

Tyler's Tidbits

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Providing News and Information to Help Corporate Decision-Makers



MARKET MEMO

CEO Succession Planning: Second Study Reveals Progress, Yet More Room for Improvement

J. Larry Tyler



Faithful *Tyler's Tidbits* readers know that succession planning is one of my passions—succession planning throughout the ranks of the

organization, and most certainly for an organization's CEO. I've led almost 150 CEO searches. In the course of those searches as well as through my other search work and networking throughout the healthcare industry in my 30-year career, I've had ample opportunity to see the impact of CEO succession planning (or non-planning) on healthcare organizations. My anecdotal findings led to my interest in working on analytical studies devoted to this important topic.

In 2004, I reported the findings of a landmark study in CEO succession planning. I teamed with Andrew N. Garman, Psy.D., M.S., Associate Professor, Health Systems Management, Rush University, Chicago, IL, to conduct that study, sponsored by the American College of Healthcare Executives (ACHE). Then, Dr. Garman and I surveyed nearly 1,700 freestanding hospitals in the U.S. and found (among other things!) that CEO succession planning was being done only 21 percent of the time.

In 2006, Dr. Garman and I launched a follow-up study of CEO succession planning—this time surveying CEOs of hospital systems and hospitals within those systems. Once again, this study was sponsored by ACHE. (The

complete report, "Succession Planning Practices & Outcomes in U.S. Hospital Systems: Final Report," August 20, 2007, is available through ACHE. Please visit: www.ache.org/pubs/research/succession_planning.pdf for more information.) The results of this new study proved uniquely remarkable as well as an interesting point of comparison to those of the 2004 study.

Background

For this recent study, we once again collected data via structured surveys. In the winter of 2006, we mailed surveys to CEOs of all hospital systems and hospitals within those systems listed in the American Hospital Association database. Surveys were mailed to the CEO on record at 2,202 hospitals and 342 systems. Hospitals were categorized as non-federal, general medical/surgical, short-term, and identified to be part of a system. CEOs from a total of 783 organizations returned a usable survey; this included 679 hospital CEOs (a 31 percent return) and 104 system CEOs (a 30 percent return). As in our 2004 study, we were heartened by these wonderful return rates—surely a sign of the significant interest this topic generates!

Findings

The 2006 study revealed some interesting facts about succession practices, as well as the selection and development of potential successors:

■ Among those who were hired internally, only 40 percent of the system CEOs and 26 percent of member hospital CEOs were identified in advance.

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Life Sciences: A Vibrant New Practice for Tyler & Company

Marcia Champagne



Tyler & Company has been servicing the healthcare industry for nearly 30 years. We have established wonderful clients throughout the United States primarily in the provider community. Now we

are expanding our retained executive search services into the life sciences arena. This includes work with medical devices, biotech, and pharmaceutical companies.

The total growth of these three healthcare business sectors is significant, and there is a viable need for healthcare professionals. Following is an overview of each industry.

Medical Devices – The medical devices industry can be broken down into ten product groups: cardiovascular, dental, diagnostic, dialysis, minimally invasive, ophthalmic, orthopedic, implantable, electro-mechanical, and wound care. This industry revolves around approximately 130,000 medical devices that are used in hospitals, clinics, and physician offices. There are an estimated 700,000 jobs available in this field. These include both technical and non-technical (such as sales and administrative) positions. From 1996-2006, national venture capital investments grew from \$663 million to nearly \$275 billion.¹

Biotech – This industry includes cell biology, tissue engineering, agricultural specialist, food processing chemist, and geneticist. Many of the technologies brought forth by this industry are a combination of existing companies (medical devices or pharmaceutical) and academic medicine incubators. Early stage venture capital firms are the financial source of many of these businesses. There were almost 310,000 workers employed in the U.S. biotech sector in 2005.²

Pharmaceuticals – The major divisions of the pharmaceutical industry are: cardiovascular,

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ASK A CONSULTANT



George Linney, Jr. M.D.



