



How to Survive Your Next Hospital Leadership Crisis

By Doug Smith, MBA, MHA

Hospitals have been struggling with staffing shortages for quite some time now. Even major media outlets have focused on this crisis in our healthcare system. At the same time, however, a related problem has been simmering that has not received the attention it deserves. The growing shortage of hospital leadership talent is an erupting crisis for our nation's hospitals and will be a significant challenge for many years.

Although staffing patient care areas is as challenging as ever, it is becoming increasingly difficult to fill executive and management positions as well. CEOs, COOs, vice presidents, department managers and other critical leaders are in ever-shorter supply. When these professionals move on, their posts remain empty for months.

What is the driving force behind the shrinking talent pool? The market principle of supply and demand clearly is at play.

Demographics and Disincentives

Supply-and-demand theory tells us prices will escalate when supply is short. We have experienced this in hospitals, with salaries for staff in critically short specialties rising substantially in recent years. You might think this prosperity would “prime the pump” for emerging leadership talent. Actually, it seems to be clogging the pipeline.

The dramatic rise in compensation has made professional staff somewhat disinterested in moving into management. It even serves as a “disincentive” to seeking a promotion. Consider these two factors:

- Nurses and other critical positions now earn more than they ever imagined when they began their careers, and their compensation is still rising.
- These same staff members have observed firsthand the stress of working on the management team—particularly the 24/7 responsibilities and continual reduction in resources.

For many of these employees, moving into management would mean many more headaches and little or no increase in compensation. Ironically, one of the issues that discourage staff members from moving up is chronic understaffing. Who wants to be a leader if it means performing “staff” functions in addition to all-consuming management duties?

Demographic data strongly suggest that the hospital leadership shortage will grow worse in the coming years. We already are seeing an exodus of workers from senior positions as “baby boomers” reach retirement age. Of course, the aging of the population also means the demand for healthcare services will increase in the years ahead. The bottom line is that we will need more healthcare and we will have fewer people—including leaders—to provide it.

Substantial Risk

This is not merely a theoretical problem. At B. E. Smith, we direct hundreds of leadership searches annually for hospitals across the country. In the past few years, we have seen an unequivocal reduction in the number of outstanding management candidates available, and an increase in the number of days required to fill a hospital management position.

This reduction is a real problem for hospitals. When key leadership positions remain unfilled for prolonged periods, the hospital faces risks:

- **Split Focus** — Rather than focusing on their own jobs, administrators must divert their attention to the daily operations of another service line.
- **Decline in Morale** — A leadership vacuum can breed fear, leading to physician and staff dissatisfaction and, ultimately, high turnover.
- **Tangible Loss** — Operational interruptions can lead to loss of revenue, reputation and market share. They can even put accreditation or licensure at risk.
- **Board Concerns** — Persisting vacancies in key roles can lead board members to doubt the executive team's strategies and direction.
- **Patient dissatisfaction** — Lack of leadership can affect the quality of patient care.

The risk is particularly high in the handful of departments that positively contribute to a hospital's bottom line. A leadership gap in any one of these areas, even for just a few months, can have a major negative impact on hospital performance.

Overall, the situation is difficult. Market and population forces are tightening the number of qualified management candidates. How do you fight those forces? What can hospitals do to avoid serious operational problems in the coming years? The key is to have a strategy for handling leadership needs on a temporary basis, three months to one year, providing the organization time to do a thorough search for a permanent replacement.

Powerful Solution

The strategy that hospital leaders increasingly are turning to is interim management consulting services. With interim management consulting services, hospitals can fill leadership vacancies almost instantly with experienced executives and managers on short-term assignments. It is an emerging strategy that gives hospitals a systematic and comprehensive approach to responding to key vacancies.

One of the primary benefits of interim management consulting services is the opportunity to work with a seasoned professional. The typical interim leader has approximately 20 years of experience in hospital operations and management. These individuals have achieved a great deal of success in their work life. Professionals in this category commonly are empty-nesters who look forward to travel opportunities, changes in environment, and a challenge. They continue to find hospital leadership fulfilling and exciting but prefer not to commit to a long-term relationship with one organization. Showcasing their skills is attractive as well. Strong interims like to test themselves and don't shy away from a challenge.

