

# NCHL White Paper on Best Practices in Health Leadership Succession Planning

The quality of leadership has a clear and direct relationship to the quality of care provided by healthcare organizations.<sup>1</sup> Yet a number of barriers challenge the recruitment, development, and retention of healthcare leaders: many young people are not attracted to careers in healthcare management; there is an acute shortage of candidates for senior-level positions in the field; and executive responsibilities in many healthcare organizations are becoming increasingly complex as a result of ongoing consolidation of functions and operations.<sup>2</sup> Indeed, some studies project the pool of leadership talent in the healthcare industry to drop by some 15 percent over the next few years. At the same time, many of today's senior leaders are nearing retirement. Despite this crucial shortage of leadership talent, few healthcare organizations have any kind of succession planning in place. Roughly three-fourths of hospitals lack such a plan, as compared with a third of for-profit companies outside of the healthcare field.<sup>3</sup>

Having a well-developed succession plan is a key feature of high-achieving organizations.<sup>4</sup> A recent study of most-admired organizations conducted by the Hay Group found that talent management and leadership development distinguish such organizations from their peers.<sup>5</sup> And a 2000 survey revealed that returns to shareholders were 22 percent higher for companies that excelled in talent management as compared with those that did not.<sup>6</sup>

There is growing recognition today across a wide range of industries of the critical role of succession planning in the success of high-performance organizations. Box 1 summarizes the key factors driving this new awareness. While these factors are motivating interest in succession planning among multiple industries, most echo those highlighted at the National Summit on the Future of Education and Practice in Health Management Policy.<sup>7</sup>

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## Box 1. Factors Driving Growing Interest in Succession Planning

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- Anticipated executive attrition
  - Relevant workforce demographics
  - Pace of organizational and competitive change
  - Desire for increased involvement/accountability on the part of boards
  - Increased emphasis on ensuring diversity in executive ranks
  - Reduced employee loyalty to organizations
  - Failure rate of outside hires
  - Competition for talent
  - Research into how future executives learn and develop
  - Rigidity/inadequacy of traditional succession planning tools
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Given the importance of and challenges to leadership in the healthcare industry, the National Center for Healthcare Leadership (NCHL) took on the task of identifying evidence-based best practices in talent management, leadership development, and succession planning both within and outside of the healthcare field. The results of that effort are summarized here. We reviewed best practices at two levels: (1) the senior executive level and (2) organization-wide. The former, traditionally equated with succession planning, encompasses the CEO position and a small number of additional senior positions, such as chief operating officer, chief financial officer, and heads of major operating groups. Organization-wide succession planning, sometimes referred to as "succession management," involves processes aimed at identifying and developing future senior leaders, including management of "talent pools," creation and cultivation of pipelines of leadership talent, and early identification of potential future leaders. It should be noted that succession planning typically has tended to focus on the identification and development of internal talent. As discussed below, however, best-practice organizations increasingly are

### RELEVANT SUCCESSION PLANNING STATISTICS

- In a 2004 ACHE study, only 21% of 722 hospitals reported that succession planning was done routinely
- Two out of five new corporate CEOs fail in the first 18 months
- In hospitals, the median length of transition between a successor being named and assuming the CEO role was 12 months

#### Sources:

Ciampa, D. "Almost Ready: How Leaders Move Up." *Harvard Business Review*. January 1, 2005.

Garman, A. and Tyler, J.L., CEO "Succession Planning in Freestanding U.S. Hospitals: Final Report." *American College of Healthcare Executives*. October 27, 2004.

attempting to integrate external recruitment and internal development, with the ultimate aim of acquiring the greatest quality and depth of leadership talent.

Our review of best practices is followed by a discussion of how these practices can be implemented by healthcare organizations. This discussion addresses overall implementation guidelines, the importance of organizational and cultural support, and special issues and requirements in healthcare settings. Best practices and benchmark information for this white paper were culled from organizations in several fields, with an emphasis on the importance of introducing approaches consistent with the mission and special requirements of healthcare organizations. We also note that many of these practices are being employed by a broad range of healthcare organizations; what is needed is a more comprehensive approach across all organizations and all healthcare disciplines.

