

# BoardBrief

Knowledge Resources for Governing Effectiveness

## ***Continuity at the Top:*** **Ensuring Stability in Leadership Succession**

One of the principal accountabilities of the board of trustees is to ensure that the organization has consistently effective executive leadership at the top. The board is responsible for recruiting, motivating and retaining the chief executive officer. This responsibility is not carried out in isolation. It is a continuing, evolving process of ensuring that leadership succession is planned and coordinated in a meaningful way to ensure a seamless transition from one executive leader to another.

**T**he aim of succession planning is not necessarily to identify a specific individual or individuals in the organization to groom as potential successors, or determine specifically ahead of time who the next chief executive should be. Instead, a responsible succession planning process consists of guidelines and options for the organization to utilize in the event of a need to recruit or appoint a new CEO, whether the CEO leaves abruptly, or whether the leave is well-planned and organized in advance.

### **The Importance of Succession Planning**

According to the Hay Group Executive Compensation Practice Center, succession planning, not only for the CEO but also for other top officers, is a mission-critical board responsibility. While most boards have established a process for interim leadership should a CEO's sudden departure create a crisis situation, fewer boards have a more thoughtful and ongoing succession planning process.

The Hay Group recommends that competency models should be in place for every key position in the organization to inform leaders of the skills needed for each executive role. Along with describing the capabilities required, these models can be useful in assessing the future challenges the organization will likely face. In addition, Hay points out that while "successor grooming" is an important part of the succession planning process, and one where the CEO plays a major role, the external landscape for chief executive talent should also be

evaluated. While this is a logical and accountable aspect of the succession planning process, it does have the potential to be threatening to insiders who have been preparing themselves to succeed to the chief executive's position. With this in mind, it's critical that everyone understand upfront that the board routinely takes this approach as part of its leadership responsibility.

When a new CEO is selected, the focus of the board and the entire organization shifts to integrating the new leader into the organization. At this point succession planning often moves to the back burner. Smart boards, however, recognize that the succession planning process is evolutionary, and that it is a continuing, ever-changing process of constantly preparing the organization for future leadership change.

### **How Do We Start Succession Planning?**

The governing board must first look at what succession planning entails and realize it is in for some hard, but worthwhile, work, as it is making a solid investment in the hospital's future.

Succession planning, defined by Hutton as the intentional and deliberate process of preparing promising executives for greater responsibilities, requires a strong and immovable commitment to leadership development.

The board must build five distinct areas when creating its succession plan, including:

1. Setting a transition timeline and drafting desired CEO qualities and job specification.
2. Outlining the institution’s processes for identifying management “talent,” usually with the aid of the human resources department.
3. Setting up a leadership development program, with career paths for each candidate.
4. Arranging for ongoing feedback and developmental evaluations.
5. Outlining procedures for an annual review of the succession plan.

**CEO Buy-In is Essential.** For a succession plan to work, the CEO’s acceptance and embracing of the process is needed. Without his/her buy-in, the governing board’s work in planning for CEO succession may not be successful.

CEOs who become a part of the succession process begin by holding candid discussions with the board chairman, outlining a desired retirement or exit date. They help the board define the CEO’s role in a detailed, written job description. They work with the human relations team to identify potential senior management candidates and help those candidates develop leadership qualities. They encourage additional training, setting up working scenarios that place the candidates in “real-world” situations, and constantly evaluate the candidates’ potentials for further development. The CEO is, in fact, grooming a group of leadership candidates who will one day be considered for his/her job.

**More Than a Job Description.** In planning for CEO succession, the governing board will write, with the CEO’s assistance, a current job description for the many-faceted roles he/she plays, both in the hospital and in the community. This job description must tie directly to the hospital’s strategic plan and mission. The board will also identify characteristics or qualities necessary for a new CEO to be successful. Qualities go beyond the typical “good communicator,” “sense of innovation,” “at least five years experience as a CEO,” etc. A CEO must not only be able to work with people, he/she must also be a true leader.

Qualities of a leader include the ability to see an overall strategic vision for the hospital, the ability to represent the hospital with outside businesses, elected officials and constituents, and the ability to make tough decisions, though they may be unpopular. Alfred Zeien, retired Chairman and CEO of Gillette says, “One way to gain insight... is to pay close attention to how well the individual listens. When others are

presenting information or expressing their points of view, is the person really listening to what they have to say, or is he just formulating his reply? Many of the problems that otherwise-talented people have when they become chief executives can be traced to their inability to listen.”

