

Succession Planning

Strategic Planning for Healthcare Executives

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BY CROSS COUNTRY HEALTHCARE

Introduction

Increasing turnover rates and the declining numbers in the active workforce are intensifying the competition to recruit top tier leaders. Many organizations across diverse industries are in a cycle of regularly hiring, recruiting and replacing employees at great cost. This revolving door effect can hinder a company's momentum, aggressively advancing key strategies and developing their bench strength. The organizations in the health care industry that are most successful in the competition for talent are the ones that, quite simply, do not need to compete. They are the hospitals, health systems and group practices that have stable, enterprise-wide succession and leadership development plans in place to keep their best and brightest leaders in place and focused on future success.

The Growing Talent Gap

For the first time in our country's history, we have five generations of employees serving in the workforce at the same time.

The Five Generation Workforce

Traditionalists
Born 1900-1945

Baby Boomers
Born 1946-1964

Generation X
Born 1965-1976

Generation Y (Millennials)
Born 1977-1997

Generation Z
Born after 1997

With each different generation comes different management challenges. Baby Boomers tend to remain committed to an organization long-term and their generation values loyalty above all. However, according to Gallup Polls, 21 percent of Millennials say they have changed jobs within the last year, a rate nearly three times higher than other generations. These differences make it difficult to establish a successful organizational culture that speaks to all employees.

Additionally, while there are many generations working, the populations within those generations are actually shrinking. The Boomers are the largest generation, but the

generations that come after have decidedly fewer people, leading to a smaller number of individuals entering the active workforce. As the Traditionalists and Baby Boomers begin to retire, the workforce will be left with many roles to fill and fewer people to do the work.

As organizations across all industries prepare for this daunting staffing challenge, forward-thinking leadership teams have already identified a solution. Organizations with a robust plan to keep top talent are succeeding, creating a smaller pool of talent available in the market. A succession plan that is ingrained into the culture, the business and the operational planning of an organization is the key to remaining strong and successful while everyone else fights the battle for the remaining available talent.

The cost of replacing a CEO for a mid-size hospital can reach up to \$300,000. At any leadership level, the true cost of replacing employees can be twice their base salaries.

The Evolution of Strategic Succession Planning

Over the last two decades, succession planning has evolved; in the past, a company was ahead of the curve if it had a plan in place at all. Twenty years ago, a succession plan was just a check list of who was next in line to do a particular job. Eventually, a company that had identified pools of talent to fill a specific key position could say they were the most likely to reap the benefits of cutting-edge succession management, including high employee engagement, low turnover and quick transition times.

Today, we understand that this type of micro-level process isn't broad enough to ensure company-wide success; it now takes a macro-level, enterprise-wide model to achieve long-term results.

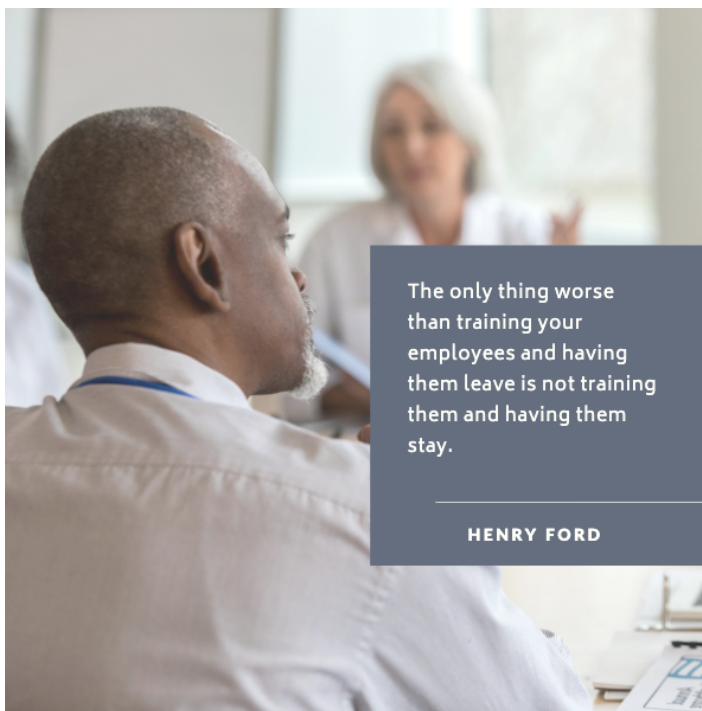
The organizations that have done it well, have succeeded and demonstrated the value of this investment. Even in today's environment with the shift from fee for service to a focus on value, these organizations are growing.