## METHODS

The best-practices information reviewed in this paper were identified through:

- A review of the literature describing the results of relevant research and the experience of those organizations that are well regarded by recognized experts in the field for their ability to build leadership capability.
- Interviews also were conducted with executives of several well-regarded organizations, inside and outside healthcare, to identify approaches to succession planning and leadership development likely to be effective in producing leadership capability. These are referred to throughout this paper as benchmark organizations.<sup>8</sup>

In addition, participants in a 2005 CEO Roundtable convened by NCHL helped shape the discussion of special issues and requirements in applying best practices employed in other fields to the healthcare sector. Key executives in NCHL's network familiar with succession planning and talent management practices also contributed to the final draft of the white paper.

## BEST PRACTICES IN SENIOR EXECUTIVE SUCCESSION PLANNING

Evidence-based best practices in senior executive succession planning include:

- Board review of organization-wide succession planning
- Profiling of future position requirements
- More rigorous candidate assessment

### Board Review of Organization-wide Succession Planning

In his recent article on what he terms "the succession crisis," Charan suggests that "something is seriously amiss in the busi-

ness of developing and hiring CEOs. Too many top leaders fail in office; too many succession pipelines are bone dry."<sup>9</sup> Charan also describes how many boards are unprepared to play either a fiduciary or a catalytic role in succession planning at the senior executive level. As a result of the increased awareness of the importance of succession planning discussed earlier, however, CEOs and their boards in a number of industries are becoming more engaged in managing this crucial process.<sup>10</sup>

In the current environment, certain clear trends are emerging. First, boards are less willing to cede succession planning decisions to the incumbent CEO. They are reasserting their fiduciary role and demanding greater involvement in succession decisions; this involvement includes taking steps to get to know key internal candidates so as to be able to make informed decisions. Second, boards are broadening their focus beyond the CEO position, in part because of the importance of other positions and in part because of a desire to evaluate more objectively the strength of the senior management team.

Best practice boards are organizing themselves for increased involvement in succession planning and are devoting increased time to the task. In many best-practice organizations, the board's traditional compensation committees are being refashioned as compensation and leadership development committees with primary responsibility for succession planning within the board. Succession planning discussions are conducted regularly, even when no apparent executive transition is forthcoming. These discussions typically address the following topics:

- Short- and longer-term candidates for targeted senior executive positions.
- Key candidates' strengths, experience, development needs, and required areas of capability for a senior executive role, as well as development plans for those candidates and retention issues.
- Gaps and vulnerabilities in succession for targeted positions.
- Contingency plans for responding to a vacancy in the absence of qualified internal candidates, such as conducting an external search, naming an interim CEO, or asking a board member to step in temporarily.

As a result of the success of some companies in maintaining a continuous supply of leaders in the pipeline, boards of best-practice organizations ask management for periodic updates on its broader succession planning and talent development efforts. These updates are often provided by the committee charged with succession planning.

### Profiling of Future Position Requirements

Organizations undergo continual change that alters the requirements for success in a senior executive job. As a result, best-practice organizations identify the skills, experience, and

personal attributes critical to success in light of future-oriented strategies and business priorities. Such profiles often include specific skill sets (for example, mergers and acquisitions) and experience (for example, experience in certain markets or leadership of a major business/organizational turnaround). The profiles serve several purposes. One important benefit is enabling development planning for top internal candidates (for example, giving them new job assignments to provide required experience, as discussed further below).

## More Rigorous Candidate Assessment

As suggested above, boards no longer take the opinion of the CEO (or, in the case of an executive search, an external search consultant) at face value. Beyond their efforts to get to know internal candidates better, they work with senior management to delve into candidates' experience, accomplishments, and personal attributes.<sup>11</sup> At some best-practice companies, board members participate directly in conducting reference checks on external candidates. Some organizations, such as General Electric, retain consultants to identify potential external candidates who can be compared with internal candidates for benchmarking purposes.

## BEST PRACTICES IN ORGANIZATION-WIDE SUCCESSION MANAGEMENT

Leading-edge organizations increasingly are using a variety of best practices for organization-wide succession management. Companies do not employ all of those best practices at all levels of the organization. Rather, they select a mutually reinforcing set of succession planning practices and rigorously pursue the implementation of those practices on an ongoing basis. This latter point is especially critical in building the ability and will to participate in the process on the part of incumbent executives and managers throughout the organization.

