Growing Tomorrow’s Talent Today: Succession Planning a Critical Strategy in Healthcare

By Vicki A. Darnell, MSN, and Kathy M. Noland, PhD
The only constant in healthcare is change. Technological advances, aggressive healthcare reform, and increasing regulatory and reporting demands are critical issues for every chief executive officer (CEO) and his or her executive team. However, with nearly 75% of healthcare CEOs planning to retire in the next 10 years and 60% of chief nursing officers anticipating changing jobs in the next four years, succession planning has moved to the forefront of strategic initiatives.

Current research indicates that the average cost of replacing one leader with an external candidate, at minimum, is approximately $50,000. That cost could reach as much as $1.5 million for a CEO, according to the December 2008 issue of *Hospitals & Health Networks* magazine.

Despite what some believe, succession planning isn’t just for executives. It is a documented plan for management succession at all levels in the organization. In simple terms, it is the development of a backup plan and a potential successor to each management team member.

“Succession planning is about creating a road map for the future talent of your organization, as well as how you will go about developing that talent,” says Kathy Noland, PhD, B. E. Smith’s senior vice president, executive search. “But ‘planning’ is the key word here. Succession planning requires determining actions to address a future need before that need is realized, and oftentimes it’s just not on the radar — yet it’s critical to every healthcare organization’s future success and continued momentum.”

**A CEO Committed to Finding His Successor**

In 2006, L. Clark Taylor, Jr., PhD, informed the board of directors at Ephraim McDowell Health in Danville, Ky., of his planned transition from his position as president and CEO in approximately three years. Wanting to leave his organization in the best possible hands, Taylor assured the board that he had already assessed his leadership team and determined that his replacement needed to be brought in from the outside.

Meanwhile, Vicki Darnell, MSN, was content in her role in an Alabama hospital. Taylor was referred to Darnell through a mutual colleague, and though Darnell was uninterested at first, an hour-long conversation with Taylor changed her mind. “He wanted to help mentor and proctor an individual in the chief operating officer role, and eventually, if that person earned the right, he or she would move into the CEO role,” says Darnell. “Both Taylor and the board of directors were committed to helping this individual be successful.”

In August 2007, Darnell began her role as executive vice president and chief operating officer of Ephraim McDowell Health, as well as president of Ephraim McDowell Health Resources (which includes all non-hospital entities). Darnell worked directly with Taylor and an executive coach to learn her responsibilities.

“The organization made a huge investment in me, which helped prepare me and all the stakeholders, boards, physicians, the administrative team, our leadership and our community associates for my eventual CEO-ship,” says Darnell. “The executive coach really helped Clark (Taylor) transition from his role and gradually reduce his scope of responsibilities, visibility and accountability, as I took on more responsibility in preparation to step in as CEO — without missing a beat.”

**Succession Planning — It’s Not Just for CEOs**

Succession planning is about far more than just back-up and contingency planning...it is critical to the achievement of strategic initiatives and it can help ensure competitive success.
That's exactly what happened when Ephraim McDowell used a tiered approach to expand succession planning to senior leaders, directors, and ultimately, the entire organization. Succession plans must not only declare a potential successor(s), but also identify a career development profile for each potential successor. “Then, as their supervisor, you invest in a growth strategy to maximize their strengths and coach them in their weaknesses,” says Darnell, who recalls a departmental director with a fear of public speaking.

“We asked her to work with our marketing executive, who videotaped her and gave her the tape to study. He gave her feedback on her speaking abilities, body language and intonation, and she now excels at public speaking,” says Darnell. “She overcame what could have been a barrier to her future success because we invested resources to turn a weakness into a great strength.”

Measuring Success — Let Us Count the Ways
It is possible to measure succession planning’s return on investment, particularly if it’s tied directly to performance. Three years ago, Ephraim McDowell moved from a cost-of-living/general adjustment system to a performance based compensation system.

Compensation is now based on those outcomes, associates’ individual development plans and their commitment to improve upon their weaknesses. Every leader, vice president and director develops or renews his or her individual succession plan, which results in time-sensitive, measurable action items for leadership growth and development.

Additionally, Ephraim McDowell utilizes an organizational dashboard, which includes overall and department-specific metrics to measure organizational and associate performance. For example, because every associate participates in improving patient satisfaction, everyone is measured on collective departmental performance. However, only nurses in the emergency department are measured on ensuring that all patients experiencing acute myocardial infarctions receive aspirin upon arrival.

