

# Observations On Group Practice Leadership From An Executive Search Perspective

by Chip Nagle

With a search career spanning more than 2 decades and a clientele that has been increasingly more physician group-oriented I find myself enjoying the challenges and leaders associated with this market segment. Based on recent experience several things are becoming clear to me.

**Market Opportunity:** Groups that want to grow and remain independent are beginning to describe themselves as fiercely so. They believe in strategic differentiation and are credible.

**Talent Management:** An increasing number of groups are seeking to build out their C-Suites (COO, CFO, CIO, and CNO) with some contemplating a new CEO as the market becomes more complex and the demand for top-notch practice executive talent seems to be outpacing the supply. Exacerbating this problem is the need for leaders who can think through the process of strategically transitioning the group to do well as the reimbursement paradigm moves from a volume-based model to one that is value-based. The CEO has essentially two responsibilities in building a strong organizational culture. First, setting a strategy that is clear and relevant to the current needs of the organization. Second, selecting and developing the team to carry out this strategy. CEOs who understand this run successful operations and retain top talent.

**Infrastructure:** Even if a group mindfully builds out the C-Suite according to their unique needs there is no supporting infrastructure or bench strength like a health system or its' component parts would typically enjoy were there to be a sudden departure from the senior leadership team. Having a strong C-Suite hedges your bets to a degree but you are still operating without a safety net. Interim solutions are beginning to gain traction as a viable alternative to bridge the divide until a permanent solution can be found. This helps to ensure that key mission-critical initiatives stay on track for the most part.

**Chief of Culture and Strategy:** CEOs are expected to lead the charge internally and also demonstrate entrepreneurial, empathetic and visible leadership. Equally important strategic insights are essential to drive new revenue streams and organic revenue growth. They are expected to keep an eye on the horizon to identify new sources of income that will enhance future growth.

**Execution:** Opportunities often involve a larger geographic footprint and the increasing operational complexity that entails. These professional and personal characteristics are not always found in any one leader.

**Financial Acumen:** CFO's are expected to maintain the overall financial integrity of the enterprise while also understanding and tending to the details at the accounting, revenue cycle, contracting, and compliance levels. Often with very little support. Additional support for the CFO's in these areas are beginning to grow right along with the group. Market pressures jeopardize physician incomes in most markets. The reimbursement model is continuing its' shift from volume to value and risk-based contracting is becoming the norm in some markets and more are inevitable. For independent groups, differentiation and cost management are imperatives for continued success. I still occasionally run across healthcare execs who believe "this too shall pass" but the reality is that train has long left the station.

**Competition:** Is mounting by rapidly growing hospital-sponsored groups although I am beginning to hear a consistent and growing undercurrent of disenchantment from physicians. Given the plethora of models out there to tie hospitals and health systems more closely together with physicians perhaps more time should be spent on the front end assessment of which type of model will best suit the two entities and their unique cultures.

**New Partners and Capital Access:** M&A is on the uptick among independent groups as well. Many are looking more to PE and VC participation to fund strategic growth and practice expansion. These outside investors carefully scrutinize the senior leadership team for tenure and continuity, capability, scalability of the physician group's operating model and for the existence of a well thought out strategic plan that is grounded in a proven capability to execute. Governance structure is also looked at and often practical changes are recommended and made to foster strategic execution and operational improvement. I have watched several budding relationships and the potential access to capital they bring fall apart for many of the reasons just noted. Interestingly strength and depth of the leadership team is the most common cause.

**C-Suite/Executive Compensation:** It appears that competition for top executives with strong practice management track records is intensifying with the demand for that talent outstripping the supply. Our experience has shown some groups struggle with the compensation packages needed to attract a new leader or to round out the C-Suite. After the initial collective gulp by the management committee or the selection team participants most step up to the plate and address not only a competitive base salary but also a strong incentive component based on quantifiable metrics. A strong relocation package is also a key consideration.

**Succession Planning:** Some groups are beginning to think about succession plans for their incumbent leaders. One idea that is gaining traction quickly is the recruitment of a COO or Chief Administrative Officer (CAO) and beginning to groom that professional to take the lead role when the CEO or practice executive either makes a career move or announces his/her plans to retire. This approach permits continuity at the top, better ensures an intact culture, key initiatives continue to move forward and an orderly passing of the baton occurs. As Jim Collins had shown in his research in *Good to Great*, sound succession planning and promoting from within provide continuity and success for the future. It also enhances the retention of key staff and develops the practice of mentorship throughout the organization. I believe using an

executive coach to ensure the new leader has the best chance of long-term success is the way to go. We include this as part of our search process/talent solution.

In finding the best leadership for physician groups I am betting not only a winning search process to produce highly qualified candidates that "fit" but on an overall talent solution (attachment) that incorporates a robust evidence-based definition of senior leadership culture, versus one of perceptions, on the front end and much greater attention and emphasis on development and retention via executive coaching for the chosen professional for several months following the search. During that time we focus on traits like learning agility, decision styles, effective communication within the context of senior leadership culture and overall integration into the group. I believe going forward that the retention of top talent will be a real strategic differentiator for winning physician enterprises.