



**THE WHARTON  
HEALTHCARE QUARTERLY**



## DOWNLOADING SUCCESS: EXECUTIVE SUCCESSION AND LEADERSHIP DEVELOPMENT – PART 1

**In Part 1 of this two-part series, we explore the executive succession planning (or lack thereof) landscape and the opportunities for leadership development it can represent if undertaken strategically and effectively**

The hospital had waited too long. Barbara (not her real name) had been the CEO for many years, but when she announced her retirement plans, there was no one waiting in the wings to take her place, no one who had been groomed for just this moment.

It was a daunting task to replace her, and not simply because she was well-liked and respected in the facility and the community. The recent years had been rough, and the red ink was growing by the year. It would take some upheaval, and a leader from outside, to begin to turn the ship.

Barbara's story is a common scenario that, unfortunately, is replayed every year in provider and payer organizations across the U.S. In a recent survey by the National Association of Corporate Directors, 55 percent of organizations admitted their succession plans were informal, and 6 percent had none at all. Yet if "succession planning" has been ineffective and ignored in recent years, the fault may be in the deployment. For executive succession to work, it must be integrated seamlessly with a long-term commitment to leadership development throughout the organization.

These organizational needs have greater urgency than is always acknowledged. When talent leaves the organization, a gap is created. Departures of key executives create shortfalls in achieving business objectives. In today's economic climate, that can increase pressures on a healthcare organization exponentially. In addition, the seismic changes created by mergers, acquisitions, and layoffs produce cultural and communication gaps that must be solved by the organization.

Leadership development provides continuity to an organization and accomplishes several key objectives:

- It acclimates and trains young leaders.
- It offers opportunities that help retain executives.
- It reinforces the organizational culture.
- It provides a process that identifies, and rules out, potential successors.
- It ensures attention to diversity remains front and center.

The chief executive officer and the board must drive this process. Indeed, progress in the areas of executive succession and leadership development should be part of the CEO's performance evaluation. And the board should include trustees who are experienced in guiding the succession process or who have gone through the process themselves as a CEO in their own companies.

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Up to 40 percent of the workforce is expected to retire by 2020. That reason alone should spur initiatives to ensure the leadership pipeline is designed and flowing. But surveys show the pace of change is accelerating, beyond the abilities of executives and organizations to keep up. For that reason, some say knowledge and experience will become less important as predictors of executive success than personal traits.

Leadership development and succession planning can reveal which executives are best equipped to lead your health system or insurer through uncertain times in a rapidly changing industry. In addition, many organizations are ill-equipped to deal with a senior executive's sudden departure due to resignation or illness.

A formalized program creates benchmarks for development and success. It can also eliminate silos and create opportunities for cross-training teams of leaders to tackle nagging organizational issues that may have fallen through the cracks due to the leadership team's time constraints.

A final reason for the necessity of executive succession and leadership development is retention. These key components of integrated talent management provide senior management a clear understanding of the competencies and expectations of the CEO role as internal candidates in the pipeline. They also provide younger leaders with opportunities and seasoning. And they ensure that leadership in your organization is multi-generational.

In Part 2 (on next page), we will review key competencies needed to position oneself for selection for the succession planning queue and to optimize your ability to thrive if chosen to lead.

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## DOWNLOADING SUCCESS: EXECUTIVE SUCCESSION AND LEADERSHIP DEVELOPMENT – PART 2

**As the Baby Boom generation continues to retire, healthcare organizations increasingly are looking to increase their bench strength and talent pipeline through leadership development. The goal is to identify successors not only for CEO roles but for other C-suite positions and even titles further down the organizational chart.**

The hard truth is that healthcare organizations have talked a good game around this need for years without significant commitment to making it a reality. A bright spot in this dilemma is that more clinicians are looking for an opportunity to influence the organization as a whole, not merely their own division or department.

