, KS
dsmith@besmith.com

For many healthcare organizations, the loss of a key executive or department head can be panic inducing. Leaving a leadership vacancy open places the organization at risk of deteriorating financial, operational and clinical outcomes. However, healthcare executives also can’t afford to gamble with the expense of a poor hire due to a hurried decision on a permanent leader.

The financial implications of an executive vacancy are extremely high. The loss of a chief executive officer typically costs about \$1.5 million—and to make matters worse, competitors often use the turnover time to try to acquire more market share, according to a recent article published in *Hospitals & Health Networks* magazine.

In spite of the challenges it presents, a leadership void doesn’t have to be a liability. Rather, it is an ideal opportunity to leverage a skilled interim leader who will take the organization to the next level. Innovative healthcare executives are finding that their organizations can experience positive growth—and even gain market share—through the strategic use of high-performing interim leaders.

Interim Leadership: a Solution for Growth

The use of interim leaders has increased nine-fold in the last six years. Lean staffing in the hospital management ranks has left few executives with the time to assume an additional role in the case of a leadership void. And, openings at the director level and above are frequently taking six months or more to fill—roughly double the time required as recently as 2006.

With the razor-thin margins healthcare organizations are experiencing today, executives need to ensure continued growth. An interim who simply “fills the gap” to keep the department functioning until a permanent leader can be found seems logical for the short term. However, this approach contributes nothing to the positive momentum of the organization. Healthcare executives are increasingly discovering that the use of top-performing interim leaders, working within a model for successful interim leadership engagement, is an effective strategy for improving their business. Filling the gap is no longer satisfactory, nor should it be.

A Changing Industry

Historically, healthcare organizations met interim leadership needs by maintaining contacts with “stringers”—subject matter experts serving as independent contractors. When a need for an interim was identified, senior leadership would bring on a stringer. The arrangement was usually undefined and loosely managed, with the interim’s role confined to maintaining the status quo until a permanent executive was found.

In the last five years, as organizations have flattened out and left little room for vacant leadership positions, interim leadership has become the solution of choice. Extreme demands on healthcare executives do not leave them time to source their own candidates. In response, firms managing a database of private contractors who serve as interim leaders have become common. These firms facilitate a connection between the contractor and the healthcare organization, and a fee is charged for the placement. The contract remains fairly loose—in many instances, the agreement is made on a handshake, with few or no performance guarantees.

The risk presented by a private contractor is substantial. If the agreement is improperly structured, it can expose the healthcare organization to financial, legal and organizational risks—including worker’s compensation and insurance issues, tax liabilities and more. Some organizations may decide to directly employ an interim leader to try to avoid these risks. However, many of the advantages of bringing in an interim are lost with this approach. Time is wasted on the hiring process and compensation negotiation while clinical outcomes and profitability deteriorate, along with further decline and turnover in the absence of a leader.

Due to these risks and other issues with contract employment, interim leadership is now moving to a third-party employment model, where higher client expectations are met and risk is controlled.

Finding the Right Interim Leadership Solution

The criteria used for selecting a leadership solutions firm are pivotal to securing the ideal interim leader. To meet the rising demand for executive talent with the skills and credentials to strategically improve outcomes, healthcare organizations increasingly will rely on firms that employ their interim leaders in some capacity.

Working with firms that use the third-party employment model is a safer and more cost-effective way to locate an interim leader. With a properly structured agreement in place, the risks are substantially decreased. Additionally, successful leadership solutions firms provide complete interim services of high value while offering the type of employment that the experienced “Baby Boomer” generation will seek for their “post-permanent” careers (for more, see sidebar Baby Boomers: A Unique Demographic Advantage).

Companies supplying the best value and highest quality in interim leadership services are distinguishable by the following characteristics:

- High-performing leaders who offer outstanding credentials and established records of success as interims.
- Interim leaders are employed by the firm, which manages their taxes, insurance and withholdings—eliminating regulatory exposure for healthcare organizations.
- Quick response times—less than 14 days.
- Services are cost-effective—not too dissimilar to acquiring a permanent employee.
- The firm will designate a “project leader”—a high-level healthcare executive with many years of experience—who will coordinate with the client organization to supervise interim leaders in the field, using performance goals clearly defined in the agreement.
- Use of established models for assessments, action plans and goal-setting.
- Interim leaders will provide strategic recommendations and action plans for improvement.
- Interim leaders will provide assistance with transitioning to a permanent replacement.
- Monthly progress reports are provided to the healthcare organization.

