

Trustee Insights

SUCCESSION PLANNING



Evidence-Based Approaches Make Succession Planning More Intentional and Effective

Cultivating talent from within sends the right signals to employees and leaders

BY KENNETH R. COHEN

The American College of Healthcare Executives (ACHE) recently released a report documenting that hospital CEO positions turned over at an annual rate of 16% in 2021. And more are on the way. Over the last few years, countless CEOs have told me in private conversations they are “running on empty and counting down the days” until they retire. Becker’s Hospital Review research bears this out and projects that CEO

departures will only increase.

In addition, The Leapfrog Group writes that the pandemic has had a negative effect on “health care delivery at every level and setting, from staffing shortages to increased infections to the very care patients receive.” Leah Binder, the organization’s president and CEO added, “The health care workforce has faced unprecedented levels of pressure during the pandemic, and as a result, patients’ experience with their care appears to have suffered.”

The profoundly negative consequences of acute care hospital CEO turnover are well documented. For example, ACHE notes that hospital CEO departures typically result in

four more senior team members leaving the organization within one year. The direct and indirect costs to an organization of losing five senior team members within one year are staggering and easily can amount to millions of dollars in lost revenues, momentum, organizational memory and severed physician relationships. These adversely impact hospitals’ ability to pursue their missions, threaten physician-hospital relationships, lead to subsequent losses of other senior team members and extract more from the bottom line. However, the domino effect doesn’t stop there, but cascades down to loyal middle managers and staff. This leaves the hospital prone to additional operational challenges.

What the Experts See

In his recent blog, respected health care leadership expert and best-selling author Quint Studer shared that research “shows a direct correlation between employee turnover and clinical outcomes. If a hospital fills openings with temporary workers, having lots of new people can cause stress on the regular workforce.”

In his book, “Effective Succession Planning,” William J. Rothwell explains that the changed employment contract between organizations and employees has impacted employee loyalty. Organizations with a particular successor in mind for their next CEO are more profitable

than those in which no specific successor has been identified. Rothwell has found that below most organizations' top two or three levels, succession planning is often an informal, haphazard exercise where longevity, luck and being in the right place at the right time determine succession. Therefore, he advises that management take action to ensure the stability of tenure of personnel. Interestingly, his research with hospitals found that the experience and seniority of the nursing staff is associated with higher quality care and a competitive edge in the marketplace. This has obvious implications for the aging of the nursing workforce.

Best-selling author and respected leadership researcher, Jim Collins, also shared that what sets the most successful organizations apart from their competitors is not just the quality of their leadership, but the continuity of their leadership. For example, 19 of the 20 (95%) extraordinary CEOs and organizations he studied in his innovative "Good to Great" research had been promoted from within their organizations.

The claims and practices of traditional executive search firms notwithstanding, external senior executive searches should be done only as a last resort. Identifying and growing your own "people magnet" leaders with successful track records of developing loyal, strong working relationships with others around them should be the goal. This is accomplished through the application of best practices including evidence-based succession planning, benchmarking, ongoing objective performance reviews, leadership development

Finding the Right Successor: Some Takeaways

The following are recommended elements of Evidence-Based Succession Planning:

1. The CEO cannot delegate succession planning.
2. The succession plan must embed the mission, vision, and values and incorporate, align and cascade the organization's core competencies with job competencies.
3. Define each position's responsibilities and performance metrics by directly engaging and interviewing key stakeholders with structured, open-ended questions. Clarify what present and future competencies will be required to succeed in concrete, objective and behavioral terms.
4. Remember that people do not change themselves to fit their jobs; rather, they typically change their job responsibilities around to suit their own behavioral preferences. Therefore, organizational leaders' behavioral styles and experiences must be carefully aligned with their current and future performance expectations.
5. Evaluate incumbent leaders' present job performance using objective, meaningful criteria in writing that supports the attainment of their current and anticipated future job requirements.
6. Evaluate incumbent leaders with a fair, objective, and highly structured format, evaluate their leadership style and interpersonal skills, job-related strengths, and proven accomplishments along with their developmental opportunities in an individualized developmental action plan with timelines and metrics to speed their growth. People need to clearly understand what they must do to succeed and to move up within the organization. High potential leaders need to be targeted, objectively identified, and developed.
7. The CEO should meet quarterly and individually with their senior executive team members to review what they have accomplished over the last three months and to identify their goals for the next three months.
8. If they are going to be successful, leaders must be clear about what they will need to do to attain their goals, how to get there, and have the resources available to facilitate their growth.
9. Benchmark the organization's success against that of other regional and national leading competitors.
10. Establish formal mentorship programs with someone from a different functional area who has no direct input into that person's performance appraisal.
11. As with other key initiatives, leaders must carefully introduce and "sell" Evidence-Based Succession Planning within the organization and address sources of resistance to it.

programs, validated psychological pre-employment testing, and behaviorally based interviews.