There is greater consensus on best practices in succession planning and talent development at lower levels of the organization as compared with the senior executive level. While many of these best practices originated in the for-profit sector, most have been introduced in a broad range of healthcare organizations. These best practices in organization-wide succession planning include:

- Linkage to organizational strategy and business priorities
- Multilayer succession planning and talent development
- Streamlined succession planning reviews and follow-up processes
- Rigorous, repeated assessment of potential
- Integrated use of a leadership competency model
- Emphasis on on-the-job experience and highly customized

- employee development
- Talent pool management
- Active involvement of senior management
- Dialogue with potential future leaders
- Tight linkage between succession planning and external recruiting
- Executive "on-boarding"
- Tight linkage between succession planning and compensation
- Establishment and tracking of metrics

Table 1 compares traditional approaches with their best-practice counterparts.

In general, these best practices emphasize:

- Rigorous and repeated assessment of high-potential future leaders and efforts to retain them.
- "Stretch" job assignments for these individuals, designed explicitly to create new skills and perspectives.
- Highly customized and flexible professional development plans emphasizing on-the-job experience supplemented by other forms of development.
- Extensive involvement of various levels of senior management to help overcome organizational barriers to the career advancement of future leaders.
- Tight linkage among succession planning, candidate assessment, and development planning for future leaders.

## Linkage to Organizational Strategy and Business Priorities

Best-practice succession management is rooted in the organization's strategy and business priorities. Thus, elements of the succession planning process are reevaluated and updated to align with major shifts in strategy or priorities, such as growth, new business, penetration of new markets, or a significantly new organizational structure. Generally speaking, achieving this linkage involves translating strategy into leadership/talent requirements in one or more of three areas.

First, the numbers or types of positions to be required at some point in the future. Organizations cannot predict what these needs will be, but they can identify positions that are critical to the success of the enterprise in light of its strategy and/or are typically difficult to fill given the complexity of the position or the range of skill and experience required. A second area is determining which leadership skills and experiences will increasingly be required, such as driving cultural transformation to enhance quality and patient safety, identifying and managing strategic alliances/joint ventures, or interacting with external regulators. Another consideration is the new leadership abilities required by a new strategy or organizational structure,

**Table 1. Traditional versus Current Best Practices in Succession Planning and Talent Management**

	<b>Traditional Practice</b>	<b>Best Practice</b>
<b>Focus of Succession Planning</b>	<ul style="list-style-type: none"> <li>Particular individuals are groomed for specific top positions.</li> </ul>	<ul style="list-style-type: none"> <li>Pools of high-potential individuals are groomed to move into a variety of positions.</li> </ul>
<b>Link to Strategy</b>	<ul style="list-style-type: none"> <li>The process is not explicitly linked to the organization’s strategy and projected needs.</li> </ul>	<ul style="list-style-type: none"> <li>The process is tightly linked to the organization’s strategy and projected needs.</li> </ul>
<b>Ownership and Administration</b>	<ul style="list-style-type: none"> <li>The process is administered and largely owned by the human resource department.</li> </ul>	<ul style="list-style-type: none"> <li>The process is owned jointly by various levels of management, with input from individual employees, and is championed by the CEO.</li> <li>The human resource department provides tools and otherwise supports the process.</li> </ul>
<b>Visibility/Communication</b>	<ul style="list-style-type: none"> <li>The process is cloaked in a shroud of secrecy.</li> </ul>	<ul style="list-style-type: none"> <li>Succession planning is widely understood as a key organizational process.</li> <li>High-potential individuals and their managers are included in a feedback loop.</li> </ul>
<b>Appraisal and Evaluation Criteria</b>	<ul style="list-style-type: none"> <li>Evidence-based competencies are not used for evaluation purposes.</li> <li>Generic leadership competencies are considered, with little adaptation to the unique needs of the organization.</li> </ul>	<ul style="list-style-type: none"> <li>Evidence-based competencies linked to the organization’s strategy and priorities are used for evaluation purposes.</li> <li>Cultural values and job performance are used as additional criteria.</li> </ul>
<b>Development Methods</b>	<ul style="list-style-type: none"> <li>Professional development occurs primarily through classroom training.</li> </ul>	<ul style="list-style-type: none"> <li>Professional development occurs primarily through on-the-job activity.</li> </ul>
<b>Recruitment and Selection</b>	<ul style="list-style-type: none"> <li>Individuals are hired externally with little explicit reference to the leadership competencies the organization has adopted.</li> </ul>	<ul style="list-style-type: none"> <li>Individuals who already share the organization’s values and have the potential to develop desired competencies are sought.</li> <li>The same set of competencies is used for external recruiting and internal assessment and development.</li> </ul>
<b>Measurement and Continuous Improvement</b>	<ul style="list-style-type: none"> <li>Process measures are tracked.</li> </ul>	<ul style="list-style-type: none"> <li>Outcomes are measured and evaluated; a continuous improvement approach is adopted, whereby the organization learns from experience and modifies the succession planning process to become increasingly effective.</li> </ul>

such as managing innovation or exercising the skills in influence, persuasion, and collaboration required to lead within a matrix structure.