The board must then develop a timeline for succession strategies, including a transition plan for moving the successor into his/her new position. It must set clear definitions for the roles of human resources, the CEO and the board itself.

**Developing an In-House “Leadership Academy.”** The governing board, working with the CEO and the human resources team, should consider establishing an in-house “leadership academy,” designed to fit the unique development needs of the hospital. It could focus only on senior-level managers who are potential CEO successors, or could reach down into middle management to further develop the institution’s younger talent.

After a small cadre of potential leadership candidates has been identified, leadership development can begin. A uniquely tailored series of leadership courses may be developed and presented, including topics such as “critical issues in health care today and for the future,” and more generalized leadership topics such as managing conflict, building consensus, etc. Each candidate may be assigned a mentor who would help with questions, relate experiences, and assist with overall leadership development.

The candidate’s leadership development experience could include creating and carrying out improvement projects – within their normal positions – to help the hospital with

### Identifying Future Leaders

Below are ten competencies assessed during the University of Pittsburgh Medical Center’s leadership development exercises.<sup>6</sup>

<b>1</b>	Visionary leadership
<b>2</b>	Strategic thinking
<b>3</b>	Program and project management
<b>4</b>	Valuing diversity of thought
<b>5</b>	Change leadership
<b>6</b>	Building business partnerships
<b>7</b>	Coaching and developing others
<b>8</b>	Customer relations
<b>9</b>	Building trust
<b>10</b>	Communication

## Five Steps in Succession Plan Development

The following five steps can guide boards in ensuring a successful succession plan.

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|---|--|
| 1 | Create the CEO job specification and list of desired CEO qualities. Tie the desired qualities to strategic plan.   |
| 2 | Identify leadership/succession candidates. With help of human resources team, identify potential future candidates that may be “groomed” for the position. When identifying potential candidates, consider the CEO’s estimated exit date and the amount of training and development necessary. |
| 3 | Develop and begin the leadership development training program. The training program should include opportunities for candidates to provide hands-on help with specific institutional challenges.   |
| 4 | Receive regular updates on candidates’ progress. Use the feedback to move candidates into open positions of advancing authority, when appropriate.   |
| 5 | Review the succession plan annually to determine its alignment with the organization’s mission, vision and current strategic direction.  |

process or operational challenges. This training and project work will likely pay off in more ways than one. At the University of Pittsburgh Medical Center’s leadership training program, Judith Bradle, director of the UPMC’s Beckwith Institute for Innovation and Patient Care, estimates that UPMC has saved more than \$500,000 as a result of such projects (see sidebar “Identifying Future Leaders” for the leadership competencies assessed).

As candidates move through the program, often a one-year process, they work with managers in different segments of the hospital to gain knowledge and experience. At the end of their program they are re-evaluated, and considered for any open positions for which they might qualify. Career paths are defined. Each candidate is re-assessed each year, and opportunities for experiential training continue.

**Time, It Takes Time.** Though the candidates are working at their normal jobs while participating in the development program, creating the academy experience takes time, and so do the evaluation and re-evaluation processes. In addition, mentors give their time, managers work with the candidates in a variety of areas, and the CEO spends extra time with the senior candidates. Members of the governing board must get to know these candidates, for it is from this pool that successive senior managers and a CEO will eventually be selected. To become acquainted with the candidates, board members are urged to use a range of both formal and informal meetings, from requesting formal presentations to the board to simple lunches off the hospital campus. For a succession plan to be truly successful, the board must work to know each candidate personally, and get a feel for each one’s individual leadership abilities.

As the board considers timing for development of its succession plan, taking tips from former CEOs and board

chairmen working with the *Harvard Business Review* could prove helpful.