I've been a practicing physician for a number of years, and I have taken on an increasing amount of management responsibility within my own group practice and found I like the responsibilities associated with that role more than clinical practice. I was wondering how I could transition to a full-time position in physician group practice or hospital management?

I am often asked this question! And, I have worked with many clients searching for physician executives in either physician group practice or hospital/health-care system settings over the years. I have learned that candidates aspiring to these positions must meet the following criteria:

■ **Candidates must work a solid ten years as a full-time clinician before cutting back on clinical practice in lieu of management work.** Clients are looking for physician executives who have had real clinical experience. Candidates who present themselves with less than ten years of experience will not seem credible to the medical staff they hope to represent.

■ **Having a business degree is increasingly important.** Though physician executives will not manage the finances of the organization, they will be expected to understand them. But I am quick to tell candidates that earning a business degree—an MBA or its equivalent—is not enough. The degree itself is no good without solid business experience! Of course, it's not always easy to garner such experience, but I encourage clinicians to start wherever they see an opportunity. Volunteer wherever they can—on the Ethics Committee, the Information Systems Committee, etc. Get in line to be Chair of the Department of Medicine. Quietly let it be known that they are interested in such things, and their name will come into play for future management opportunities.

■ **Does clinical specialty matter? It depends.** Specialty does not matter to clinicians aspiring to

manage their own group practice—their partners know them and their capabilities. To garner a management position in a hospital setting, specialty is important, however. There, it is less likely that “likeability” and knowledge of general skill sets will carry the candidate very far. Other physicians want someone in the physician management position who has worked in a specialty who knows the hospital setting—i.e., a cardiologist or a pulmonologist; not someone whose entire clinical experience was spent in an office setting such as a dermatologist or allergist.

Finally, candidates ask me how they will know if he/she is a good “fit” with the organization they are targeting. This is always important, and that is where a retained executive search firm comes in. We do extensive interviews with both clients and potential candidates. And, we utilize instruments (Tyler & Company uses the DiSC behavioral assessment; individual clients use other instruments) to help in this appraisal process. Candidates going through any interview process will begin to assess “fit” for themselves, too. Of course, if they position themselves according to the other criteria I have outlined above, “fit” should be the final piece of the puzzle. **T**

Dr. George Linney, Jr., CPE, FACPE, is a Vice President in Tyler & Company's Charlotte office and heads the firm's Physician Executive Search Practice. He can be reached at 704.364.0746 or via email at glinney@tylerandco.com.

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- For those identified in advance, the median length of time between being identified and assuming the CEO role was 24 months for system CEOs and 9.5 months for hospital CEOs.
- 49 percent of the system CEOs said that successor candidates had been identified for their position. Among hospital CEOs, 27 percent said one or more successor candidates had been identified.
- For CEOs in organizations that were not practicing succession planning, barriers to succession planning were offered. The most frequently mentioned barrier: that the incumbent CEO was “too new.” The least frequently mentioned barrier: the perception that succession planning “would not be useful.”
- About half the CEO respondents said that successors were selected informally. The most frequently mentioned formal approach cited by those organizations that did utilize a formal process was an internal leadership development/talent management program.
- The most frequently mentioned quality distinguishing successors from other executives was experience followed by demonstrated accomplishments/track record of results, leadership style, interpersonal skills, and knowledge of the hospital, system, and/or market.
- More than 85 percent of respondents indicated that identified successors were involved in one or more development activities. Most frequently cited: mentoring and developmental (“stretch”) assignments.
- The median length of time the developmental process was expected to take (from the time of successor identification to the time of assuming the CEO role) was four years for system CEOs and three years for hospital CEOs.

