

Acquiring Top Leadership Talent for Healthcare Organizations: When Should Healthcare Executives Use Retained Search Firms?

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USE OF SEARCH SUPPORT IN THE CURRENT HEALTHCARE ECONOMIC CLIMATE:

The use of an executive search firm to recruit healthcare leaders might seem extravagant in our current environment of economic constraints. With uncertain reimbursement and severe financial challenges, healthcare professionals must justify the return on investment for all expenditures. Equally important, however, is the fact that the decisions healthcare professionals make to fill leadership positions will shape the competitive and financial future of the organization. While the full picture of healthcare reform remains ambiguous, it is clear that clinical performance must improve while financial resources will remain flat at best. Undoubtedly, choosing the most efficient and effective approach to recruit talented leaders who will redesign care delivery is one of the most critical contributions of the human resource team. This article explores the advantages and risks associated with managing leadership searches using three different approaches: internal resources, contingency firms, and retained search firms.

GOING IT ALONE:

At first glance, managing the leadership recruitment process internally appears to be the most cost-effective approach. Reports of mergers, restructuring and reductions in force within the healthcare industry would suggest an abundant supply of talented leaders is readily available. This situation, combined with improved access to candidates generated

through the explosion of job boards and social media sites, makes the option of managing the process internally more attractive. However, several factors should be taken into consideration before selecting this approach. The first step is to consider the fact that an internal search process will most likely produce local candidates who are actively seeking a new position. Sometimes this is exactly the target audience the human resource team wants to reach. Indications that a more extensive search process would add value include:

- Positions at the executive/service line level;
- Leadership positions for mission critical departments/services;
- Programs/departments requiring system redesign and employee reengagement;
- Leadership roles for departments/programs requiring redirection, financial realignment, culture change or consensus building across multiple disciplines and stakeholders.

These situations demand candidates with superior skills who can hit the ground running. As a result, the organization needs to consider a panel of candidates who represent the best available talent. Achieving this requires an aggressive and broad scope sourcing and candidate development process. Reaching and attracting passive candidates who are successfully engaged in their current positions is

essential. Interviewing only candidates who are actively seeking a new opportunity will not provide the best choices for the organization.

The internal resources and systems within the human resource department is the second consideration in determining whether to manage a search internally. Due to financial pressures, most human resource departments have significantly reduced their workforces. As a result, human resource staff may not be able to devote the time necessary to implement an

intensive candidate development strategy. In addition, since turnover in key departmental leadership positions occur infrequently, human resource staff may not have the network of professionals and organizational contacts within the prescribed fields. As a result, even a well-defined recruitment strategy could be time consuming and an inefficient use of staff.

In spite of the financial constraints in the current healthcare market, there is no evidence of a pool of displaced but qualified leaders in the market. In fact, high performance organizations seldom eliminate their star players when downsizing. Indeed, the opposite is true. Given competitive challenges, most are focused on eliminating low performers. While job boards and social media venues do provide a new level of access to potential candidates, this process can be very unfocused and unfiltered. Human resource staff could spend hours reviewing inquiries or vetting candidates completely unqualified for the position.

The three top reasons for an organization to conduct a leadership search internally are:

1. The position requires core leadership skills and qualifications.
2. Local candidates or candidates actively seeking a new position are the focus of the search.
3. There is sufficient HR personnel time to undertake the work.

For other more complex leadership recruitment, external search support will be a valuable adjunct to the internal team.

RETAINED VS. CONTINGENCY SEARCH

Once the decision is made to engage a search firm, healthcare professionals must decide on the type of search support to use. While hybrid search support exists, the two main categories are retained and contingency firms. Unfortunately, misconceptions about the differences between the contingency and the retained search process can result in an organization making the wrong choice. Such a decision is likely to be more costly in terms of time, internal resource consumption, quality of candidates, and the success of the search process.

In determining the best return on investment, a common but misguided perception is that a contingency search is a “free” approach to recruitment. On the surface, the lack of an upfront payment appears to be advantageous. In reality, this cost advantage only applies if the contingency search *fails*, and no fee is paid. If a candidate is placed, a fee quite similar to that of a retained search is expended. The services provided to the organization by the contingency firm, on the other hand, are substantially less.