Some progressive healthcare organizations have created in-house leadership academies to groom the leaders of tomorrow, but their effectiveness has not been sufficiently studied. Yet the churn of the healthcare labor pool has companies realizing that working to retain top talent is inherently less problematic than continually shopping for new leaders – **it takes four times the salary of a departed employee to replace him or her.**

Through our own decades of working with healthcare organizations, we have identified a number of competencies that can elevate an individual's ability to lead, as well as some best practices for cultivating leaders for succession. Let's look at some of them.

### KEY QUALITIES FOR LEADERS IN CONSIDERATION FOR SUCCESSION

We believe it best to organize leadership traits into two categories: individual (character) and organizational. In our years of working with thousands of executives, we have found it is the softer skills that make the difference between a good leader and a great leader. While all of us are born with some leadership abilities, the best leaders are continually seeking to grow and evolve their capabilities, thus maximizing their potential in executive succession plans.

#### Individual

**Humility:** As a leader, it's important for you to put aside your pride and rely on others. Listen to others, follow others – in short, be humble.

**Patience:** Being reactive isn't the same as being proactive. Things don't have to happen right away. Patience creates calm and improves decision-making.

**Trust:** Listen and lean into others. Allow yourself to trust others. As a leader, you get the gift of input.

**Collaboration:** Our best work is the result of working with and encouraging one another. Value collaboration.

**Integrity:** Do the right thing always, without fail. This is the foundation for who you are. Do not compromise.

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## Organizational

**Leadership agility:** Becoming a leader requires an observant knowledge of how organizations work and an appreciation for how things get done in the workplace, both through formal channels and the informal network. A leader must be able to settle differences with minimal noise and build engagement. He or she can be direct and forceful if needed, as well as diplomatic.

**Building engagement:** Strong teams are pivotal, especially in healthcare. We can't do this alone. A leader puts a premium on buy-in and employee engagement through communication and dialogue. We won't always agree, but our teams need to be clear on our reasoning and assured their voices were heard and considered.

**Decisiveness:** All leaders will make mistakes. Bad decisions can be altered or reversed, but most organizations will find it difficult to overcome consistent delays on decisions. Worse, paralysis by analysis often proves to be contagious when it starts at the very top of an organization.

**Reliability:** There are times when an organization needs a shakeup, but most organizations will thrive financially and organizationally when the leader has a steady hand and a long-term view.

**Change management:** This is not a cliché or a buzzword. The volatility of the business landscape demands that a leader continually prepares the organization for change by focusing on the organizational vision and openly addressing the obstacles to change. A good leader creates a coalition of change agents.

## ELEMENTS OF LEADERSHIP DEVELOPMENT

How, then, does an organization develop these traits in its leaders to ensure succession? A healthy organization ensures the recruitment, development, and retention of talent becomes an ongoing priority of the team and not something delegated to human resources or simply an annual event. Top leadership needs to provide the resources and the time for their talent to be developed through various tools and processes. Leadership needs to demonstrate and model this commitment to development; leaders go first.

**Team agreements:** Leadership is not learned or cultivated in a vacuum. Leadership teams must come together regularly to establish goals and measure progress.

**The feedback loop:** Part of the hard work of learning to communicate is realizing feedback is crucial for learning new skills and eliminating old habits. Leaders must realize that feedback is for the good of the organization and constructive criticism is delivered around behavior, not identity or personality.

**Getting beyond the classroom:** It's good for leaders to get out of their normal environments. But simply paying for your leaders to sit in a classroom for a week at a respected university is unlikely to bring the personal or systemic change you seek. Leadership teams must be given tangible projects, not merely simulations, that address current needs of the organization.

**Personal investment:** Leaders must be invested in their leadership development; it can't simply become a box to be checked off to please the hierarchy or to earn continuing education units. That is why we recommend that leaders, in concert with consultants or organizational psychologists, establish specific goals for themselves.

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## CONCLUSION

Your succession plan is only as strong as your leadership team development plan – and the board and CEO who determine those elements.

Find the succession assessment and additional resources on succession management at [bit.ly/Succession-Resources](http://bit.ly/Succession-Resources).



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