The support and oversight provided by the firm's project leader can mean the difference between success and failure. Having corporate support of an interim leader ensures cutting-edge practices, along with a vast array of resources gained from the experience of having many in the field. In addition, the project leader's supervision provides a quality control mechanism that helps guarantee high performance goals are met and the organization receives maximum value for their investment. The project leader will supply a model for the interim leader to operate within, along with stated performance goals that have been developed specifically for the organization.

The added supervision also ensures that interim leaders are committed to the assignment. After the dust settles, there is no threat of a third-party-employed interim leader cutting his/her hours short or resigning early to move on to a permanent position.

Strategic Use of an Interim Leader Delivers Results

A seasoned interim leader brings the ability to make an immediate and lasting impact on the organization in terms of improved financial, operational and clinical outcomes. Experience, while necessary, is only the starting point. The right executive knows industry best practices and brings a knowledgeable, objective viewpoint backed by proven success in interim assignments. He or she is not bound by organizational politics, and can focus on the objective at hand. In addition to meeting the organization's day-to-day leadership needs during the vacancy, a strategic interim will accomplish the following steps:

1. Perform an exhaustive operational assessment to identify opportunities for improvement.
2. Create a written action plan outlining concrete, implementable strategies that lay the groundwork for significant gains in performance.
3. Lead execution of short-term strategies prioritized by the organization.
4. Develop a transition plan and long-term expert recommendations for the subsequent permanent leader.
5. Provide a means to measure the return-on-investment for their efforts.

In one compelling example, a 100-bed, free-standing hospital was seeking an interim CEO simply to fill a leadership void. Upon arrival, the interim immediately met with the administrative team and departmental directors to identify their priorities for improvement. She then focused on the importance of nursing quality and improved patient outcomes while re-establishing trust by making daily organizational rounds to each department. Special attention was paid to finance, decreasing turnover and patient rounding.

The results the hospital achieved far exceeded their expectations. Rather than merely preventing a decline, the interim leader significantly improved the hospital's financial and operational picture:

- Daily cash-on-hand increased by 53 percent within six months
- Point of service collections were implemented for the first time ever within five months
- Decreased agency expenses by reducing traveling nurses by 70 percent within three months
- Staff turnover decreased from nearly 20 percent to 2 percent within six months
- Patient, physician and staff satisfaction increased significantly within six months

While data shows that leadership voids can significantly affect financial, operational and clinical performance for months or years to come, it doesn't have to be. In short, innovative healthcare decision makers are leveraging skilled interim leaders to turn a short-term vacancy into a long-term advantage.

Sidebar 1: One Company's Experience with Independent Contractors

A situation Microsoft experienced provides a clear example of the risks involved with private contractors. Microsoft employed about 1,000 contractors who signed agreements asserting their independent status and confirming awareness of their ineligibility for company benefit programs. When the IRS audited Microsoft,

they found that these contractors were misclassified, as they met the IRS definition of employees. Microsoft agreed to pay employment taxes and hired a number of the contractors as employees—however, several of these employees subsequently sued the company for benefits they would have received when classified as contractors. The suit was later settled for \$97 million.

Sidebar 2: Baby Boomers: A Unique Demographic Advantage

About half of the “Baby Boomer” generation—people born between 1946 and 1964—have reached the age of 65 and are quickly approaching retirement, if they’re not there already. Approximately 78 million Boomers will require escalating amounts of care from our healthcare system. Additionally, they make up a large portion of our healthcare workforce.

Our healthcare system will greatly benefit from Baby Boomers who continue working as long as they are able, and wish to remain active professionals. Fortunately, they are an educated generation that plan to stay productive. In fact, a study conducted for Merrill Lynch found that 76 percent of Boomers intend to continue working in their next stage of life.

A second career as an interim leader presents a unique and fulfilling option for these seasoned professionals. In addition to continued challenge and professional enrichment, this option provides these leaders with attractive benefits that accompany permanent employment, such as health insurance and tax-deferred savings. This talented executive pool delivers a wealth of experience to help today’s healthcare organizations address organizational and leadership challenges.

A bi-monthly publication from the American Academy of Medical Administrators



American Academy of Medical Administrators

701 Lee Street, Suite 600, Des Plaines, IL 60016

Phone: 847-759-8601 • Fax: 847-759-8602

www.aameda.org • info@aameda.org

© 2010, American Academy of Medical Administrators. All rights reserved.