

# Succession Planning: A Business Case



**R**ecent research\* with 80 Presidents and CEOs of some of the most successful acute care health systems and hospitals in the US found that succession planning is *not* included among their greatest priorities and challenges over the next two years. This should concern board members and others responsible for overseeing these organizations' best interests and long-term goals, as this contrasts directly with the findings and recommendations of Jim Collins, Jack Welsh, and others recognized for their expertise in leadership best practices.

Among the harsh realities to address are:

1. Aging baby boomers, who will be retiring around the same time—this means many of the most senior, experienced, and proven leaders could depart leaving those who remain to replace them without the necessary training that comes from an effective succession planning program.
2. Many healthcare organizations are run “lean and mean” today with reduced layers of talent and experience to mine—these former layers of hierarchy served as the breeding ground for leadership development.
3. The changing employment contract, which does not include mutual long-term loyalty. Therefore, progressive organizations committed to their long-term survival need to incorporate succession planning into their strategic planning processes immediately.

The absence of established and effective succession planning exposes organizations to needless and avoidable breaks in continuity. It also predisposes them to lose business opportunities and revenue, unnecessary turnover,

and decreased productivity. Such breaks result in an experienced leader who is replaced by an individual requiring a “learning curve,” the new leader being unfamiliar with the culture, internal politics, the unique product or service offerings, and the history of how things work in that organization. Also, without formalized succession planning programs, leaders tend to choose successors whose backgrounds and leadership styles are similar to their own. This can lead to homogeneous thoughts and actions, and the potential for discrimination.

Conversely, effective succession plans offer many benefits. Research has found that those organizations that provide clear opportunities for professional growth and promote from within are significantly more profitable and successful. Giving employees these opportunities for career growth and development often leads to increased satisfaction, productivity, and retention.

## General Guidelines for Effective Succession Planning

- Obtain buy-in from key stakeholders—your program will be limited to the extent to which you have garnered their support.
- Assess current progress and identify the organization's future talent requirements.
- Give particular attention to the disparity between your organizational strategy and the competency of the leaders who will be required to implement it—programs must be designed to address these gaps and reinforce the organization's core values and philosophy.

- Determine which organizational levels you want to include, establish program priorities, and develop a rollout strategy with timelines.
- Seek to refine the process through a systematic review of the program's effectiveness against predetermined benchmarks.

**“What would your organization do if, tragically and suddenly, it lost one or more executive team members?”**

Another key to effective succession planning is your organization's ability to differentiate between those employees who are most likely to develop and meet your needs from those who will not produce the desired return on your investment. This is especially critical with your leaders, as recent research finds that the

cost of promoting the wrong person can easily cost you three to ten times his or her annual salary. In contrast, those organizations with established succession planning programs are four to six times less likely to need to search external talent pools for replacement of senior leadership.

One way to encourage those charged with ensuring the continued, long-term success of organizations is to ask: “What would your organization do if, tragically and suddenly, it lost one or more executive team members?” Take concrete steps now to leave the hospital or system with the most capable leaders. This is a proven way to ensure leadership will endure and flourish.

*The Governance Institute thanks Kenneth R. Cohen, Ph.D., Founder & President, and Ross Reinhold, M.A., Director of Client Relationships, The Synergy Organization, Bensalem, PA., for contributing this article. For more information, please contact the authors at (215) 638-9777 or visit [www.synergyorg.com](http://www.synergyorg.com).*

\*Research conducted by The Synergy Organization, Bensalem, PA. For more information, please call (215) 638-9777, or visit their Web site at [www.synergyorg.com](http://www.synergyorg.com)