



*Acquiring Top Leadership Talent for Healthcare Organizations:*

# When Should Healthcare Executives Use Retained Search Firms?

For executive-level positions, working with an external retained search firm can prove invaluable in attracting top candidates who fit the culture and deliver results.



Partnering with an executive search firm to recruit healthcare leaders may at first glance seem fiscally irresponsible with healthcare's challenges and current economic constraints. With shifting care priorities, uncertain reimbursement, and severe financial challenges, healthcare professionals must justify the return on investment for all expenditures. On the other hand, the decisions that are made to fill leadership positions will shape the competitive position and financial future of the organization. While the full picture of how the healthcare field will evolve remains ambiguous, it is clear that organizations must strategically adapt to fast-paced change despite diminished financial resources. Choosing the most efficient and effective approach to recruiting talented executives and critical service line leaders, is one of the most critical contributions of the human resource team.

In the wake of the COVID-19 pandemic, this task has become even more challenging as the need for redesign of organizational systems and processes has become more apparent. At the same time, COVID-19 has accel-

erated retirements while causing record numbers of leaders at all levels to seek new roles or even leave their field. Thus, conducting an expeditious search to identify professionals with the contemporary skills to lead in the current environment is more critical than ever. Organizations cannot afford to waste time or resources in filling mission sensitive roles. Choosing the right leader can dramatically improve retention, establish a path forward and promote organizational stability. A reputable executive search firm with a proven history of success can be of value in identifying a pool of candidates qualified to lead in current times and spare valuable internal resources and time.

This article explores the advantages and risks associated with managing leadership searches using three different approaches—internal resources, contingency firms, and retained search firms—allowing you to gain a thorough understanding of which option is best for you.

## GOING IT ALONE

At first glance, managing the leadership recruitment process internally appears the most cost-effective approach. Reports of mergers, restructuring, and reductions in force within the healthcare industry would suggest that while the overall pool of leaders may have diminished, an abundant supply of talented leaders still exists in the market. 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 seem attractive at first glance.

However, upon further examination, several factors should be considered before selecting this approach. First, 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, but it can result in overlooking highly capable passive candidates as well as those outside of the local market. While job boards and social media venues do provide a new level of access to potential candidates, this process can be highly unfocused and unfiltered. Human resource staff could spend many hours reviewing inquiries or vetting candidates who are completely unqualified for the position.

### WHEN WOULD A MORE EXTENSIVE SEARCH PROCESS ADD VALUE:

- Leadership at the executive level
- Leadership positions for mission-critical functions and strategic initiatives
- Leadership roles for key strategic programs and partnerships or service lines
- Leadership of operational areas requiring systemic redesign or redirection, financial realignment, culture change, or consensus-building across multiple disciplines and stakeholders



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These situations demand experienced talent with superior skills who can hit the ground running and who often have the advantage of an outside perspective. Assembling a panel of candidates who represent the best available talent requires a sourcing and candidate development process with an aggressive and broad scope. 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.

Regardless of perceived financial constraints, organizations have a strategic imperative to seek out the most capable executive leaders who can help mitigate any financial difficulties the organization is facing.

### **THE THREE TOP REASONS FOR AN ORGANIZATION TO CONDUCT A LEADERSHIP SEARCH INTERNALLY ARE:**

1. The position primarily requires only core leadership skills and minimum qualifications.
2. Local candidates or those actively seeking a new position are the focus of the search.
3. HR has sufficient personnel and the dedicated time it takes to conduct the work.

Moreover, when determining whether to manage a search internally, organizations should also consider the capacity of their internal resources and systems. Many human resources departments have substantially scaled back their workforces and resources due to financial pressures. The remaining staff may therefore have insufficient time to devote to imple-

menting an extensive candidate development strategy. Fortunately, partnering with an external search firm doesn't merely serve as a viable Plan B in such situations, rather, it equips any organization with the best available search resources, strategies, and implementation.

