

# Why Doctors Make Good Healthcare CEOs

With Kimberly A. Smith, FACHE, Senior Partner

Do physicians make good CEOs, and what are the considerations around hiring a doctor to lead the entire organization? In the Q&A below, Kimberly Smith considers key issues.

*There are more physician CEOs today than in years past. Are they generally successful, or do results vary significantly from one to another? What factors are at play?*

**Smith:** I would say they are generally successful. There is some data – by researcher Amanda Goodall, for example – that suggests physician-led hospitals are more successful, but at this point it is still an assumption that needs proving.

Nevertheless, a physician CEO often makes sense for a hospital or health system. The key is ensuring that it is being done for the right reasons. Assuming that bringing on a physician CEO is a simple solution to fixing physician engagement and alignment issues is misguided. There are a number of times when we go into a project where there is discord among the medical staff over any number of issues. People see a physician CEO as a silver bullet for a whole lot of problems, which is much too simplistic. You have to get to the source of the problems. Additionally, a physician from outside isn't always initially accepted by internal physicians, and so pinning great hopes on a physician CEO to fix everything simply isn't wise.

*Assuming most physicians vying for CEO roles have less administrative and managerial experience in their backgrounds than non-physician candidates, is there a greater learning curve when they are hired?*

**Smith:** There can be if that is the case. However, I am optimistic that there are more and more physicians who do in fact bring administrative experience to senior leadership roles. Physicians who are senior enough to be considered for CEO roles have to have come up through a role that gave them that exposure—for example, as a CMO or head of a service line or product line. They bring more administrative skills than many people give them credit for. As for a learning curve, by and large physician executives are really smart people and quick learners.

*What do physician CEOs do instinctively well?*

**Smith:** They have a laser focus on aspects of quality, outcomes, building clinical sophistication and competence. They tend to be growth-focused and strong proponents of developing other physician

executives. Most come from a team perspective, having delivered team-based care for most of their careers, so valuing the contributions of all team members is an important part of their makeup.

*What do they struggle with or need to develop?*

**Smith:** Some come to the table with more financial skills than one might think as they've led large departments or service lines with substantial budgets. That's not universally true, however. Government relations, lobbying, HR and marketing are other areas that they may understand intuitively but not have experience in. And they may not have had a lot of deep exposure to governance and the way boards work. The key is that the learning has got to be experiential—you have to live through that, but that's true for any CEO. They're going to have gaps in their portfolio of experience.

*When a physician is chief executive, what are the implications for the rest of the leadership team? Do roles or reporting relationships change?*

**Smith:** Differentiating a physician CEO from other senior physician leaders is important. There can be a tendency to take all issues that pertain to physicians to the CEO. Validating the role of executives such as the Chief Physician Executive or Chief Quality Officer is essential. The CEO cannot and should not be expected to weigh in on every single physician matter.

*Finally, do CEOs who are MDs command higher salaries than non-physicians? Are the conditions of employment different in any other way?*

**Smith:** Yes, in general. Our Witt/Kieffer data shows that physician CEOs command from 10 to 20 percent higher compensation than non-physician counterparts at small and large organizations. This has to do with the smaller pool of physician candidates, as well as the fact that CEOs must offset the drop in income from their clinical practices—the board will set its compensation philosophy based on market data. As noted above, it is just not possible for all CEOs to continue their clinical work even if they want to.

## About the Author

**Kimberly A. Smith**, FACHE, senior partner, Healthcare practice, applies leadership development, operations, physician relations and staff and patient satisfaction expertise when identifying the right candidates for her clients. Based in the firm's Boston office, Kim conducts searches for CEOs, COOs, physician leaders and other senior executives on behalf of hospitals, health systems, integrated delivery systems, managed care clients and community and cultural organizations. She has a particular interest in academic health sciences centers, medical centers, medical schools and teaching hospitals.

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