Implications

This new study gave us a wealth of data to explore. We supplemented our review with that of a practitioner panel composed of senior executives within system hospitals, individuals responsible for succession planning within their hospital systems, and board members. The most important finding in the 2006 study? That there has been significant progress in CEO succession planning based on comparison to the comparable statistic from the 2004 study: only 21 percent of freestanding hospitals reported CEO succession planning in the 2004 study while that planning is routinely being done in 49 percent of system headquarters and 33 percent of hospitals within systems today. Of course, these 2006 study results also indicate a lot of room for improvement! Especially given the prevalence of succession planning in systems versus freestanding hospitals, this study indicates that systems may be the place the field should look for best practices.

This study contained more good news: there can be no doubt that respondents perceived the importance of succession planning. There is a wealth of information in the full study that I haven't room to explore here. I encourage readers to review a copy of the full report. Together, we can continue the march toward greater acceptance of CEO succession planning. **T**

Comments about this article can be directed to J. Larry Tyler, FACHE, FAAHC, FHFMA, CMPE, President of Tyler & Company, based in the firm's Atlanta office. He can be reached at 770.396.3939 or via e-mail at ltyler@tylerandco.com.

Do you have a question for a Tyler & Company consultant? If so, please share it with us. Questions answered in *Tidbits* will appear without reference to your name or organization. Please send your questions to kmazzuckelli@tylerandco.com or fax to Katie Mazzuckelli at 770.396.6693. (Please indicate that you are submitting an item for “Ask a Consultant.”)



WORTH NOTING

2007 Northeast Regional Leadership Advisory Board Meeting

Healthcare executives and Tyler & Company attendees alike rated Tyler & Company's annual Northeast Regional Leadership Advisory Board meeting in Philadelphia on September 21, 2007 a great success. (See the article previewing this event in *Tyler's Tidbits*, Summer 2007.) Besides affording attendees time to network, two speakers were featured on the program: **David Nash**, MD, MBA, FACP, The Dr. Raymond C. and Doris N. Grandon Professor and Chairman of the Department of Health Policy at Jefferson Medical College of Thomas Jefferson University in Philadelphia and **J. Larry Tyler**, FACHE, FAAHC, FHFMA, CMPE, President of Tyler & Company. Nash's presentation, "Leadership for Quality and Safety," was outstanding and received favorable comments from all in attendance. Nash's focus was on how to get a Board engaged in a meaningful discussion about patient quality, and his passion for the topic was obvious. Following Nash's memorable talk, Tyler followed with a presentation that was very well received titled, "Hiring Right and Avoiding Wrong."

Besides Tyler, many members of Tyler & Company's Philadelphia office, led by **Dennis J. Kain**, FACHE, Executive Vice President and COO, attended this event. Feedback from the meeting—including: "This was the best Northeast Regional Leadership Advisory Board Meeting ever;" and, "Thanks for the invite, it [the meeting] was great!"—reflected the favorable tenor of the event.

For more information, including pictures, from this meeting, please visit Tyler & Company's Web site, www.tylerandco.com.



Welcome to . . .

Allison A. Morris

In June, the Austin office welcomed Consultant Allison A. Morris. Prior to joining Tyler & Company, Morris worked as an executive recruiter for a national executive search firm with a growing healthcare practice. Prior to that, Morris worked in a variety of marketing and advertising positions. Morris earned her Bachelor of Business Administration degree from the University of Texas at Austin where she majored in both business honors and marketing.

Morris and her husband live in Austin.

Tyler & Company In-and-Around the Industry . . .

Metro Atlanta Chamber of Commerce—**J. Lee Perrett**, Senior Vice President, attended the Chamber's Insights on Leadership breakfast on July 24, 2007. Perrett and **Marcia Champagne**, Senior Vice President, attended the Chamber's Technology marketing Council reception on July 25, 2007, and the organization's Economic Development Committee breakfast on July 26, 2007. All Chamber events were held in Atlanta.

NAHSE—**Nelson Mann**, Vice President, attended the 22nd Annual education Conference hosted by the National Association of Health Services Executives in Dallas, October 2-6, 2007.

