



# **Leadership Continuity: The Art & Science of Succession Planning**

WSHA CEO Retreat

June 26, 2023

# Session Agenda

- Set the stage...leadership continuity
- Current state
- Key elements
- Reflect on organization's gaps
- Share your insights, experience & commitments with colleagues



# Leadership Continuity

---

- Goal of succession planning = ensure **leadership continuity** & avoid transition trauma
- Strategic priority; always in context of business



# Why is succession planning important?

---

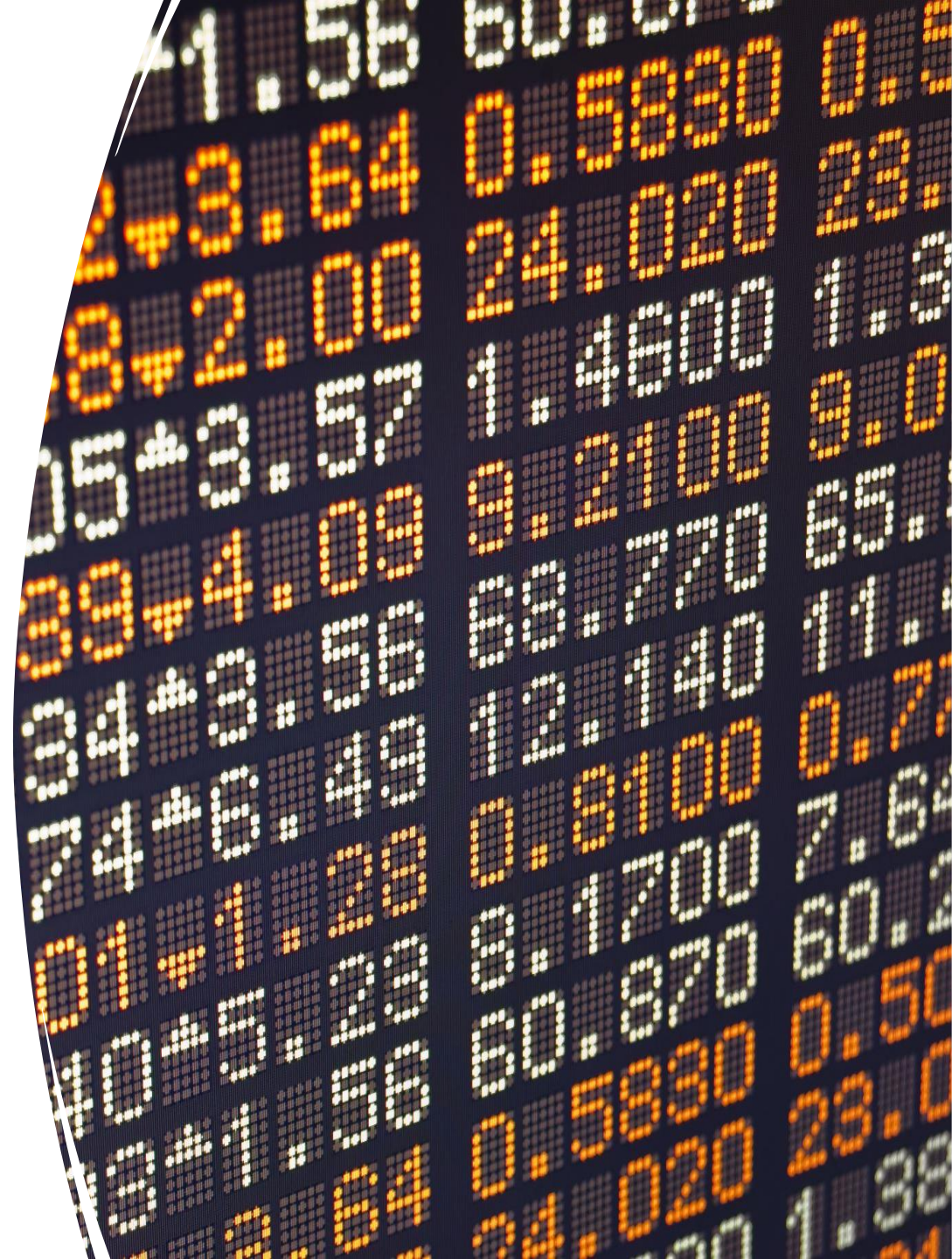
(Deloitte & others)



