In the January issue of Trustee, consultant Steven Valentine of the Camden Group outlined what he saw as the 10 most important trends facing health care boards this year. The trend topics range from new care models, consolidation and physician shortages to technological shifts, marketing and branding, and labor relations. What is noteworthy is that, depending on the organization, all 10 items may fall within the purview of the chief strategy officer.

The CSO in health care is a rich and robust role, one that has surged in significance in recent years to become a full-fledged member of the C-suite. The CSO offers broad leadership support across the organization and, therefore, tends to be a generalist, a jack-of-all-trades. Research conducted by Accenture found that chief strategy officers across industries, on average, had significant responsibility for 10 or more major business functions and activities, with some of the leading functions being market strategy, long-range planning, business incubation, product and service innovation, and mergers and acquisitions. Most CSOs had prior experience in at least four major functional areas, suggesting individuals with depth, breadth and versatility.

In health care, the responsibilities can be just as vast. Nevertheless, during the economic recession, CSOs often were considered expendable and one of the first executives shown to the door during downsizing or restructuring. That is no longer true — the industry’s strategic challenges are greater than ever while the costs of misguided planning and failed execution are more severe than ever. Sound strategy begets survival and, thus, the CSO provides invaluable support to the CEO, board and senior leadership team.

The exact role of the chief strategy officer depends on the organization. Sometimes he or she is the CEO’s right hand and confidant, while in other situations the responsibilities are more focused. Suffice it to say, however, that the days of strategic support coming from further down in the organization are gone. Strategy makes a difference, and the CSO is charged with ensuring that it is properly conceived and executed from the top of organization on down.

A Partner in Planning
What does the expansion of the CSO role mean for trustees? Other than the recruitment and selection of a new CEO, there may be no more important responsibility for a board of directors than to work with the CEO and senior leaders to set broad strategy and policy. The boardroom is where fiduciary responsibility and strategic direction unite. Though most boards have a strategic planning committee and finance committee, the full membership is responsible for their convergence.

As such, a strong board must own the strategic framework under which the organization operates. It hires the CEO, supports the CEO in developing the strategic plan, and holds the CEO accountable for the execution of that plan. The chief strategy officer can be integral to these efforts, and it follows that the relationship between the board and CSO should be open and healthy. When recruiting or internally promoting a CSO, the board needs to keep in mind that an ideal candidate isn’t just someone with impressive strategic stripes but with thoughtfulness, candor, a collaborative nature, intellect and gravitas. When conducting searches for chief strategy officers, we often remind clients that one of the most essential qualities to look for is whether or not candidates can effectively comport themselves in the boardroom.

Further, many health care organizations do not have chief governance officers, in which case the CSO can provide valuable support for activities that include planning and setting the agenda for board retreats or spearheading board and trustee self-assessment. At a minimum, the CSO typically serves as the key staff...
representative on the board strategic planning committee. This is often where the need for this executive to speak up and exert influence comes into sharp focus.

**One Size Does Not Fit All**

Roles and responsibilities of the CSO should mirror the needs of the organization. The scope can vary widely, and salary ranges bear this out. Annual compensation ranges from $150,000 to $380,000 for CSOs placed in the past five years.

Prerequisites vary as well. Most CSO positions require or strongly prefer a master’s degree in health care administration, finance or business administration. Candidates are expected to have at least seven to 10 years of strategic or business development experience in a health care setting, including managed care organizations. Nice-to-haves include expertise in areas that fulfill an organization’s specific needs, such as entrepreneurship, joint ventures, mergers, acquisitions and physician alignment.

To understand how different organizations are fashioning the CSO role, it is helpful to examine position descriptions from organizations that have recently recruited a top strategy executive. The following key areas of responsibility crop up in many or most CSO profiles:

- **Strategic advising and envisioning.** While the CEO is ultimately responsible for strategy, the CSO can help the organization to think big and envision the future. Especially in regard to health care reform, the CSO, as one organization phrases it, “stays on top of national trends that affect the provision of service, expectations of quality and financial performance of the organization.” Thus, CSOs become involved in clinical integration efforts, relationship-building with payers and understanding the nuances of insurance exchanges.

- **Strategic implementation.** Ensuring that strategic imperatives are being carried out effectively and efficiently may be the most important and widespread responsibility of the CSO. It requires a person with an ear to the ground and a keen understanding of analytics, performance metrics and continuous improvement methodologies. In organizations in which these issues are predominant, the CSO may report to the COO rather than the CEO.

- **Market positioning and differentiation.** CSOs increasingly are responsible for gathering and interpreting market intelligence to assess trends and how they will impact strategy. A critical aspect of this is differentiating the organization, particularly regarding value and quality amid an increasingly crowded, competitive marketplace.

- **Business development.** The CSO may help to plan service line and other growth, frequently through mergers and acquisitions. He or she often “reviews existing and contemplated cooperative ventures from both a strategic and business perspective,” then “analyzes these arrangements and implements the appropriate course of action.”