This linkage may be built explicitly into the succession planning review process as a discussion item or the result of an analysis by a centralized succession planning group.<sup>12</sup> For example, one large, diversified organization identified a need to attract and develop an additional 500 leaders to manage new business ventures and deal with anticipated executive attrition. At a large teaching facility, three strategic goals drove

the development of core competencies, so that the competencies were links to the future of the organization. At another benchmark organization, employee capability is evaluated before strategies are developed, as “plans run on people.”

### **Multilayer Succession Planning and Talent Development**

As noted above, best-practice organizations tend to extend talent identification and development to lower organizational levels. Best-practice organizations such as Eli Lilly and Colgate-

Palmolive subscribe to the leadership pipeline notion that, over time, an organization's senior leadership capability will be strengthened by a "pipeline" of potential future leaders at lower organizational levels who have been identified and are being consciously developed with the goal of maximizing their career and leadership potential.<sup>13</sup>

A key notion is that, since it is difficult if not impossible to envision the senior executive positions that are going to be required by the organization in the future, it is better to develop a pipeline of strong, multifaceted leaders who can be successful in multiple potential roles than to develop people for specific future positions. And since it is difficult to plan the careers of large numbers of future leaders with any precision, it is better to determine the key development and experience needs of those identified as future leaders and then match them to jobs across the enterprise as those positions open up.

Some best-practice organizations institute assessment processes designed to identify potential future leaders early in their careers. In fact, leadership evaluation and identification can begin in an employee's first year with the company. Other organizations use a talent identification system to track and develop high potential employees and optimize their growth in the system.

### Streamlined Succession Planning Reviews and Follow-up Processes

Common to most best-practice organizations is regular conduct of organization-wide succession planning reviews. The review generally progresses from lower to higher levels of the organization. The results of the review trigger the creation of an action plan focused on accelerating the growth of future leaders; dealing with retention issues; and taking steps to address key succession planning gaps, for example, through external search. In addition, best-practice organizations typically conduct scheduled follow-up reviews to monitor the implementation of these action plans.

In one healthcare organization with long experience in succession planning, there has been an effort to streamline the review process with the goal of focusing management discussion during review sessions on key succession planning needs, key candidates, talent gaps, retention issues, and so forth.<sup>14</sup>

### Rigorous, Repeated Assessment of Potential

The emphasis on on-the-job development discussed earlier has stimulated a focus on rigorous assessment of future leaders. Best-practice organizations do not accept direct managers' evaluations of leadership potential at face value; rather, they establish assessment processes intended to verify and expand on those evaluations.

In addition to traditional techniques, such as assessment interviews and testing by assessment experts or attendance at an assessment center, best-practice organizations use various means to obtain multiple points of view on candidates from others who have observed them in work-related situations and understand the requirements of senior-level jobs within the organization. One tool used by many best-practice organizations is the performance/potential matrix, with a performance rating on one axis and perceived potential for career growth on the other. In the course of succession planning reviews, managers are asked to use this tool to rate people within their organizations; these ratings are then discussed with the senior leaders of each organization.

For example, one benchmark healthcare organization employs a simple grid to set the stage for in-depth discussion of people by members of the senior management group. The grid is a tool to help differentiate future leaders from solid performers, and potentially

Figure 1. NCHL Health Leadership Competency Model





solid performers miscast in their current jobs from others who may not be a fit for the organization. Members of the senior leadership team have also received extensive training on how to conduct intensive, probing discussions during succession planning meetings.