### **RETAINED EXECUTIVE SEARCH BRINGS OBJECTIVITY AND CREDIBILITY TO THE PROCESS**

Partnering with an external recruiting firm helps ensure objectivity in decision-making. The best external recruiters operate with a high level of transparency, allowing clients to know exactly how candidates are being evaluated and ensuring the same criteria are used for all candidates. They are experts in avoiding implicit bias and bringing the most qualified candidates to the table.

### **RETAINED SEARCH CONSULTANTS BOLSTER THE SEARCH PROCESS BY:**

- Conducting a comprehensive evaluation of organizational needs and expectations, reviewing organizational structure and reporting relationships
- Establishing enticing opportunity overviews and realistic compensation packages
- Understanding the current healthcare recruitment market
- Objectively evaluating all potential candidates—both internal and external

Candidates appreciate the objectivity, professionalism, and clear communication of skilled search consultants. They have a higher level of trust in the process when these three pillars are upheld. Because they are just as interested in making the right decision as the client, they want as much information about the role and organization as possible. They want to feel welcomed when they interview, and they want to know they will be properly supported if they accept the position. Partnering with the right search firm will help ensure that top candidates know they're in the right place.

## RETAINED SEARCH VS. CONTINGENCY SEARCH

Once the decision is made to partner with a search firm, healthcare professionals must decide on the type of search support to use. While hybrid search support exists, the two main categories include retained and contingency firms. Misconceptions about the differences between the processes involved in contingency versus retained can result in making the wrong choice. Such a decision is likely to prove costly in terms of time, internal resource consumption, quality of candidates, and the overall success of the search process.

*In a nutshell, the two types of search firms can be defined as follows:*

1. **Retained executive search firms** are exclusively hired by a client organization to fill a specific position. They are often used for high-level positions, with salaries above \$150,000, and the contract is exclusive (e.g., an organization can not work with other agencies).
2. **Contingency search firms** are typically used for mid-level positions, with salaries up to \$100,000. They do not work exclusively with one client, and they get paid only when the position is filled. As such, their sole focus is on speed, so they do not take the time to gain stakeholder consensus; develop an understanding of the unique challenges, dynamics, and culture of the hiring organization; or conduct an exhaustive search.

On the surface, a contingency search may seem like a “free” approach to recruitment with its lack of an upfront payment. Yet in reality, the cost advantage holds true only if the contingency search fails: no candidate is hired so no fee is paid. And if a candidate is placed, a fee quite similar to that of a retained search is expended. The level of service and expertise provided by the contingency firm, on the other hand, is substantially lower.

While the final fees are similar between the two, retained search firms typically provide more extensive services:

1. Value-added consulting services provided to the client in areas related to reporting structures and strategic observations
2. A much more exhaustive candidate vetting and review process
3. An enhanced candidate experience, paying more attention to their needs and expectations
4. A richer analysis of organizational culture, leading to a stronger focus on cultural fit
5. Guidance in creating a level playing field - making equitable choices that result in the best candidates being hired
6. Hands-on involvement in the interview, selection and compensation negotiation processes

With its rich understanding of the market, the retained search firm can effectively help an organization hone in on the most successful leaders—candidates who possess the desired (and referenced) track record of accomplishments, the right credentials, and the most meaningful career experience.



## HOW DOES THE RETAINED SEARCH PROCESS WORK?

The retained search process for candidate sourcing, identification, and development is quite different from a contingency search. At the onset of a retained search, the partner firm conducts a comprehensive evaluation, meeting with all stakeholders, learning about the responsibilities, scope, and challenges of the position, and fostering internal consensus about the expectations for the ideal candidate. A retained search consultant meets with organization's team members to learn about the culture of the organization. Further, the retained consultant leverages broad industry knowledge about the local, regional and national leadership talent market. Information about candidate expectations, organizational infrastructure, and emerging roles and models in the field provide added value. The initial discussions frequently lead to a redefinition of the scope of the position and reporting structure, expected deliverables, and required competencies.