Not surprisingly, research also shows that those organizations most subject to operational problems are also most likely to have problems with their leadership. Therefore, leaders at all organizational levels must make it a priority to continuously identify and develop others around them and below them. They also must commit to continuously developing themselves. The armed forces long ago recognized the proven benefits of being “three deep” and preparing others to be ready to step up and facilitate smooth transitions when departures occur.

Hiring the Right Way

Proper hiring of people at all levels needs to be done with a focus on succession planning. Hiring should not be done in a vacuum and must weigh the short- and long-term departmental and broader organizational needs. Leaders need to surround themselves with others whose skills complement their own. They do not need clones of themselves. Leaders who do not delegate effectively and give others the chance to learn and grow will be most susceptible to problems when valued people leave. This can be assessed by evaluating the success rate of the people being brought into the organization in various positions and levels. How is this measured? How does this compare with other comparable organizations? For example, some critical questions that need to be asked are: What

does it cost your organization to recruit, select, and orient a staff nurse? What is the average tenure of your nursing staff after three, six, 12, and 24 months?

With regard to their recruitment and selection practices, the best leaders understand that people can be taught many of the finer technical aspects of their positions, but it is difficult, if not impossible, to “teach them their personalities.” This is because personalities are the relatively stable and predictable ways that individuals speak and behave repeatedly across situations over time. It is important to keep in mind the 3 P’s: Personality Predicts Performance. Top performers consistently love to do whatever their positions require of them. They do not regard their work merely as a job, but as their calling and what they are driven to do by their own values and personalities.

In stark contrast, while conducting retrospective post-mortems of their poor-fit hires who initially seemed to be wonderful on paper and in their interviews, great leaders have learned that such poor fits are 1) objectively measurable, 2) predictable, 3) preventable and 4) hold themselves responsible for hiring them. This highlights the insight of the adage “Hire in haste, repent at leisure.” In fact, the author’s own national research studies have found that 92% of all leadership separations are due to the person not fitting in and being unwilling to behave as required by what the position, organization and culture require. Simply stated, people do not change themselves to fit their jobs; rather, they typically change their job responsibilities

around to suit their own behavioral preferences.

Just as flight attendants remind passengers to first cover their own faces with oxygen masks during emergencies before attempting to help others, leaders need to take care of themselves to take proper care of the organization. Similarly, trustees need to remain alert to what senior executives are doing to recharge their own batteries and those of others. What are you and the Board doing to help the CEO to help him/herself? Organizations can no longer afford to wait until it is too late.

Practical Considerations

Rothwell explains that as people move up, their management skills will broaden relative to the larger organizational objectives, as opposed to primarily departmental goals. Succession planning must match the organizations’ current talent with the needs of its future. This is not merely replacement planning, but seeking to implement deliberate, clearly defined development strategies to cultivate talent from within the organization. Doing so sends the right signals to your current and prospective employees and leaders.

One way to help people to broaden their organizational knowledge and experiences is to have them rotate their responsibilities and to develop many people for many positions. This has been found to reduce an organization’s need to hire a single chief operating officer. Another primary goal of succession planning should be to train people fast and early and to promote them quickly.

Rothwell also asserts that identifying high-potential talents is every leader's responsibility throughout the organization. Unfortunately, some boards are dominated by their CEOs and often leave succession planning to that person. When it doesn't happen, this leaves the organization needlessly exposed to a multitude of problems. Boards can minimize such difficulties by building

evidence-based succession planning into the CEO's incentive compensation plan.

Chance is not a proven strategy for effective succession planning. However, with foresight, sound planning and relying on proven tools and methods, finding the right people to lead your organization into the future is within everyone's grasp.

Kenneth R. Cohen, Ph.D., (Ken@SynergyOrg.com) is the founder & CEO of The Synergy Organization, the country's first Evidence-Based Executive Search® and Executive Assessments firm.

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