According to Zeien, boards should begin the succession process four years before the organization’s leader is expected to step down. He explains the rationale for his opinion, stating that: “The board needs to insist that the process start early. I think it’s important that the board make sure the succession process begins about four years before the chief executive is expected to step down. It should require the CEO to clearly map out his or her plans for the process throughout that period. Four years gives you room to maneuver, and that’s important. Let’s say that a CEO looks out over the organization and sees that there’s only one real candidate to succeed him. He’s going to need to go out and bring new people into the top ranks of the company – to get the pool of potential successors up to three or four strong candidates. Getting those new people established and reviewing their performance takes time.” (Alfred Zeien, retired chairman and CEO of the Gillette Company)

On the other hand, what if a CEO leaves suddenly for whatever reason? How will the succession plan work? “When I chaired the compensation or management-development committees in a variety of companies, I annually asked the CEOs to designate someone who in their judgment should take over in an emergency. I did it every year because the CEO’s view can change. And I always asked the committee and the board if they wanted me to open the envelope [that held the name]. Sometimes they did, and sometimes they didn’t.” (G.G. Michelson, retired senior vice president for external affairs and board member, R.H. Macy & Company)

**Feedback and Evaluation.** The board will review the human resources team’s progress in identifying and nurturing leadership candidates. Yearly re-evaluations of skill and

knowledge are suggested, as are reviews of positions for which the candidates might be qualified.

The final board task is to set in motion a process for re-assessing the succession plan's progress on an annual basis.

As employees begin to move into higher management positions, the board can see its succession planning effort come to fruition, and know it will be able to ensure a future CEO that is well-known, well-versed in hospital policies and culture, and well-qualified to take over the hospital's administrative leadership.

There is a growing concern, industry-wide, for the lack of young talent in the health care leadership field. Succession planning can assure younger executives of a "place in the organization" over time, and perhaps even a seat in the administrative suite one day. It is a proven retention-enhancer.

When a governing board decides to tackle the succession process, it is setting the hospital's course for a seamless change of leadership and continuity of programs and processes. CEO and managerial succession programs, if continually maintained, allow organizational knowledge to stay put, allow young (and not so young) talent to develop institutional loyalty, and give individuals a chance to advance along known and structured paths. Though it may not be an easy project, introduction of succession planning is the responsibility of the governing board, pays off in innumerable ways, and is a demonstration in good planning that proves, "Where there's a will, there's a way."

## Components of a Successful CEO Succession Plan

Having a well-thought-out, board-approved succession planning process helps the board to avoid making ill-advised decisions under pressure. Being well-prepared for a logical and coordinated CEO leadership transition provides the board with a sense of security and stability, and removes the natural anxiety that may otherwise be experienced in the CEO transition. In addition, by having a clear action plan, the board is able to move swiftly to implement its process, eliminating unnecessary and time-consuming activities that complicate the process and add stress to both board members and employees.

An effective succession plan includes a number of key elements:

- An up-to-date job description for the chief executive officer;
- Performance expectations for the chief executive officer;
- Measurable key performance indicators that are used to measure organizational performance, and that are part of the CEO compensation equation;
- A regular review by the board of organizational direction, and the emerging skills, qualities and characteristics required of the organization's chief executive;
- A clear, step-by-step process for hiring a new chief executive officer;
- Analysis of issues and challenges that may be encountered during an executive transition period; and
- An emergency plan to be undertaken in the event of a sudden and unexpected loss of the chief executive.

One of the primary stumbling blocks to successful CEO succession planning is miscommunication and misalignment. The scope of succession planning is much more than simply hiring a new chief executive officer and planning for executive transition. It also incorporates board and CEO performance evaluation, identification of trends and challenges likely to be faced by the organization and the chief executive in the future, an analysis of the attractiveness of the organization to both internal and external candidates for the position, and a conscious effort to ensure that the board understands fully the

### Factors Driving Growing Interest in Succession Planning

Consider the following eight questions to help you determine where your board is on the leadership improvement needs scale.<sup>2</sup>

- 1 Anticipated executive attrition
- 2 Workforce demographics
- 3 Pace of organizational and competitive change
- 4 Desire for increased involvement/accountability by boards of trustees
- 5 Increased emphasis on ensuring diversity in executive ranks
- 6 Declining employee loyalty to organizations
- 7 Failure rate of outside hires
- 8 Competition for talent
- 9 Research into how future executives learn and develop

demands of the position and the unique attributes required of the next successful chief executive leader.