- **Physician engagement.** Health care organizations are realizing the strategic necessity of involving physicians, who understand value and quality better than anyone, in strategic planning, decision-making and implementation. The CSO can provide a strong bridge to clinicians.

**Skills and Characteristics**

CSO position characteristics seem to go out of their way to specify ideal traits and personality characteristics of serious candidates. The message is that these individuals will succeed inside and outside their organization by exhibiting strong leadership qualities as well as technical and market expertise.

Some of the prominent skills listed on position profiles include a laundry list of what we look for in dynamic leaders: strong values and unquestioned ethics; a consensus-builder and team player; outstanding oral and written communication skills; highly organized, disciplined and results-oriented; possesses high energy and a sense of urgency; calm, open and thoughtful; committed to community needs; encourages and challenges the thinking of others; has financial savvy with entrepreneurial instincts; and builds mutually beneficial relationships inside and outside the organization.

**Stepping on Toes?**

Because CSOs work across various functions and typically are given latitude to define and carry out their principal responsibilities, there is always a risk that they will step on some toes as they venture down this new path. Some of the questions that boards typically have about the CSO include:

- **How do we determine the right CSO position profile for our organization?** The key is to have recently completed a thorough stakeholder analysis, in which the CEO, board, CFO and COO establish current strategic priorities for the organization. The CSO profile flows from this work, and it may be helpful to include input from those who potentially may report to the chief strategy officer.

- **Does the CSO position encroach upon the roles of the CEO or other leaders?** Though most CEOs will welcome the support, they lose some autonomy as well as hands-on
knowledge that comes with carrying out strategy. It is critical that the CEO play the lead role in formulating the CSO position and be comfortable with the implications for her or his own position.

- Can we recruit a CSO from outside of health care? Many organization leaders with whom we work request that outsiders be included on candidate slates for the CSO position. They are looking for someone with financial savvy and strong strategy expertise — often someone who has held a chief transformation officer role. The question then becomes whether this person’s knowledge and skills transfer well to health care. Ultimately, the outside candidate might not be chosen, but it helps the search committee to consider what these leaders bring to the table.

- Should we view the CSO as a CEO-in-waiting? Given all that’s required of the position, this isn’t a bad idea. A CSO has a great deal of exposure to the board and major organizational stakeholders, and may be an excellent candidate to take over the top spot in five to 10 years.

The CSO position is here to stay. Hospitals, systems and other health care organizations need a seasoned executive who can ensure that current strategic efforts are working and aligning with the health care marketplace of the future. Boards need to explore how other organizations are defining the CSO role, then carve out an executive spot that is suited to their unique goals and strategies. T

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Chief Strategy Officer Profiles

The chief strategy officer’s core responsibilities can vary, depending on hospital or system size and type. The following descriptions enable comparisons.

### MID-SIZE HOSPITAL:

The scope of this position is broad and aligns with the CSO-as-jack-of-all-trades template. Reporting to the CEO, his or her direct reports include the directors of marketing and communications and managed care contracting, as well as the manager of physician relations.

The CSO “has responsibility for leading and coordinating the inpatient and outpatient planning and business development activity, including service line planning, transaction activity, and physician alignment and integration activity. This includes collecting information, assessing, planning, developing, applying business analytics, and implementing strategies and tactics to maintain and increase market share and revenue as well as to optimize financial performance, clinical superiority and market leadership. The CSO will serve as a key adviser to the chief executive officer on matters related to strategy, business development, market position, physician engagement, and those that are directly connected to maintaining or establishing market leadership.”

### LARGE INTEGRATED DELIVERY SYSTEM:

This role sees the CSO as more of a collaborator with the CEO on strategic matters, and places heavy emphasis on aggressive growth and business development. Reporting directly to the CSO are the directors of business development, corporate communications, marketing and communications, and e-business.

“The chief strategy officer … works closely with the senior leadership team, providing direction on strategic planning, market positioning, business development and physician integration. This executive leads the organization in collecting and assessing information, applying business analytics and implementing strategies and tactics to extend the organization’s footprint by forging partnerships … in order to maintain and grow market share and revenue. Identification of opportunities for program development, service line development and medical staff alignment will be a key element of this individual’s role. The CSO will ensure that all new business activities are in concert with the broader goals of the organization.”

### MAJOR REGIONAL HEALTH SYSTEM:

Position specifications are focused more on strategic implementation, carrying out the CEO’s and board’s directives. Reporting directly to the CSO are the vice presidents of marketing and communications, strategic planning and business development, and government, community relations and public affairs.

“The successful candidate will work closely with the senior management team on the planning and implementation of strategic initiatives and new ventures. The CSO will direct the implementation of strategic initiatives through starting and executing new ventures and new retail health market channels. The CSO will be responsible for growing system revenues, including non-balance sheet clinical affiliations in a highly competitive environment. The successful candidate will be accountable for ensuring the success of new businesses, using system resources in accordance with objectives for growth and will keep top management informed on long-range health care trends.” — R.P. and J.G.