

## Executive Succession and Leadership Development:

*Careful planning avoids disruption and fuels corporate continuity*

First in a four-part series



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

It was a daunting task to replace him, and not simply because he 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.

Greg'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 an 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.

### The aging and replenishment of the workforce

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 that 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.

## A formalized program creates benchmarks for development and success.

Leadership development and succession planning can reveal which executives are best equipped to lead your organization 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.

*For more information on our integrated talent management practice in these areas, please contact:*



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### KEY COMPETENCIES FOR LEADERSHIP DEVELOPMENT

#### Organizational

Financial savvy  
Operational acuity  
Negotiation  
Commitment to quality and safety  
Risk management  
Change management

#### Personal

Integrity  
Communication  
Empathy  
Team-building

### ELEMENTS OF LEADERSHIP DEVELOPMENT

Assessment and feedback  
Alignment  
Accountability  
360-degree feedback  
Day-in-the-life scenarios

### ORGANIZATIONAL OBSTACLES

Limited resources  
Lack of internal experts  
Time constraints