# Why?

---

- ✓ Mismatch between talent & needs can damage performance/ reputation
- ✓ Costly (amount of market value wiped out by badly managed CEO/C-suite transitions in S&P 1500 is close to *\$1 trillion* a year).
- ✓ Disengagement
- ✓ High-performing internal candidates can leave





# Why?

- ✓ Avoid loss of mission-critical knowledge
- ✓ Steady pipeline of leaders ready to step into new roles
- ✓ More diverse portfolio of leaders by using objective, unbiased process
- ✓ Higher quality decisions around promotion & development investments

# Why?

- ✓ Enhanced career development opportunities for emerging leaders, driving engagement & retention
- ✓ Ability to advance leaders who embody organization's stated beliefs & culture
- ✓ "Future-proofed" workforce better able to thrive in dynamic environment





**Don't leave succession planning to chance!**





# Components of Succession Planning

- Emergency Succession Planning
- Departure-defined Transition Planning
- Strategic Leadership Planning

# Your Leadership Journey

- Reflect on transformative experiences
- Moments of truth/crucible events
- Feedback
- Sponsors/Mentors/Coaches
- What/who has helped you to be excellent in your role?



# Poll #1 questions

1. If our organization lost its most critical team members today, we have a successor with knowledge, training, skills, & experience needed to fill their shoes.
2. Our board & senior management consider succession planning a strategic priority.
3. We are satisfied with our succession planning outcomes.



Good news...  
it's not too  
late

- Build framework
- Customize
- Right people, right roles, right time

# Current State

---

- 86% of leaders know that succession planning is important, but only 14% believe they do it well (Deloitte)
- 49% of hospitals do not have succession plan (AHA)
- 74% public & 52% private companies reported maintaining robust pipeline is most difficult aspect of CEO succession planning
- **Hospital CEO exits climb 72% year over year** (Challenger, Gray & Christmas, Inc., business coaching/outplacement firm)
- PHDs generally don't include succession planning in their strategic plans (AWPHD)

# CEOs...

It takes long-term discipline, and we live in a short-term world

Gap between intention & execution

I don't want to upset people by bringing it up...maybe they will leave?

Our board doesn't understand market trends

Succession planning is not on my radar, although I know it should be

We had a plan pre-COVID...but now we just wing it

HR takes care of that...

Why would I want to encourage my board to discuss CEO succession planning? my time will be limited here...

Our board doesn't understand the issues

You can have detailed leadership assessments, but we still have politics that derail the whole conversation.

We don't have the right talent

# Boards...

How often should we review succession plan?

We weren't prepared for CEO departure

CEO is performing well...why bother?

We are reactive...we only talk about it when departure is imminent

We don't agree on what's needed next

We need something/somebody new!

We went to a conference... never ends up on our agenda

We can't afford development

It's too complex...we don't have the resources or know how

Who is accountable?

We don't want to talk about board succession

# Leadership Team...

Space for these conversations don't naturally happen

I don't know how to grow here

I was told I'm not ready...what does that mean?

I haven't had a development conversation with my boss for months

I need a sponsor

I'm ready for a promotion but nobody is retiring

It's a black box

I was promised the job...but I didn't get it

I updated my resume

Leaders want to appear irreplaceable

I don't look like the current leaders

I can't believe she/he was promoted...not a good role model



# Case example – the Great

---

- Community hospital board skilled with discussing succession planning.
- Former CEO baked succession planning into culture. Modeled the way.
- New CEO (CNO promoted) on-boarded & successful.
- All leaders (director level up) discuss succession planning in their annual performance reviews.
- Everyone knows where they stand objectively & which role, they could fulfill should someone leave organization.