Other assessment processes go further. One major retailer orchestrates team discussions of a candidate nominated as having high potential both to confirm this rating and to stimulate the individual's development. Using a tool based on leadership competency and other factors predictive of executive success, a group of higher-level managers evaluates the candidate in comparison with others at the same organizational level.<sup>15</sup>

### Integrated Use of a Leadership Competency Model

Best-practice organizations typically use a baseline leadership competency model as part of the succession planning process. An example is NCHL's Health Leadership Competency Model, shown in figure 1. NCHL focused its landmark competency research on best-practice organizations within and outside of healthcare and created this validated set of the competencies required for exceptional performance in leading healthcare organizations across selected provider sectors; across career stages; and across the disciplines of administration, nursing, and medicine. Behavioral event interviewing was used to identify the characteristics of outstanding performers in their role or job as compared with their more typical counterparts.<sup>16</sup> In addition, NCHL incorporated into its research the recommendations of seven top futurists who helped identify the competencies required to meet the challenges facing healthcare in the future.

Leadership competency models, if endorsed and reinforced by the organization's senior management, perform several important functions. They:

- Provide managers with a common language for discussing an individual's strengths, development needs, and career potential.

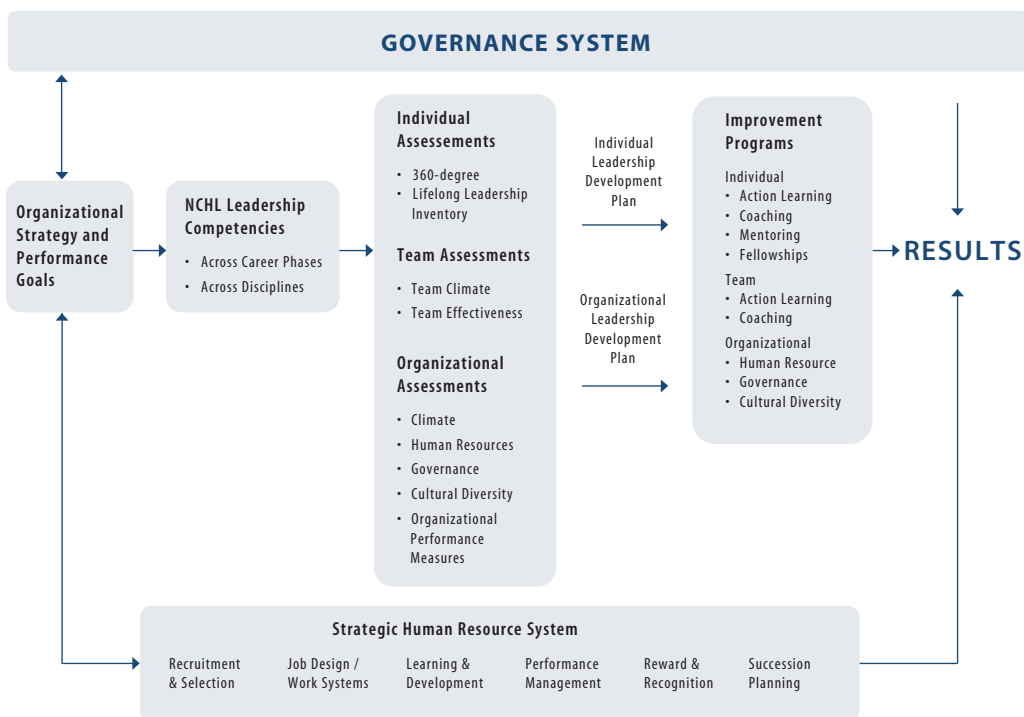
- Help managers draw the crucial distinction between an individual's current performance and his/her leadership capabilities with regard to positions of increased scope and responsibility.
- Define leadership expectations for leaders throughout the organization.
- Make it possible to integrate activities that support leadership development and organizational performance.

Best-practice organizations also integrate their competency models with such activities as performance management, staffing, training and development, and external recruiting and selection. For example, one large healthcare system has developed an integrated leadership development approach to link recruitment and selection, assessment of talent, development planning, and leadership succession and continuity. Another benchmark healthcare organization uses its value-based competency model not only to evaluate the career potential of existing employees, but also as part of the hiring process to ensure that new employees fit with the organization's desired values and competencies.

An integrated, systems approach to link organizational strategy, governance, and competency-based human resource practices is illustrated in figure 2.

Figure 2. NCHL Leadership Development System

### A Systems Approach to Leadership Development and Organizational Competence



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## Emphasis on On-the-Job Experience and Highly Customized Employee Development

As noted above, best-practice organizations orchestrate job experiences designed to develop the skills and perspective required for success in senior executive positions. Three approaches can be taken to this end:

- New, “stretch” assignments, such as a cross-functional, line-to-staff/staff-to-line, or startup/turnaround assignment.
- Expansion of the scope of the individual’s current job, for example, by increasing the span of control or adding responsibility for more functions/groups.
- Involving the individual in other significant on-the-job activities, such as participation in/leadership of a major cross-organization initiative, especially one that is highly visible to senior management.

