

*What Should a
CEO or CFO
Be Paid?*

Becker's Hospital Review
Annual Meeting
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Introduction



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Introduction

**What Should a
CEO or CFO
Be Paid?**

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What is a
Health Care Leader
Worth?

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Why Are You Asking
This Question?

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Introduction

"Health care organizations saw the
heaviest CEO turnover
among all sectors in 2011
as 187 CEOs left their posts,
an average of nearly 16 per month."

-- Challenger, Gray & Christmas

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Average Tenure in Position

CEO	4 Years
CFO	8 Years
COO	4 Years
CMO	5 years

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Key Reasons for Leaving

- 1 Professional Opportunity: *"A step up"*
- 2 Greater Scope: *"A new challenge"*
- 3 Job Security: *"Board confidence"*
- 4 Family/Relocation: *"Outside your control"*
- 5 Compensation: *"Is it about the money?"*

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Yes, it *IS* about the money!

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The Compensation Dilemma

What Should You Pay?

Where Do You Begin to
Find Answers to the
Question?

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Compensation Criteria: Objective

	Frequency	Published
Healthcare Financial Management Association http://www.hfma.org/compensation2011/	Biennial	May 2011
SullivanCotter and Associates, Inc. http://www.sullivancotter.com/purchase-2010-survey-manager-and-executive-compensation-hospitals-and-health-systems	Annual	August 2011
Integrated Healthcare Strategies http://www.ihstrategies.com/sur_nhc_leadership.php	Annual	September 2011
Cejka Executive Search and American College of Physician Executives http://www.cejkaexecutivesearch.com/resources/industry-surveys/physician-executive-compensation-surveys/index.php	Biennial	November 2011

Cost Range: Up to \$6,000

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Compensation Criteria: Subjective



Leadership: What Lies Beneath the Surface?

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Factors to Consider to Retain

Givens:

- ✓ Incumbent is performing to expectations
- ✓ Fits well with culture of the organization
- ✓ Viewed as a respected leader by staff

If not...what is the point in retaining?

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Factors to Consider to Retain

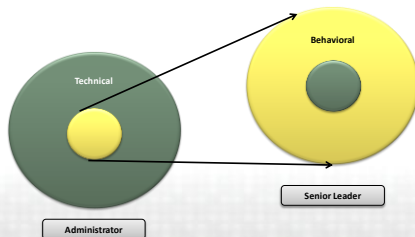
Consider the cost if you do not retain...

- ❑ Impact on overall organization – the cascade effect
- ❑ Succession planning is not in place
- ❑ What can you afford – equity with other senior leaders
- ❑ Loss of productivity while position is vacant
- ❑ Disruption of key strategic initiatives – loss of momentum
- ❑ Cost of recruitment

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What Will it Take?

Technical vs. Behavioral Demands of a Job



Source: E3 Leadership Group

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Determining the “Value” of an Effective Leader

What do organizations demand in a leader?

Evidence of Soft Skills:

- ✓ Collaboration and adaptability
- ✓ Facilitation of tough issues
- ✓ Communication and relationship skills
- ✓ Transparency
- ✓ Political savvy
- ✓ Stakeholder alignment
- ✓ Energy, enthusiasm and engagement

How do you place a
\$ value on
“soft skills”?

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Factors to Consider to Recruit

Givens:

- ✓ Track record of candidate – ability to perform at a high level
- ✓ Cultural fit with organization and senior leadership team
- ✓ Soft skills of leadership position

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Factors to Consider to Recruit

Factors that impact compensation...

- Attractiveness and size of organization – scope of responsibility
- Market competition – other “similar” positions in the area
- Desirable location; cost of living of market
- Level of risk – financial stability of organization/track record of the position
- Stability of current leadership team
- Reputation of organization (*in the mind of the candidate*)

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Factors to Consider to Recruit

“Medicine is in for radical change
as the old guard gives way to
performance-driven teams”

Thomas H. Lee
Network President,
Partners HealthCare System
Professor of Medicine,
Harvard Medical School

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What Should a Health Care Leader Be Paid?

- Start with surveys as a baseline
- Answer the question: Can you / should you retain?
- And, remember...

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What Should a Health Care Leader Be Paid?

1. Geography matters
2. Size and scope of opportunity matter
3. Lateral moves are rare
4. A step back in compensation is a red flag

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What Should a Health Care Leader Be Paid?



Soft skills will drive health care executive compensation in the future

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