“These efforts resonate in such a measurable, tangible way for our organization,” says Darnell. “In the past three consecutive years we’ve realized our lowest associate turnover, highest patient and Associate satisfaction ever recorded, and we’re moving into the top 10th percentile nationally in core measure quality outcome performance. We truly believe these outcomes are a direct result of our investment in Career Development and succession plans, from the CEO to all positions throughout the organization. We’ve been very focused on our organizational performance, and we make those measures come alive in individual evaluations.”

Succession Planning Success Factors
Done well, succession planning has the power to prepare your organization for the inevitable challenges the future holds. Here are a few important guidelines to remember as you begin your succession planning journey:

- Remember that succession planning is for more than just the senior team — other employees can benefit as well.
- Involve potential successors in your planning and seek their thoughts and opinions.
- Regularly update your succession plans, particularly as staffing changes occur.
- Leverage seasoned coaches to assist with leadership development.
- Keep in mind the option to bring in an outside recruiter, and bring them in as early in the process as possible.

Expanding Your Horizons to Secure the Best Talent
As Darnell took on her new COO role, the organization’s chief nursing officer (CNO) expressed a desire to take on a new challenge. Then-current CEO Taylor moved her into a different role, where she has excelled ever since. “If people are better suited to another role, we’re not necessarily going to transfer them somewhere else, but if we believe...
there’s an opportunity to use their skills and talents, we’ll continue to invest in them,” says Darnell. “I believe that’s an illustration of our deep, long-term commitment to our workforce.”

Meanwhile, Ephraim McDowell engaged B. E. Smith’s services to help locate and recruit its next CNO. “B. E. Smith has been a good partner, we trust them and we have a great relationship with them, and those are incredibly important attributes for any executive search firm,” says Darnell. “They understand what we’re trying to accomplish with leadership development, and that we’re all committing to be here for the long term for this organization and our community.”

Sometimes it’s necessary to look outside the hospital walls for the best candidate. “Many organizations use this as an opportunity to bring in new ideas, varied experiences and a fresh perspective,” says Noland. “Also, recruiting from the outside can bring additional skill sets and a healthy, competitive spirit for achieving organizational initiatives.”

Mission Accomplished, Full Speed Ahead

Ephraim McDowell relies on the organization’s succession planning template to help users identify the skill sets and characteristics necessary to fulfill their position’s responsibilities. “The template serves as the foundation for open and honest dialogue about what the organization can do to help people grow and develop,” says Darnell.

“Succession planning really resonated in our organization when our director of pharmacy, who reported to me at the time, became very ill with a pituitary tumor,” she says. “She was out for an extended period, and had we not done her succession plan, I would not have known who to place in her role on an interim basis.” The need was particularly urgent because the organization was scheduled to open a new outpatient pharmacy, which could not have been achieved without the best possible interim pharmacy leader.

Darnell herself is perhaps the best example of how succession planning can positively impact an organization’s future. By the time she took over as CEO, the organization was already on a positive trajectory in all the metrics that matter, including quality outcomes, as well as patient and Associate satisfaction.

“I believe in succession planning because I’ve seen what it’s done for our organization,” says Darnell. “Because of our approach, Clark’s leaving and my taking over as CEO were so accepted by our medical staff that we both felt as though they were saying to Clark, ‘It’s okay, you can go now. We’re ready, and we’ll be alright.’

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Vicki A. Darnell, MSN, began her tenure as president and chief executive officer of Ephraim Health after serving as chief operating officer for nearly three years. Ms. Darnell has over 24 years of progressive healthcare leadership experience as a nurse. She is also active in the community and serves on The McDowell House Board, Centre College President’s Advisory and the Heart of Danville Board in Danville, Kentucky.

Kathy Noland, RN, PhD, is vice president of senior executive search at B. E. Smith and brings over 20 years experience in senior leadership positions to her role. Dr. Noland is recognized for her expertise in working with boards of directors to lead organizations through mergers, restructures and financial turnarounds. She is accomplished in the development and implementation of strategic and master facility plans and effective in executive team mentoring, development, and succession planning. She has a proven track record in recruitment retention of chief executives, vice presidents, and academic leaders.