Once the executive search begins, the retained search consultant becomes an extension of the client in the marketplace. A retained search firm develops a detailed search strategy and conducts a full market search designed to reach both active and passive candidates. In contrast, contingency firms work in a highly competitive, time-sensitive mode. Typically, a contingency firm stays in touch with potential candidates in the local or niche market and is usually aware of candidates in transition. 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 their payment structure, contingency firms must devote only a limited amount of time to each search and may market available candidates to multiple clients, as they have no agreements for exclusivity.

Another critical difference with the retained search candidate 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 organizational assessment, the retained search firm develops a highly focused search strategy to reach qualified candidates, screening out those who do not meet the client's expectations, education, competencies 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 resources expended and ensures that decision-makers interview only candidates who meet the established requirements, producing an elite cache of candidates specially chosen for the organization's leadership needs.

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 executive summaries and reformat candidate resumes in a consistent method 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 desired, the consultant may even be involved as an objective observer during the internal interviews.

For example, with Kirby Bates Associates, most assignments follow a five-step process that encompasses the following phases over a 12- to 16-week period:

1. **Organizational assessment and opportunity overview.** This phase involves an on-site assessment of the organization's history, culture, scope of services, strategic goals, organizational relationships, and leadership needs. We meet with key stakeholders to understand the requirements of the position, ideal characteristics, and deliverables, then create an overview of the position. If any challenges to the search are identified, we work with the talent acquisition leader or search committee to overcome them.
2. **Search strategy and candidate identification.** In this phase, we devise a search strategy that targets specific locations and organizations, identifies viable marketing tactics, and sets a clear timeline for the search. Tactics we use to identify a deep and diverse candidate pool include database and online research, targeted advertising, referral networks, email and personal outreach.
3. **Candidate development.** Next, we screen all candidates thoroughly—including internal candidates—using the same criteria. We narrow the field by reviewing their qualifications and holding interviews with the strongest candidates. In this phase, we also verify credentials and check references.
4. **Candidate presentation and interviews.** In phase 4, we prepare a written presentation highlighting each semi-finalist's resume along with a verbal presentation to the client illustrating the candidate's career accomplishments, leadership strengths, as well as their personal motivation and salary requirements to allow the client to make an informed decision on which candidates are a good fit for the organization. We then set up on-site interviews with the client and provide assistance in designing the format and guidelines of these interviews. Further, we brief candidates on what to expect and how to prepare.
5. **Candidate selection.** We stay available to the client to discuss the semi-finalist candidates and assist in making a final decision if desired. After candidate selection, we are prepared to help present the job offer and compensation package. We notify other candidates of the decision as well. We maintain close communication with both the client and new hire for a year after the placement to ensure their mutual satisfaction.

As important as it is to present highly qualified candidates, it is equally or more important to avoid losing top candidates because of a poorly managed search process. Understandably, quality candidates tend to grow frustrated with disorganized or lengthy recruiting processes. When long delays occur between interviews and notices of decisions, they assume that the organization has little interest in them. To avoid these issues, the best recruitment firms follow a strict recruitment timetable.



