

# Healthcare Succession Management: The Case for Internal Talent

By Ralph DiPisa

What would you do if one of the nurse directors, physician executives or other executives in your organization announced that he or she was leaving? Would you have well-qualified candidates for the job in-house? And if not, would you have the resources to keep that person's department running smoothly for months while you searched for a replacement?

Massachusetts Hospital  
Association President

Ronald M. Hollander recognized this succession challenge in a recent letter, noting that healthcare organizations are constantly confronted with the reality that Baby Boomers—the group



Ralph DiPisa

currently making up almost 40% of our state's hospital workforce—are beginning to retire. The demographic shift underway poses a legitimate threat to healthcare institutions.

These days, too many healthcare executives find themselves without good responses to the succession management challenge. Faced with constant change in areas such as reimbursement and regulation, our industry has unfortunately become somewhat reactive. Sadly, we're often so busy adjusting to the latest changes in the healthcare environment that it's hard to find the time and resources to think strategically about long-term issues such as

recruiting, developing and retaining top management talent.

However, in today's competitive markets for healthcare talent, executives can no longer afford to put off thinking about where their organizations' future leaders will come from. In fact,

*"There's never been a more important time to think about succession planning."*

there may never have been a more important time to think about succession planning in your organization. Here's why.

- *The inventory of qualified healthcare leaders available to fill open positions is at an all-time low.* For example, if you think you're easily going to replace a director of surgical services, think again. In my 20 years in the healthcare industry, I've never seen such a tight labor market for healthcare middle managers, and the candidate shortage is especially acute for nurse director positions requiring specialized skills and knowledge. These are high-stress jobs, for which comparatively few professionals are willing to relocate. As a result, the market for good candidates is extremely competitive, and searches for nurse directors now often take six to nine months to complete.

continued -



• *Organizational restructuring has often diminished the pipeline of internal candidates who are qualified and prepared when openings occur.* Let's face it, today's healthcare organizations tend to be flatter (and more efficient) than they used to be, with fewer levels of middle management. In many departments, traditional number two positions such as "assistant director"—which once served as training grounds for future directors—have been eliminated.

These factors spell trouble for healthcare CEOs and Chief Human Resources Officers who don't develop a sound succession management strategy. There's never been a better time to plan for succession in a healthcare organization and—it's never been riskier not to.

## Meeting the Succession Planning Challenge: One CEO's Story

The good news is that you can develop a succession planning program that will help insulate your organization from future shortages in management talent. Consider the case of Robert Curtis, President and CEO of Cardinal Health System, Inc. (CHS), a regional healthcare system based in Muncie, Indiana. Several years ago, Curtis realized that CHS faced a series of succession management challenges. One trigger was Curtis's realization that all members of CHS's senior management team are about the same age, with birthdays only months apart.

Curtis's solution was to develop an in-house succession management program. CHS's program develops the

skills and potential of selected middle managers within the organization. The program has several components. First, CHS makes general skills training available to all of its managers; that training covers topics such as employee retention and communication skills. In addition, CHS's senior management team identified a group of 12 to 15 particularly promising middle managers (out of a pool of about 100) to receive additional training. The selected managers were interviewed and asked to assess their own skills; then, CHS's human resources staff worked with each one to develop an individualized management skills development plan.

These plans, Curtis explained, typically run for three years but are reviewed and revised annually. Such plans might include not only general management skills training but also recommendations for specific seminars or a planned return to school for a master's degree or a certification program. Strategic management training is one key area CHS often includes in the training, encouraging middle managers to consider larger strategic issues. These might include the critical success factors for the organization as a whole and how those managers would like to see their own areas of responsibility grow. "We felt that [kind of training] was critical for them to move up in the organization," Curtis explained.

Does CHS's succession management program work? Curtis reports some good results. A year ago, CHS wanted to fill four leadership positions in key areas of the organization—and did so successfully with four internal candidates. Curtis noted that it would have been a big challenge—and a considerable expense—to bring in four such candidates from the outside at the same time. By growing its own managerial talent—and addressing the challenge of succession planning—

Cardinal Health System is better positioned to fulfill its own strategic plans.