THA—**Nelson Mann**, Vice President, and **Allison A. Morris**, Consultant, attended the Texas Hospital Association Leadership Conference in Austin, October 15-17, 2007. Tyler & Company also exhibited during this event.

ACPE—**George Linney, Jr.**, M.D., CPE, FACPE, Vice President, will represent Tyler & Company at the Recruiter Fair held during the Fall Institute of the ACPE in Tucson, November 11-16, 2007.



SIGHTINGS

Marcia Champagne and J. Lee Perrett, Senior Vice Presidents, Atlanta Champagne and Perrett offer career and search advice in the column "Positioning" published monthly in *Atlanta Hospital News*. Each consultant authored the column as follows:

- Perrett, "Inquiry From a Search Firm? What to Do . . ." September 2007.
- Champagne, "Boomer in the Workplace," November 2007.

Dennis J. Kain, FACHE, Executive Vice President and COO, Philadelphia

Kain was quoted in "High Pressure Job," an article published in the *Philadelphia Business Journal*, July 30, 2007. The article was authored by John George and described the pressures on today's hospital Chief Executive Officers.

George Linney, Jr., M.D., CPE, FACPE, Vice President, Charlotte

Linney was part of the faculty teaching the five-day course for candidates for the Certified Physician Executive (CPE) examination offered as a tutorial for the Certifying Commission in Medical Management for the American College of Physician Executives (ACPE) in Dallas, September 30-October 4, 2007.

"Communication Skills for Physician Leaders." A presentation to physician leaders hosted by The Summit Group, in Summit, NJ, October 20, 2007.

J. Larry Tyler, FACHE, FAAHC, FHFMA, CMPE, President, Atlanta

Tyler spoke at the Tutorial for the Certifying Commission in Medical Management for the ACPE in Dallas, October 1, 2007. His sessions dealt with multiple topics, including: "Understanding the Medical Management Marketplace," "Refreshing Job Search Skills: Networking/Interviewing," and "Negotiating Salary and Benefits."

Life Sciences

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central nervous systems, anti-infective, respiratory, analgesic, cancer, anti-ulcer, dermatological, diabetes, and vaccination. This sector is centered on distribution of ethical drugs; that is, those used to fill physicians' prescriptions or hospital orders. The pharmaceutical industry presently employs some three million people worldwide.²

As you can see, all three of these sectors are vibrant and growing rapidly. The Life Sciences Practice also has synergy with Tyler & Company's core business. Many healthcare systems have established research centers that are developing

expertise in specific clinical areas—e.g., oncology and cardiology. These centers are seeking and performing clinical trials on new products and drugs in their respective areas. Also, academic healthcare centers often have viable technology research incubators. These centers host early-stage development of many healthcare products and drugs that are eventually moved to profitable businesses or are acquired by larger healthcare companies.

Tyler & Company has a network of top quality healthcare professionals who can meet the needs of the organizations in medical devices, biotech, and pharmaceutical companies. We can also facilitate networking between our provider clients and clients in

the Life Sciences practice. We can pinpoint the right person for that academic incubator position: clinical or administrative! Everyone at Tyler & Company is excited about this practice. It is a real "win-win" for both our core provider clients and our new Life Sciences clients.

Notes:

¹ *PricewaterhouseCoopers/National Capital Association Money Tree Report*, Thomson Financial Data, 2006.

² *Biotech Work*, www.biotechwork.org; *Bureau of Labor Statistics, Quarterly Census of Employed Workers*, employment by NAICS industry data, 2005.

Comments about this article can be directed to **Marcia Champagne**, a Senior Vice President in Tyler & Company's Atlanta office. Champagne can be reached at 770.396.3939 or via e-mail at mchampagne@tylerandco.com.