For example, one integrated healthcare system has instituted an “experience management” process designed to match designated individuals with specific developmental jobs and other assignments to prepare for future leadership roles. In addition, best practice organizations formulate highly customized development plans for designated future leaders to help them acquire and/or demonstrate new skills, experience, and capabilities. These plans can encompass training and education, feedback and coaching/mentoring, external involvement (e.g., trade/industry associations, leadership roles in the community), and self-directed development (e.g., reading computer-based training, site/customer visits). Best practice organizations often make external executive coaches available to their highest-potential managers, and provide transition coaching for high-potential individuals when they begin new, stretch assignments to help them develop the required skills quickly.

## Talent Pool Management

As suggested above, instead of using static replacement lists focused on candidates for specific positions, best-practice organizations build and manage talent pools throughout the organization. This approach permits greater flexibility in developing future leaders, helps guard against the loss of key talent, and allows organizations to operate more opportunistically in matching position openings with the needs of high-potential candidates.

A number of best-practice organizations designate a “corporate resource group” of extremely high-potential individuals. Assuming continued performance and career growth, members of the group are viewed as candidates for very senior-level corporate positions, and their careers are managed accordingly. Reassignments of individuals within the pool must be approved at the corporate (as opposed to functional or operating group) level so that new job assignments will be consistent

with long-term career plans. In addition to such senior-level corporate resource groups, some best-practice organizations establish analogous talent pools for key functions or even a set of “mission-critical” positions.

Membership in talent pools is far from static. The performance and development of pool members are closely monitored, with the individuals being added to or dropped from the pool over time. Conversely, individuals can elect to be taken out of the pool as their career and personal goals change. Increasingly, senior executives from relevant parts of the organization join with human resource professionals and career planners not only to monitor pool members’ progress, but also to seek ways of facilitating their development.

One common practice in talent pool management is to monitor the composition of the pool from a diversity perspective. This approach is consistent with two major goals of best-practice organizations: (1) ensuring an organization and leadership group that mirror the customer/user population, and (2) ensuring that talent is drawn as broadly as possible from throughout the organization. Several of the benchmark healthcare organizations make diversity a major priority of succession planning.

## Active Involvement of Senior Management

CEOs and other very senior executives in best-practice organizations participate in succession planning reviews, examine lists of future leaders at lower levels of the organization, meet with high-potential individuals, and ensure that such individuals are seriously considered for key developmental assignments. For example, the Human Resource Council at Dow Chemical, which consists of the CEO and a handful of key senior executives, spends five days each year (beyond normal attendance at succession planning reviews) in off-site meetings discussing top future candidates, reviewing those individuals’ development plans, and directing development assignments.<sup>17</sup>

Such direct, personal involvement on the part of senior executives clearly conveys the importance of succession planning and models expected executive behavior. It also enables senior management to intervene when necessary and orchestrate the movement of leadership talent across organizational boundaries. For example, at Colgate-Palmolive, the CEO, chief operating officer, and head of human resources are alerted within 24 hours if any high-potential employee across the entire corporation resigns so they can take steps to retain the individual.<sup>18</sup>

## Dialogue with Potential Future Leaders

Research has shown that the expectation of future career progress is a key determinant of a high-potential individual’s decision to remain with an organization.<sup>19</sup> As a result, at best-practice organi-

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zations the traditional “shroud of secrecy” that has surrounded succession planning in the past is giving way to more open and frequent dialogue with candidates for future leadership positions regarding their perceived potential, career goals and interests, and career planning constraints (such as relocation). One large insurer advocates that it wants the people who are the best performers to know they’re the best performers. “We’ve got them on a list and if any one of them thinks of leaving, the CEO is called. Those are the golden eggs we watch carefully.”<sup>20</sup>

## **Tight Linkage between Succession Planning and External Recruiting**

While best-practice organizations are committed to the development of internal candidates for senior-level positions, they also take steps to link succession planning and internal development with external recruiting. Such external searches are often undertaken in response to talent gaps or vulnerabilities or new skill sets required by business strategies, as identified during succession planning reviews. They may also be carried out to add to the organization’s pool of potential future leaders.