### **Launching a Succession Management Program**

How can you determine whether your own organization needs to work on succession management?

First, consider the ages of the members of your management team. Next, take a look at your organization's most critical roles—positions that would be hardest to fill quickly and in which extended vacancies could be disruptive. Those positions often involve specialized skills—for example, the vice president for hospital contracting, the vice president of finance, the director of pharmacy; and the nurse directors in the operating room, emergency department and maternal/child health.

As you're identifying the critical positions, you should also be assessing whether or not there's a promising number two person in those departments who could fill the crucial role if needed. Alternatively, you should consider if another individual in a different area of your organization might have the necessary skills and experience. If you identify gaps, you'd be wise to start thinking about succession management.

If you determine that you need to develop a succession management program to develop middle managers, enlist your senior managers. Ask them each to develop a list of what they think the critical positions in the organization are and also whom they see as promising employees who might, with training and preparation, someday be able to fill them. You're looking for people who are the bright spots within their departments, who have the aptitude and personality to take on greater challenges and who want to grow professionally.

While you're tagging these up-and-coming employees, don't overlook "late bloomers." Within your organization, there may be talented staff members who put their own professional advancement on hold while raising their young families. Once their children became older, these same employees may be eager—and able—to take on new career challenges.

Upon completion of this process, your vice president of human resources should take the lead in launching a development program for the group. HR staff should speak individually with each of the employees selected and determine if they are indeed interested in participating. You want to make them feel part of a special group—and give them additional training and skills so that they are better prepared to develop as managers and potential future leaders of your organization.

### **After the Launch: Keeping the Program Going**

Your next step is to monitor your results and keep the program functioning smoothly. You should view your development program as a long-term, ongoing process—not a one-shot or short-term solution to a vacancy problem. Ideally, a succession management program is meant to provide a continuous pipeline of potential leaders. Once more, your HR department will be critical in helping you monitor your program's progress.

*"By growing its own managerial talent... Cardinal Health System is better positioned to fulfill its own strategic plans."*

Of course, the best way to assess your program is to consider whether those involved in your succession management programs are benefiting from their training. Are they able to handle greater responsibilities? Are they demonstrating learning agility (using their skills in new, more demanding situations)? Are they evolving into better managers?

You can't expect results from a succession planning program overnight. CHS's Curtis, for example, observed that it may take two to three years before you see any results from your succession planning program. But pay attention to what happens when a management vacancy occurs after your succession management program has been in existence for a year or more. Can any of the people you've been grooming be considered a strong candidate? If so, how do they match up to outside candidates? How can you adjust your training to make your inside pool stronger?

### **The Case for Succession Planning**

As an executive recruiter, I have the privilege of speaking with healthcare executives in a wide range of organizations about their hiring needs. Today I see that many executives in our industry find themselves so busy responding to current challenges that they have little time to develop a systematic succession management program to grow their internal talent. That can lead to a dearth of qualified internal candidates whenever the organization has a senior-level or director-level job opening.

It's particularly challenging when the opening is for a director-level position, where the shortage of talent is acute, and as a result, outside searches can take longer than other types of positions.

I believe strongly that recruiting outside candidates should always be an important part of any organization's human resources strategy. But I also know that smart healthcare organizations take a balanced approach that blends external recruiting with promotion from within. Executive search will always be a critical component of a leadership development and recruitment program—but it shouldn't be the only component.

Creating a succession planning program takes an investment of time, energy and money upfront—and it's one that won't pay off immediately. But, in the longer term, it's an investment that could strengthen your organization and increase its resiliency.

*As a principal of Phillips DiPisa, Ralph DiPisa conducts executive leadership searches for the firm's healthcare clients. A former President and CEO of Quincy Medical Center in Massachusetts, Mr. DiPisa possesses more than 20 years of management and leadership experience within healthcare settings.*

© 2006

Phillips, DiPisa & Associates. All rights reserved.

Phillips, DiPisa & Associates

62 Derby Street, Hingham, MA 02043

Phone: 781-740-9699

Fax: 781-740-9064

PhillipsDiPisa.com