**Planning is Critical to Success.** Succession planning should not be confused with internal “grooming” or mentoring of internal candidates to become the next CEO. This is an important process, and high-performance organizations continually seek ways to develop their internal pool of talent, and try whenever possible to promote from within for all positions. However, succession planning is much broader in scope than the sole preparation of candidates to assume more responsibility.

A solid and well-thought out succession planning process will help the board avoid a rushed and disorganized job search when it becomes clear that new chief executive leadership will be required. It enables the board to take a careful, analytical look at the challenges that will be faced by the next chief executive, and think through the critical experience, professional skills and personal qualities that will be essential for the next CEO to possess to be able to lead the organization forward into the future. Relying on the experience and skill set of the existing chief executive (assuming he or she is successful) helps identify what is needed today to be successful. The board’s challenge is to anticipate the needs and opportunities of the future, and ensure that the next chief executive possesses and/or can develop the tools necessary to be successful under different future circumstances.

While it’s not typically considered as part of succession planning, a systematic and periodic assessment of the organization and its leadership helps to frame future leadership demands. Revisiting the mission statement, identifying future challenges, opportunities and priorities, analyzing market trends and thinking through potential growth and development scenarios for the future enables the board to craft a clear picture of the type of individual who will be best suited to carry out future leadership responsibilities.

**Understanding Mutual Roles and Expectations.** Succession planning is not a static process. It is not developed and put on the shelf in the event it is needed. In every organization the major players change as board members and senior leaders come and go. Just as the organization changes, the succession plan should be a dynamic, ever-changing and evolving leadership development tool. Boards of trustees and chief executives should have a continuing dialogue about mutual expectations, and the implications of change on future leadership requirements.

**Board/CEO Dialogue is Critical.** The succession planning process is ideally carried out through regular board/CEO dialogue around CEO performance and the changing dynamics of the market and the organization. One of the most critical variables of succession planning is the way the chief executive and the board work together, sharing governance responsibilities, exchanging information and supporting and challenging one another on an ongoing basis for the benefit of the organization and the people it serves.

Unfortunately, many chief executives leave their organizations as a result of unarticulated disagreements between themselves and board members. Too often, these disagreements simmer beneath the surface for long periods of time, growing increasingly problematic until the breaking point when either the CEO resigns or the board makes a termination decision.

**The CEO’s Role in Succession Planning.** The CEO plays a pivotal part in the succession planning and execution process. Ultimately, however, the decision about the extent of the CEO’s role in identifying and/or recommending a successor rests with the board of trustees. Most experts agree that it is unrealistic for the departing CEO to be an objective participant, but that does not mean that he or she should be disengaged from the process.

The CEO should mentor possible successors, and create an environment in which any number of internal candidates may demonstrate their ability to be the next chief executive of the organization. It is not, however, the job of the CEO to necessarily recommend to the board any one individual candidate to be his or her successor. With any number of good potential successors seeking to move up in the organization, any real or perceived favoritism of one candidate over another, particularly early on in an active succession development process, may be damaging to senior leadership morale.

**As Donald H. Hutton, president of Morgan Executive Development Institute says, “The barriers [to succession planning] in most cases are self-imposed, which means they could easily be overcome if the individual or group really wanted to develop a program.”**

**Barriers to Succession Planning Success<sup>7</sup>**

- 1 Overridden by more immediate pressing matters
- 2 Changes to board composition that disrupt the flow of thinking and ideas
- 3 Belief that by implementing a succession plan the board is somehow hastening the CEO’s departure

Boards should encourage CEOs to pass on their accumulated wisdom about the challenges, issues and opportunities for the next chief executive to the board and/or the search committee when an active search is undertaken.

### Perceived Barriers to Succession Planning

According to a succession study by the American College of Healthcare Executives (ACHE), about 21 percent of freestanding U.S. hospitals actually practice CEO succession planning, compared with 64 percent of private sector organizations. Although governing boards and most CEOs see value in succession planning, the study reports two barriers: 1) More immediate organizational challenges continuously take priority, and 2) Effective succession planning is thought to take more resources than the hospital has to spare.

As Donald H. Hutton, president of Morgan Executive Development Institute says, “The barriers [to succession planning] in most cases are self-imposed, which means they could easily be overcome if the individual or group really wanted to develop a program.”