SEARCH SUPERLATIVES

“MidState Medical Center hired Tyler & Company to conduct a retained executive search for the Medical Director for our Hospitalist Program. We thought Tyler & Company did an exceptionally good job of candidate research and sourcing. They identified an extraordinarily good pool of diverse candidates for this position. The process was conducted in an efficient and thorough way. Because of the background the consultant provided us, the process was predictable; we felt extremely well prepared throughout the term of the process. The consultative services and strategic advisory support Tyler & Company offered was also extremely strong. This search was conducted at a very high level. We were grateful for the personal commitment that Tyler & Company’s consultant offered us, and we would highly recommend Tyler & Company.”

Jeffrey A. Flaks, formerly Executive Vice President and Chief Operating Officer, MidState Medical Center, Meriden, CT; currently Executive Vice President and Chief Operating Officer, Hartford Hospital, Hartford, CT.

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JOIN the discussion.

BLOG with us at www.tylerandco.com.
TYLER & COMPANY: Building an on-line community of healthcare experts.

Tyler's Truisms

ANONYMOUS TRUISM

A closed mouth gathers no feet.

ARMS TENET

Those who live by the sword get shot by those who don't.

AUTO AXIOM

If you lined up all the cars in the world end to end, someone would be stupid enough to try to pass them, five or six at a time, on a hill, in the fog.

COURT MAXIM

When you go into court, you are putting yourself in the hands of twelve people who weren't smart enough to get out of jury duty.

JONES' DICTUM

A bargain is something you don't need at a price you can't resist.



RECENTLY CLOSED SEARCHES

Abington Memorial Hospital

Abington, PA
Vice President, Marketing and Communications

AtlantiCare

Egg Harbor Township, NJ
Corporate Counsel

Brockton Hospital

Brockton, MA
Vice President, Human Resources

Genesis HealthCare Corporation

Kennett Square, PA
Vice President of Sales and Marketing, Central Region

Harris County Hospital District

Houston, TX
Chief Nursing Officer
Chief Nurse Executive

Hurley Medical Center

Flint, MI
Senior Vice President and Chief Financial Officer

Invinson Memorial Hospital

Laramie, WY
Chief Executive Officer

MCG Health, Inc.

Augusta, GA
Administrative Director for the Center of Excellence in Women's Health

Moses Cone Health System

Greensboro, NC
Vice President, Behavioral Services

Piedmont Healthcare Organization

Atlanta, GA
Chief Corporate Compliance Officer

Piedmont Medical Care Corporation

Atlanta, GA
Chief Financial Officer

Roswell Park Cancer Institute

Buffalo, NY
Associate Director of Operations, Health Research Institute

Seton Health System

Troy, NY
Chief Operating Officer

Saint Francis Medical Center

Cape Girardeau, MO
Director of Performance Improvement

St. Luke's Physician Group

Bethlehem, PA
Chief Operating Officer

University of Mississippi Medical Center

Jackson, MS
Chairman, Department of Surgery, University of Mississippi School of Medicine and Medical Center



WELCOME TO OUR NEWEST (OR RETURNING) CLIENTS

AtlantiCare

Egg Harbor Township, NJ
Chief Medical Officer, AtlantiCare Regional Medical Center

Brockton Hospital

Brockton, MA
Senior Vice President, Operations

The Children's Hospital of Philadelphia

Philadelphia, PA
Director, Environmental Health and Safety

Children's National Medical Center

Washington, DC
Vice President, Human Resources

Guthrie Healthcare System

Sayre, PA
Chief Medical Officer

Magee-Womens Hospital

Pittsburgh, PA
Vice President of Operations

McAllen Medical Center

McAllen, TX
Chief Executive Officer

MCG Health, Inc.

Augusta, GA
Director of Staffing

Morton Plant Mease Health Care

Clearwater, FL
Vice President of Medical Affairs

Moses Cone Health System

Greensboro, NC
Chief Quality Officer

St. Luke's Hospital & Health Network

Bethlehem, PA
Administrative Director of Oncology Services

University of Mississippi Medical Center

Jackson, MS
Chief Human Resources Officer

UPMC Health Plan

Pittsburgh, PA
Vice President of Health Promotion

Vista Health

Waukegan, IL
Chief Financial Officer

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