The linkage between internal and external development at best-practice organizations takes several forms:

- Using the same leadership competency model to evaluate internal and external candidates.
- Requiring external search firms to assess candidates using the organization’s leadership competency model.
- Using behaviorally based interviewing, again tied to the leadership competency model.

In addition to these techniques, best-practice organizations may retain a search firm to identify external candidates for senior-level positions, even when the company has qualified internal candidates. As noted earlier, doing so helps ensure that the organization’s internal candidates compare favorably with talent available externally.

## **Executive “On-Boarding”**

Given the expense and the potential for failure involved in filling leadership positions, best-practice organizations are increasingly devoting resources to help assimilate executives—both those new to the company and those taking on new assignments in different parts of the organization—into their new roles and/or organizations. Dow Chemical, General Electric, and Bank of America, for example, all provide executive assimilation support.<sup>21</sup>

## **Tight Linkage between Succession Planning and Compensation**

For years, succession planning and compensation (e.g., merit increases, incentive compensation, stock options) have tended

to be viewed as discrete activities. By contrast, best-practice organizations attempt to link the two so as to ensure the retention of potential future leaders. While still requiring high levels of performance, these organizations carefully monitor the compensation of high-potential individuals to ensure that both their performance and their potential are rewarded.<sup>22</sup> As a general rule, best-practice companies also make incentive compensation and stock option plans available to designated future leaders at lower levels of the organization for both motivational and retention purposes. For example, one organization points out that “we try to develop everyone, but if you’re high performing, you get the stock options, you get the bonuses, and you get the raises.”<sup>23</sup>

## **Establishment and Tracking of Metrics**

Best-practice organizations commonly have metrics that are used to focus attention on key succession planning priorities, such as retention of high-potential individuals, the strength of the succession “bench,” the accuracy of succession plans, or success in external recruiting, as well as to trigger continuous improvement of the succession planning process. The metrics employed vary among organizations; examples are shown in table 2.

Even practitioners in the field express some discomfort with the use of such metrics, for two reasons. First, it is difficult to ensure that the measures are calculated altogether objectively. Second, it has always been difficult to gauge cause and effect in the arena of succession planning and leadership development. For example, will having a particular ratio of future leaders to positions at a certain organizational level today ensure the necessary level of leadership strength in the future? Nonetheless, given the results-oriented nature of most companies, best-practice organizations routinely establish and track succession planning metrics, even if the use of such measures is imperfect.

## **ORGANIZATIONAL AND CULTURAL SUPPORT**

Beyond the best practices detailed thus far, organizational and cultural support is crucial to effective succession planning. First and foremost, as with other organizational processes, succession planning is unlikely to be effective without the direct, visible support and involvement of senior leaders. Succession planning and leadership development are, by definition, long-term, future-oriented activities that tend to compete with a focus on short-term results; only the ongoing support and commitment of senior executives can enable the organization to achieve the optimum balance between the two.

In addition, certain cultural factors are vital to the successful implementation of best practices in succession planning. These factors include:



- A feedback-rich environment that encourages learning and development on the part of everyone in the organization.<sup>24</sup>
- A willingness to take risks on people.
- The ability to share talent across organizational lines.
- An environment in which managers handle confidential information with discretion.
- The ability to breed a “talent mindset” throughout the organization, based on two fundamental beliefs:
  - That in today’s competitive environment, organizations win because of leadership and talent; that is, overall talent, including leadership, is the ultimate source of competitive advantage.
  - That attracting, developing, and retaining talent is a fundamental expectation of management at any organizational level.

Feedback-rich environments encourage learning and development on the part of everyone in the organization, especially future leaders. At Bristol-Myers Squibb, open and candid feedback is a prerequisite for effective succession planning and leadership development.<sup>25</sup> One benchmark organization, a large teaching hospital, believes that the litmus test is the quality of the dialogue among the senior leadership team about the talent in the organization. The nature of the discussion is key.

The best-practice approach of using “stretch” assignments to develop skills and perspective among potential leaders, discussed above, entails risk to both the individual and the organization. Best-practice organizations work to diminish that risk, but are also prepared to take it. This approach also demands that

organizations find ways to overcome the natural tendency of managers to hoard talent. This is an area in which direct senior executive involvement becomes particularly important.