While the final fees are similar, the depth and scope of the search process, and the number and fit of the candidates presented may vary greatly. The contingency process for candidate sourcing and identification is quite different from a retained search process. At the onset, a retained search professional conducts an on-site evaluation to meet with all stakeholders, learn about the responsibilities, scope and challenges of the position, and fosters internal consensus about the expectations for the ideal candidate. The retained search professional meets with team members to learn about the culture of the organization. The retained consultant brings broad industry knowledge about the leadership market locally, regionally and nationally. Information about candidate expectations,

organizational and departmental infrastructure, and emerging roles and models in the field can provide value. Not infrequently, the initial discussions lead to a redefinition of the scope of the position, deliverables and competencies.

Once the search begins, the retained search consultant becomes an *extension of the client in the marketplace*. A retained firm develops a detailed search strategy and conducts a full market search designed to reach both active and passive candidates. Typically, a contingency firm stays in touch with potential candidates in the local or niche market and are usually aware of candidates in transition. Contingency firms work in a highly competitive, time sensitive mode. Given the economic incentive and competitive nature of contingency search, the firm's objective is to forward resumes to the client, as many as possible, as quickly as possible. Due to the payment structure, contingency firms must devote a limited amount of time to each search and may market available candidates to multiple clients.

The critical difference with the retained sourcing approach is that it is designed to attract a panel of the *most* competent leaders from a broad geographic area. Based on the information obtained during the site visit, the retained search firm is able to develop a highly focused search strategy to reach qualified candidates, screening out candidates who do not meet the client's expectations and culture. The contingency process, on the other hand, is more likely to surface candidates actively seeking a new position in the local market and include those who meet minimum qualifications. The retained search approach minimizes internal staff time and ensures decision makers only interview candidates who meet the established requirements.

The candidate development process of retained firms is quite extensive. Prior to presenting candidates, retained search firms review resumes, perform extensive phone screening, conduct one-on-one interviews, verify credentials, and complete reference checks. The

retained search team assesses candidates' career goals, values, and leadership style to ensure a match with the existing leadership team.

In developing a final panel of candidates, retained firms also provide extensive support to candidates. Detailed information, both written and verbal, is given to each final candidate to ensure they understand the client organization's challenges and strategic goals. In addition, the search consultant counsels candidates on how their background, experience, and competencies align with the client's needs. Retained firms complete career progression and reformat candidate resumes in a consistent form to provide the client with comprehensive information that is easy to comprehend and compare. The retained consultant will also provide support during the internal selection process. If warranted, the search consultant may even be involved as an objective observer during the internal interviews. As important as to present highly qualified candidates, it is equally or more important to avoid losing top candidates because of a poorly managed search process.

CHOOSING A SEARCH PARTNER:

In making the decision to engage a search firm, organizations must carefully consider the resources and capacity of the internal resources, the scope of the research and candidate development required, and the importance of critical competencies and cultural fit to organizational success. Starting a search with one approach and switching to another when it fails confuses the market and prolongs the process.

In selecting a search partner, organizations should carefully evaluate the services provided by the firm, including their research process, the depth of sourcing, their candidate development approach, their knowledge of the market, and the firm's prior success on similar searches.

For positions that are mission critical, the healthcare professional is best served by

selecting a firm that meets several criteria:

- One that understands the current organizational needs of the client and the strategic direction of the organization;
- One with the communication and relationship skills to work effectively with both the human resource staff and the upper level decision makers;
- One that will act as an extension of the client in the marketplace and reflect favorably on the organization.

Success in the current climate of transparency, healthcare redesign, pay for performance, and value-based purchasing requires exceptional leadership. The human resource department is

challenged with the responsibility of building the organization's most important resource, its human capital. Developing a strategy that utilizes the best and most effective combination of internal staff resources and external consulting support is critical to the success of the HR executive and the organization as a whole.

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