What are the consequences if a board chooses not to implement succession planning? During the 6-12 months between a former CEO's departure and the new CEO's arrival, hospital stability can suffer and employee morale may diminish. In addition, the board may incur substantial costs associated with a formal CEO search. By ignoring succession planning, the board essentially gives away the sense of continuity inherent when promising leaders are developed and judiciously promoted from within.

### Common Succession Planning Mistakes<sup>7</sup>

- 1 Confusing succession planning with CEO recruitment
- 2 Delegating the planning responsibility exclusively to a board committee instead of making up a shared responsibility of the entire board and the current CEO
- 3 Assuming that the next CEO will need to have the same experience, skills and capabilities as the current CEO
- 4 Failing to anticipate the concerns of key executives who may have been overlooked as potential successors
- 5 Underestimating the planning time required
- 6 Not developing a structured communication plan to facilitate a smooth transition from one leader to the next

### Implementing a CEO Succession Plan

The governing board must first look at what succession planning entails and realize it is in for some hard yet worthwhile work, as it is making a solid investment in the hospital's future. Succession planning, defined by Hutton as “the intentional and deliberate process of preparing promising executives for greater responsibilities,” requires a strong and immovable commitment to leadership development.

The board should accomplish the following when creating a succession plan:

- Draft a candidate profile with required and desired CEO qualities and job specifications;
- Outline the organization's processes for identifying management “talent,” usually with the aid of the human resources department;
- Establish a leadership development program, with career paths for candidates;
- Arrange for ongoing feedback and organizational evaluations; and
- Outline procedures for an annual review of the succession plan.

*CEO Participation and Buy-In is Essential.* For a succession plan to work, the CEO's acceptance and embrace of the process is needed. Without his or her buy-in, the governing board's work in planning for CEO succession, and succession planning at other levels in the organization, may not be successful.

CEOs who become a part of the succession process begin by engaging in candid discussions with the board chair, outlining a desired retirement or exit date. They help the board define the CEO's role in a detailed candidate profile and up-to-date job description. The board and CEO will work together to identify the characteristics or qualities necessary for a new CEO to be successful. These qualities go beyond the typical “good communicator,” “sense of innovation,” “at least five years experience as a CEO,” etc. A CEO must not only be able to work with people – he or she must also be a true leader. Qualities of a leader include the ability to see an overall strategic vision for the hospital, the ability to represent the hospital with outside businesses, elected officials and constituents, and the ability to make tough decisions, even though they may be unpopular.

**Succession planning applies to many positions other than the CEO. Leading organizations push the ethic of succession planning throughout the organization in an effort to continually nurture and develop talent at multiple levels.**

In addition, the CEO will work with the human relations team to identify potential senior management candidates and help those candidates develop leadership qualities. He or she will encourage additional training, setting up working scenarios that place the candidates in “real-world” situations, and constantly evaluate the candidates’ potentials for further development. The CEO is, in fact, grooming a group of leadership candidates who may one day be considered for his or her job.

The board should then develop a timeline for carrying out its succession strategies, including a transition plan for moving the successor into his or her new position. It must set clear definitions for the roles of human resources, the CEO and the board itself.

*Using Succession Planning as a Recruitment Tool.* There is a growing industry-wide concern about the lack of young talent in the health care leadership field. Succession planning can assure younger executives of a “place in the organization” over time, and perhaps even a seat in the administrative suite one day. It is a proven retention enhancer.

## Beyond CEO Succession

Succession planning applies to many positions other than the CEO. Leading organizations push the ethic of succession planning throughout the organization in an effort to continually nurture and develop talent at multiple levels. According to the Hay Group’s research and work with successful organizations throughout the U.S., effective strategic succession management can be accomplished in seven key steps:

1. *Understand how changes in the business will impact the organization’s need for top talent.* The best organizations proactively identify how current and future changes in their strategies and business models will affect the type of people they need. They define the skills their future leaders will need, and ensure that they have senior leaders with the skills and competencies to be effective, given the changing parameters of roles and work.
2. *Identify critical leadership positions.* Forward-thinking organizations identify specific mission-critical jobs - those that have the greatest value to their organization. Some positions critical in the future may not yet appear on the

organizational chart. Once identified and defined, these jobs should be staffed by the organization’s top people, those most able to effectively leverage their capabilities. It is critical to define the unique contributions such jobs make to the organization, and translate those into key accountabilities and required competencies.