## SPECIAL ISSUES AND REQUIREMENTS IN HEALTHCARE

As noted previously, results of NCHL’s research indicate that virtually all of the best practices described in this paper are being implemented to some extent by healthcare organizations. According to healthcare leaders, however, certain challenges and requirements need to be addressed to enable widespread implementation of these practices within the industry. The following issues were noted by those interviewed for this study and by attendees at the recent CEO Roundtable convened by NCHL:

### Hierarchical and Siloed Organizations

Implementation of on-the-job and assignment-based development, especially with regard to cross-functional career moves, can be constrained by:

- Self-governance procedures among physician and nursing leaders.
- Labor-management agreements in some institutions.
- A traditional emphasis on degrees, certification, experience, and reputation as opposed to leadership and management capability.
- Institutional charters that mandate a specific background for the CEO position.

**Table 2. Examples of Succession Planning Metrics**

Metric	What Is Measured
Percent of positions filled internally vs. through external recruiting	Strength of the succession “bench”
Time to fill open positions (at certain levels and above)	Strength of the succession “bench”
Retention of high-potential individuals/ future leaders	Effectiveness of career planning and retention efforts
Ethnic/gender diversity in promotions	Success of leadership diversity efforts
Leadership pipeline measures <ul style="list-style-type: none"> <li>• Ratio of “ready-now” candidates to “mission-critical” positions</li> <li>• Ratio of incumbents to future leaders by level (e.g., 1:3 for the director level)</li> </ul>	Strength of the leadership pipeline
Key positions/promotions filled by succession plan candidates	Accuracy of candidate assessment and succession plans
Success rate of external hires within the first 24 months	Effectiveness of external recruiting and assimilation

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## Strong Functional Allegiances and Cultural Attitudes

- A strong technical identification (a “guild mentality”) that can create greater allegiance to the profession (e.g., medicine or nursing) than to the healthcare organization.
- A tendency for senior leaders to advocate for their discipline as opposed to seeing themselves as members of an integrated management team.
- Provider attitudes toward those pursuing a leadership career track.

## Development of Physician Leaders

- Limited mobility due, for instance, to professional affiliations, or medical school or research ties.
- Early training and socialization that do not emphasize collaboration, consensus decision making, and a team leadership approach.
- The fact that physician recruitment can involve absorbing an entire team and important revenue stream, as well as impact institutional prestige.

## Organization’s Scale, Scope, and Complexity

- The size of some healthcare organizations (such as small, freestanding hospitals), may limit the range of developmental assignments available.
- Significantly differing business and organization models (e.g., academic health centers, community hospitals, and multi-site/multi-business organizations), may inhibit the creation of new models of career development for leaders.
- Employment relationships with various constituencies, for example, groups that work on an employed, volunteer, or contractual basis add complexity.

## Board Structure and the Background and Skills of Board Members

Many healthcare boards may be too large for effective decision making, especially in areas requiring skill and tact, such as succession planning for CEO and senior executive positions. Especially in smaller, community hospitals, board members may lack experience in succession planning or a deep understanding of the requirements of executive-level positions.

## CONCLUSION

The challenges to the implementation of best practices in succession planning and leadership development described above dictate the need for resources, creativity, customization, and persistence. Given the wide variety of healthcare organizations,

it is also necessary to first define the fundamental principles that underlie various best practices and then tailor the implementation of each practice to the particular organization. Box 2 provides additional considerations before moving forward.

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### Box 2. Considerations before Moving Forward with Succession Planning Efforts

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- Undertake efforts to upgrade board with regard to their skills in succession planning and leadership development, as well as to educate board members so they will better understand their role in both senior-level and organization-wide succession planning.
- Work to reconceptualize the relationship with the physician community so that doctors see themselves not as individual contractors but as partners in organizational success.
- Communicate and collaborate with union management on an ongoing basis to build confidence that enhanced leadership capability will strengthen the organization for all.
- Introduce processes for early identification of those providers with leadership interest and potential, as well as cultivating that interest.
- Find ways to link the results of succession planning and leadership development to outcomes associated with patient care and the quality of healthcare.
- Work to create new and visible models of career development and leadership success, models that both break the traditional mold and challenge conventional wisdom and practice.
- Conduct research into how the best practices described in this paper, many of which have emanated from large, multi-unit organizations, can best be implemented in smaller, single-unit healthcare organizations.

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Finally, introducing any best practice-based approach will require consistency and persistence: consistency in implementing applicable practices broadly throughout the organization, and the persistence required to overcome organizational resistance and fully integrate the new practices. Only in this way will it be possible to truly build leadership capability for the long term.

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