As the practice of succession planning continues to grow and adapt over time, progressive organizations are already seeing the benefits. Organizations that take a proactive approach and include growing internal talent as part of their enterprise-wide strategic plan will see these benefits for years to come:

- Mitigated risk through the assurance of smooth leadership transitions
- Reduced turnover costs due to lower turnover rates
- Strong engagement and retention rates
- Higher levels of growth
- Long-term ROI on investments made in training and development programs
- Protection and retention of cultural and operational knowledge within the organization

However, if your team has no robust succession planning or leadership development program in place, a departure or retirement can leave your organization vulnerable, both today and in the future. There are financial, operational and cultural risks that cannot be ignored, including:

- Low engagement levels
- High turnover rates
- Loss of internal knowledge
- Costly long-term vacancies



Building a Focus on the Future

According to a 2018 Gallup Poll, 85 percent of employees are unhappy at work. Investing in employees is an effective strategy to position your organization for the future. A succession plan creates a story you can tell your employees – a story where they are valued, supported and developed throughout their career. Forward-thinking organizations recognize that building a program based on shared values allows you to invest in your team and to create a path to future success. The focus then shifts from filling open positions to acquiring the talent to bolster your organization's vision, goals and values.

The health care market, and business in general, is in a state of innovation in response to customer and patient demands. Patients are more informed than ever before and they are using the power of their knowledge to drive change. These shifts in the market make it crucial for your organization to have the talent to move forward, achieve your goals and

meet your patients' needs. As you consider establishing a succession and leadership development program, it is important to examine the ways in which it will impact your unique environment.

Implementing Your Own Program

A successful succession program focuses on identifying overarching skill gaps across the organization and creating talent pools based on those gaps critical to the company's success. Rather than starting with a job to fill or a person to replace, the best programs define the critical skills the organization needs to achieve its established future goals.

Once that is in place, employees are assessed against those skills to identify individual gaps. Finally, the data is aggregated to a skills gap matrix of the organization as a whole. This process makes it easy to identify major gaps and focuses training and development in the right areas. Leadership Assessment and Executive Learning are built-in as on-going tools to support the program and the team members.

As you begin to build a program to suit your organization, here are the key points to keep in mind:

Create A Successful Strategy

The program must be enterprise-wide to truly have an impact.

A succession plan cannot work in a silo; you will need support across the organization to be successful. A complete succession plan will include all leadership roles, from the CEO to the manager-level, and it will touch every department.

The program must be measured and tracked.

In order to demonstrate return on investment, the actions and results of the succession program must be recorded and reviewed. It is advisable that the Board meet at least twice a year to discuss the succession program. Each senior leadership position should be reviewed and measured against the established goals.

The program must be a long-term commitment.

No organization will see the benefits of a succession plan overnight, but the commitment to the program must remain in order for it to be successful. You won't be able to measure immediate results; engagement levels, filling openings internally, retention rates – these are things that must be tracked over time and it is crucial to set reasonable expectations from the beginning.

Overcome The Objections

“We do not have the funding for a succession program.”

Many Boards are hesitant to add a budget item for succession planning. It is critical that you demonstrate the risk of continuing without a plan, share the strategy for tracking ROI and explain the expected long-term financial gains of investing in this leadership development effort.

“Employees may take the training and go somewhere else.”

This is a common push-back for succession plans. While this does happen, it is far more beneficial for an organization to develop a strong bench and grow their internal engagement than it is to wait and see what happens. You can't think 'what if we lose them'. You must think, instead, about how to keep your internal talent and what you gain when they remain with your organization.

Hardwiring this program requires cultural change.

At the top of the organizational chart, a succession plan may be seen as a threat; a way to bring someone else into the top jobs. At the bottom of the chart, there may be skepticism about the long-term commitment to the principles of the succession plan. Gaining buy-in at all levels will help integrate this program into the organization's culture. Creating a forward-thinking culture requires being pro-active, not reactive. Do not get distracted by putting out the fires of today, which can cause you to lose sight of long-term goals. Cultural change is possible through deliberate and strategic implementation.

Identify The Necessary Resources

Study successful programs already in place and look outside health care for ideas.

Building engagement, reducing turnover costs and establishing a secure future are goals that span across many industries, not just health care. Spend the time to research organizations with successful programs in place and learn what works and why. Dedicating a team to go on-site to learn from another organization is a great way to get a first-hand look at managing a succession plan.

Build in a way to track ROI.