3. *Accurately chart the depth and breadth of the talent pool.* Many organizations stretch their top talent by placing them in roles for which they lack critical experience and know-how. Determining which individuals are ready for which key roles must be preceded by first understanding the nature of the work in each critical position. The role should be defined in terms of the type of leadership required, followed by a consideration of the level of the role in terms of its strategic or tactical focus.
4. *Assess the talent pool against likely future roles.* In order to ensure the best fit of the organization’s top talent in the most critical roles, key individuals’ capabilities should

## Succession Planning Research Findings

### Tri-City Medical Center Leadership College<sup>9</sup>

Tri-City Medical Center, Oceanside, California, has successfully been training students in management skills for three years in its Leadership College. Each participant is required to take 12 classes over a one-year period that includes courses on financial planning and budgeting, quality and performance improvement, service excellence, employee relations and human resource management, among other subjects. Classes are taught by the CEO and/or senior executives who create all of their own material. Upon completion of each class, students are given a project that must be implemented within their department. The department’s director or other senior leader then evaluates their skills regarding the implementation.

### University of Pittsburgh Medical Center (UPMC) Leadership Academy<sup>8</sup>

UPMC’s Leadership Academy prepares executives for higher-ranking and higher pressure jobs at the medical center. As candidates move through the program, often a one-year process, they work with managers in different areas to gain knowledge and experience. At the end of their program they are re-evaluated, and considered for any open positions for which they might qualify. Career paths are defined. Each candidate is re-assessed each year, and opportunities for experiential training continue.

Mentors give their time, managers work with the candidates in a variety of areas, and the CEO spends extra time with the senior candidates. Members of the governing board must get to know these candidates; it is from this pool that successive senior managers and a CEO may eventually be selected.

be assessed. This assessment should be conducted not just for immediate positions, but for likely roles for which there may be viable candidates in the future. In this way critical development needs may be identified, allowing the organization to begin preparing for those needs in order to be ready when the time comes.

5. **Identify the specific risks to the organization in making any immediate move in a specific role.** Top candidates for imminent job moves should be evaluated against the requirements of the job and the potential risk for both the organization and the candidate. This requires a highly-focused definition of the suitability of a candidate for a specific set of job accountabilities, including functional accountabilities as well as interrelationships and interdependencies with other key leaders.
6. **Create an “on-boarding”/development plan specific to the individual and role.** After the best candidate for a particular position has been identified, the risks they and the organization face, along with capability gaps, should be addressed through a comprehensive on-boarding process tailored to their specific situation. This should include a development plan for the individual, and a plan for his or her manager to provide assistance and support.
7. **Measure succession ROI.** A system should be put in place to track the return on investment (ROI) of an organization’s succession management efforts. Part of that ROI should be an examination of what is spent on recruitment, assessment, development, on-boarding and turnover, measuring that spending against the performance of the individuals in their new positions.

## Best Practices in Succession Planning

According to the National Center for Healthcare Leadership (NCHL), in a white paper on best practices in health leadership succession planning, there are three evidence-based best practices in senior executive succession planning:

1. **Board review of organization-wide succession planning.** According to noted author and lecturer Ram Charan, many boards are unprepared to play either a fiduciary or a catalytic role in succession planning at the senior executive level. However, boards are increasingly reasserting their fiduciary role and demanding more involvement in succession decisions, such as knowing who key internal candidates are, what qualifications for future service they possess, and looking more broadly at succession planning beyond CEO succession. Best

## Considerations Before Moving Forward with Succession Planning Efforts<sup>2</sup>

- 1 Educate board members to understand their role in succession planning
- 2 Upgrade board skills in succession planning and leadership development
- 3 Find ways to link the results of succession planning and leadership development to outcomes associated with patient care and quality
- 4 Create new and visible models of career development and leadership success
- 5 Where unions are present, communicate and collaborate with union management to build confidence that enhanced leadership strengthens the organization for the benefit of all

practice boards are organizing themselves for increased involvement in succession planning, even when no executive transition is forecasted. These best practice boards evaluate gaps and vulnerabilities in succession for targeted positions, and create contingency plans for responding to unanticipated vacancies. These boards want and expect to receive periodic updates on broader succession planning and talent development efforts underway throughout the organization.