Another key benefit of interim management consulting services is speed. Executives generally provide only 30 days' notice when leaving an organization, and the exit period can be even shorter when the departure is due to a termination or unexpected personal crisis. A solid firm providing interim management consulting services often can match these time

frames. Depending on the firm you partner with, you can be in touch with an interim professional within days of a leadership vacancy. There is no lengthy search process on your part, just a conference call introduction to ensure that the individual is a solid match for your institution's specific needs. The interim professional generally will report to work within two or three weeks of your call. Hospitals often are able to transition from exiting leader to interim professional with no gap whatsoever.

What makes the IMS strategy workable is its cost-effectiveness. The hospital pays for the interim professional's monthly fee, plus travel and lodging. These costs are not substantially more than the compensation for an experienced permanent professional, particularly when you include benefits in the calculation. In fact, it is not unusual for an interim manager to be less expensive than some of the credentialed professionals placed by staffing firms. By utilizing the consultative approach to interim management, measurable and deliverable payback is often a reality.

But what about the risks? Simply hiring someone sight unseen to take over is a high-risk venture that can result in disaster. That's why hospitals should be guarded about working with firms that do not really know their interims. At B. E. Smith we employ our interims. This holds us to a higher degree of accountability for our employees and relieves the hospital from the many fears associated with hiring a private contractor or temporary employee.

Advantages of Partnership

Interim management consulting services is one of the fastest-growing trends in hospital human resources. Consequently, many new start-up firms sell the strategy. However, hospitals that use interim management consulting services have found the most effective way to implement this strategy is to partner with an experienced firm. This allows the hospital to transfer most of the legwork and much of the risk to a third party.

A sound interim management services firm will:

- Supply seasoned and proven professionals who are well prepared for success in interim management.
- Provide interim management professionals with a strong support structure, including proven guidelines for managing an engagement and access to a full spectrum of resources.
- Provide essential third-party accountability ("headquarters" will hold the interim professional to even higher standards than the hospital client will).
- Provide daily operational assistance and conduct a thorough assessment of the service line, make recommendations for improvement and offer to implement the strategies the hospital deems appropriate.

When working with an expert firm providing interim management consulting services, your hospital is not subject to the "undesirable" aspects of contingency employment, including salary and expense negotiations, travel and work schedules, and, if you are not satisfied, dismissal and replacement.

In summary, a strong interim management services firm offers a viable alternative to two unattractive options: Finding an interim manager yourself or hiring a "big-name" consulting firm stretching to provide interim services. The first is too difficult—who has time these days to source and negotiate a "temporary assignment," especially when the field is so narrow? The second option results in billable hours and a cost of two to three times the expense of a true interim.

Proven Model

Given that the demand for talented hospital leadership is greater than the supply, it only stands to reason that individuals with significant management experience must be shared by a number of providers. Hospitals that do not take advantage of interim management consulting services will face serious, extended talent shortfalls and will struggle as a result.

Our experience at B. E. Smith supports this prognosis. The demand for our interim management services has doubled every year since 2001, and market indicators forecast continued growth. One reason for that growth is our proven model for interim management engagements. Our model successfully delivers exceptional professionals, employed by B. E. Smith, to clients within a tight time frame, in a cost-effective manner. The model includes daily operational management with value-added consulting. Our interims, supported by the interim leadership team here at B. E. Smith, draw on their extensive knowledge and experience to provide assessments and recommendations and to form action plans to help hospitals move forward and achieve their objectives.

Leading hospitals are quickly finding that interim management consulting services is an important component of a comprehensive search strategy. When a key leadership position opens up, they can turn to B. E. Smith to provide immediate gap coverage and initiate the search for a permanent replacement. As a source for both services, we can provide clients with seamless coverage to bridge every leadership vacancy.

Contact Us Today

The hospital leadership shortage is a significant challenge for management teams across the country. To find out how B. E. Smith can help devise an interim leadership solution that is right for your hospital, please contact me at 800-467-9117.



Doug Smith, MBA, MHA, is president of B. E. Smith, a healthcare search firm specializing in permanent executive placement and interim management services. With more than 25 years of experience in the industry, Doug is personally responsible for hundreds of completed searches for hospitals of all sizes, both for-profit and not-for-profit, including chief executive officers, vice presidents, directors and managers.



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