In order to establish the need for the succession plan and for its budget, you must demonstrate the benefit. Tracking progress toward your established goals helps you to do that, but it also helps to guide your processes. Looking at your reporting along the way will help you see what is working and what needs to be adjusted. This will ensure the program moves forward successfully.

Make sure the Board is on-board.

To create a succession program, you have to have strong buy-in from the Board. In order to gain commitment from the Board of Directors, communicate openly about the reason for the implementing the plan, the strategy for maintaining it and how it will be measured moving into the future. Set the expectations from the beginning about ROI and time frame. Communicate to the Board that, in the long run, investing in this program will help your organization reduce turnover, become an employer of choice, allow you to have your pick of top talent and create a strong bench to support the future of the organization.

With a focused succession and development plan, you will create a more qualified workforce and more diverse talent pools within your organization. Higher engagement levels lead to lower turnover rates, which helps your organization to meet its future goals; in essence, you are positioning your organization to replenish your leadership team and setting your team up for future success.

A Conversation with Nick Hines



Nick Hines, Healthcare Leader – Americas Division at the Center for Creative Leadership, is an expert on organizational strategy and the integration of succession planning programs. He agrees that a succession plan is a critical tool for success for healthcare organization's today, but believes each organization must take their own unique approach. "Now, succession planning is about the design – not just the implementation of a plan. The design has to include a people strategy, an operational strategy and a financial strategy to be successful," says Mr. Hines.

Through Mr. Hines' strategic planning and operational leadership experience, he has learned the value of incorporating the organization's culture into their succession program. "Smart leaders understand that leadership development really requires cultural transformation," says Mr. Hines. While many senior leaders see the creation of a succession plan as a necessary administrative and strategic task, Mr. Hines says it can be used as a tool to solidify the culture of the organization. "It has to be built on shared values. Talk about the features and benefits. Be transparent so everyone knows what is expected and what it takes to try to move up the ladder and influence the future organizational direction."

Looking to the future, Mr. Hines is confident that the industry will continue its rapid pace of change, making it crucial for organizations to be proactive in solidifying their strategic plans.

“The one thing that is going to be constant are the challenges – they aren’t going away. If you are putting practices and policies in place to support and retain your talent, it becomes not ‘what is that leader doing in 2019’, but ‘what will that leader need to do in 2029 to maintain the organizational growth, culture, and competitive advantage’.”

About Mark Madden



As Executive Vice President, Managing Principal of Cejka Search, Mark leads executive search services for senior healthcare executive positions. He has extensive experience leading board search committees in executive recruitments, leveraging his expertise in critical leadership assessment and evaluation, as well as his thorough understanding of the complex issues facing healthcare leaders. During his more than 25 years in executive recruitment, Mark has achieved consistently excellent results in partnering with organizations, boards and search committees for successful search outcomes.

At Cejka Search, Mark provides expertise in healthcare recruitment for C-suite executives, physician executives, medical group practices and senior services administrators. Having led the full scope of the executive search process, he has worked effectively with boards, search committees, senior-level executives, and physicians. His search engagements have included C-suite positions for large multi-site, integrated and tertiary health systems, as well as smaller community hospitals, and medical group practices.

Mark is also a sought-after speaker on various healthcare topics, including current healthcare leadership competencies, skills and trends. He is active on the speaker circuit and quoted in media outlets, including Modern Healthcare, Becker’s Hospital Review and CEO Reviews. He is a member of ACHE, AESC, MGMA and HFMA. Mark holds a Bachelor of Arts in Business from the University of Minnesota Carlson School of Business.

About Nick Hines and Mark Madden

Mr. Hines and Mr. Madden are both active members of the National Association of Health Service Executives (NAHSE). They have both presented regionally and nationally on topics including leadership development, succession planning and executive recruitment best practices.

Mr. Hines has more than 20 years of health care leadership experience. Prior to leading the Healthcare division at the Center for Creative Leadership, he established the Institute for Transformative Strategy, was COO at the American Board of Internal Medicine,

Regional VP at Fresenius Vascular Care and Director with HCA. Mr. Hines received a bachelor's degree in biology from Virginia State University, a Master of Biomedical Science from Eastern Virginia Medical School and a Master of Business Administration from Averett University.

About Cejka Search

Cejka Search ranks among the top five largest healthcare executive search firms in the U.S., providing services exclusively to the healthcare industry for more than 35 years. We partner with organizations to identify and recruit talented C-level executives, physician leaders, key members of senior management and academic health science faculty. Cejka Search is a Cross Country Healthcare, Inc. (Nasdaq: CCRN) company, a diversified leader in healthcare staffing services.

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