2. **Profiling of future position requirements.** NCHL found that best practice organizations identify the skills, experience and personal attributes critical to success in light of future-oriented strategies and priorities. These profiles include both skills and experience.
3. **More rigorous candidate assessment.** Best practice boards look beyond the efforts of executive search firms and the opinions of their CEO to learn more about internal candidates’ experience, accomplishments and personal attributes.

The NCHL study also identified a variety of best practices for organization-wide management succession planning, utilized by leading organizations across the U.S. These include:

- **Linkage to organizational strategy and business priorities,** where elements of the succession planning process are reevaluated and updated to align with major shifts in strategies or priorities.
- **Multilayer succession planning and talent development,** ensuring that over time an organization’s senior leadership capability will be strengthened by a “pipeline” of potential future leaders at lower



organizational levels who are consciously developed to maximize their career and leadership potential.

- *Streamlined succession planning reviews and follow-up processes*, focused on accelerating the growth of future leaders, dealing with retention issues, and addressing succession planning gaps.
- *Rigorous, repeated assessment of potential*, where various means are used to obtain multiple points of view on candidates from others who have observed them in work-related situations and can understand the requirements of senior-level positions in the organization.
- *Integrated use of a “leadership competency model,”* where managers have a common language for discussing an individual’s strengths, development needs and career potential; drawing distinctions between an individual’s current performance and his or her capabilities in other positions with increased responsibility; and integrating activities to support leadership development and organizational performance.
- *Emphasis on on-the-job experience and highly customized employee development*, where “stretch assignments” are given, individuals’ current jobs are expanded, and individuals are involved in other significant on-the-job leadership activities.
- *Talent pool management*, where talent pools are developed throughout the organization to provide greater flexibility in developing future leaders, guard against the loss of key talent, and allow organizations to match openings with the needs of high-potential candidates.
- *Active involvement of senior management*, where senior executives participate in succession planning reviews, examine lists of future leaders at lower levels of the organization, meet with high-potential individuals, and mentor future leaders.
- *Dialogue with potential future leaders*, where more frequent dialogue is held with candidates for future leadership positions regarding their perceived potential, career goals and interests, and career planning constraints.
- *Tight linkage between succession planning and external recruiting*, where external searches are undertaken in response to talent gaps or vulnerabilities, or new skill sets required by emerging strategies.

- *Executive “on-boarding,”* where resources are devoted to help assimilate executives into new roles.
- *Tight linkage between succession planning and compensation*, where the compensation of high-potential individuals is carefully monitored to ensure that their performance and potential are rewarded.
- *Establishment and tracking of metrics*, such as the percent of positions filled internally versus through external recruiting to measure the strength of the succession “bench;” retention of high-potential individuals/future leaders to measure the effectiveness of career planning and retention efforts; and ethnic/gender diversity in promotions to measure the success of leadership diversity efforts, among others.

**While it is unpleasant to consider, organizations are wise to consider developing an emergency leadership management plan in the event of a sudden chief executive vacancy.**

### In Case of Leadership Crisis: The Emergency Leadership Transition Management Plan

The change at the very top of the executive leadership can be one of the most unsettling events in the organization. Even when it is anticipated and well-planned in advance, the succession planning process requires flexibility, a tolerance for ambiguity, and a constant reevaluation of changing circumstances and needs. On the other hand, when it is sudden and unplanned, decisions may be hasty, ill considered and detrimental to the organization’s culture and future success.

While it is unpleasant to consider, organizations are wise to consider developing an emergency leadership management plan in the event of a sudden chief executive vacancy. According to *BoardSource*, a typical plan may include the following elements:

- Board members who have experience conducting an executive search and navigating leadership transitions;
- Senior staff members or a list of interim professionals with the skills and judgment to serve in a temporary, acting capacity as chief executive;

- An up-to-date job description for the chief executive that can be modified as current needs and future opportunities are identified;
- A key contact list to notify individuals of a leadership change and communicate the plans for and status of the transition;
- Clearly established procedures for conducting an effective search and/or CEO selection process; and
- Agreement on who should serve as the chief spokesperson for the organization during the transition period.

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