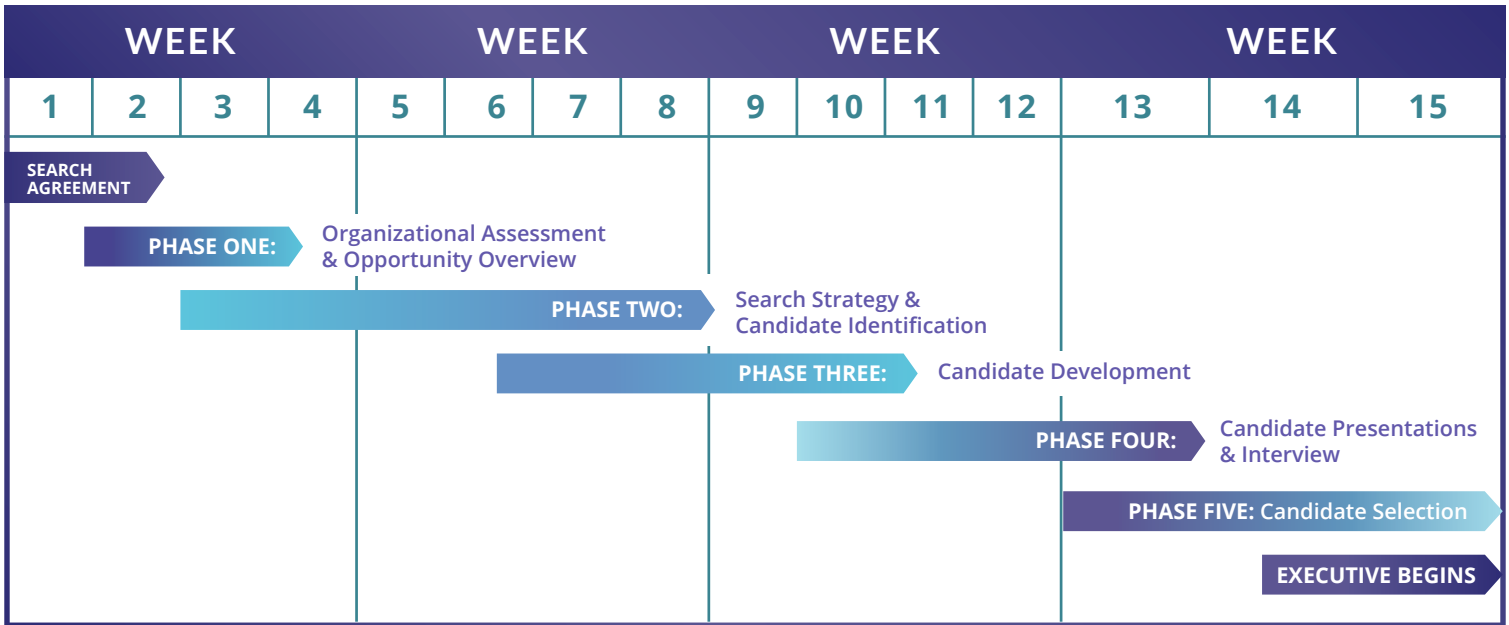


Figure 1

## CHOOSING THE RIGHT EXECUTIVE SEARCH PARTNER

In making the decision to engage a search firm, organizations must carefully consider the capacity of their 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 its research process, depth of sourcing, candidate development approach, knowledge of the market, and prior success on similar searches.

For positions that are mission-critical, a healthcare organization is best served by partnering with a firm that meets several criteria:

- Deep understanding of the client’s current organizational needs and their strategic direction

- Solid communication and relationship skills to work effectively with both human resources staff and executive-level decision-makers
- Serves as an extension of the client in the marketplace and reflect favorably on the organization
- Proven success in the organization’s specific industry niche, offering a robust track record of assisting similar companies with similar roles.

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.

## BEST PRACTICES FOR PARTNERING WITH EXTERNAL RECRUITERS

Once an organization has decided to partner with an external recruiting firm, they can further enhance their success by following several key guidelines.

- Before announcing a new position, they should consider whether roles or even organizational structures need to be redefined.
- Assemble a diverse interview team in order to promote an inclusive search process.
- Thoroughly train each member of the internal review committee on interview protocol and how to evaluate candidates.

**Following these guidelines will help organizations arrive at more accurate evaluations of candidate strengths, and thus, better decisions about whom to select as their next leader.**

Selecting a proven, industry-specialist external recruiter can add tremendous value to a healthcare organization's search process. Their broad, national perspective can lend invaluable insights about organizational needs and how to fulfill them by targeting the right leadership candidates and competencies. By leveraging their deep knowledge of the market and attracting the best candidates across a broad geographical scope—including passive candidates—they can provide a panel of exceptionally qualified candidates for the organization. Hiring the right leaders is helping these organizations to improve employee engagement, guide strategic change and innovation, and ensure their leadership better reflects their client base as they make more equitable hiring decisions.



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