# Case Example – The Good

---

- Hospital system CEO hires new COO. They knew each other from another organization (protégé). CEO is 2 years away from retirement.
- COO skilled with finances, practice management, growth & driving efficiencies. New to matrix structure. Limited on-boarding. Previous CEO & CHRO exited.
- Six months into COO's tenure, negative feedback about his leadership qualities & interpersonal skills emerging. Team is frustrated.
- Executive coaching & team development for course-correction.
- COO is on track to achieve his ambition of becoming a CEO.

# Case Example – the Bad

---

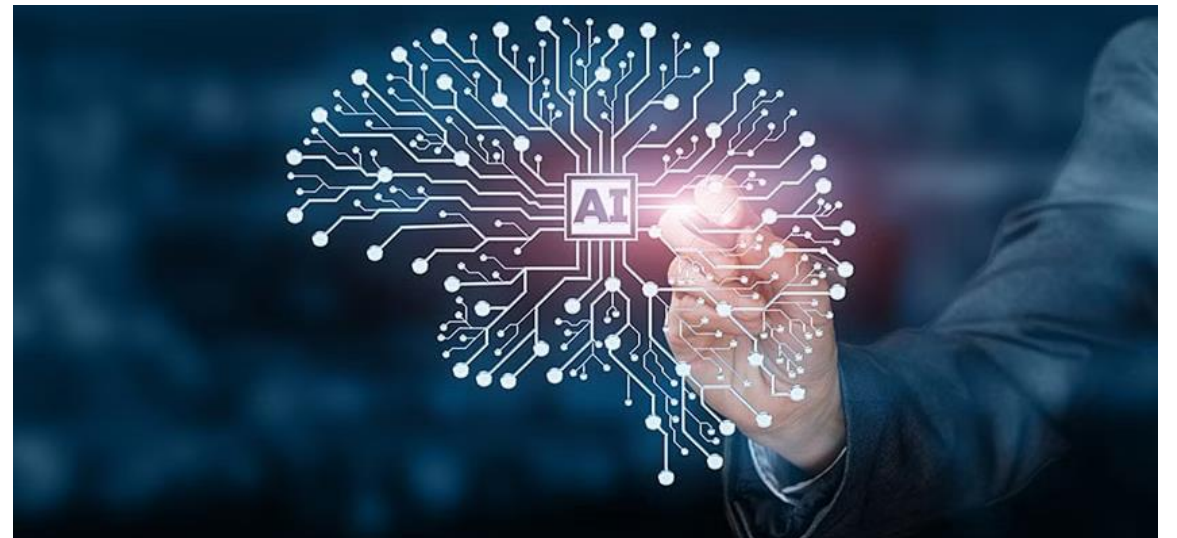
- Perception - haphazard, not transparent, “insider” process
- Large healthcare organization engages external search firm to complete its next CEO search. Search partner meets with search committee & learns CFO is under impression he would be successor.
- No formal discussion occurred; search committee would like to entertain other potential candidates.
- As a result, there was CFO vacancy & climate at executive level uncomfortable at best. CNO looking for new role.

# Case Example – The Ugly

---

- Rural hospital has reputation for CEO turnover. Current CEO leaving with minimal notice.
- Commissioners not skilled with discussing succession planning. Conflict about executive compensation.
- Commissioners have divergent views on what's needed for next CEO.
- New CEO selected. CEO hires new CFO.
- Eight months later, they both leave.

Let's talk  
about some  
principles &  
leading  
practices



# Mindset

- Key strategic activity
- Not “one size fits all”
- Not one-time event or process
- It’s a pathway
- Fluid process



# Broaden Focus

Shift from an activity that is done to prepare for *individual* leader's departure/replacement to ongoing effort to prepare *organization* for whatever it might face in future.



# Broad Strokes

---

- What will great leadership look like? Who will execute strategy 5 years out?
- Understand talent you have (high-performers & high-potentials)
- Understand talent you need
- Close the gaps
- Determine & execute talent development strategy







**Build Inclusive Process**

# Start early

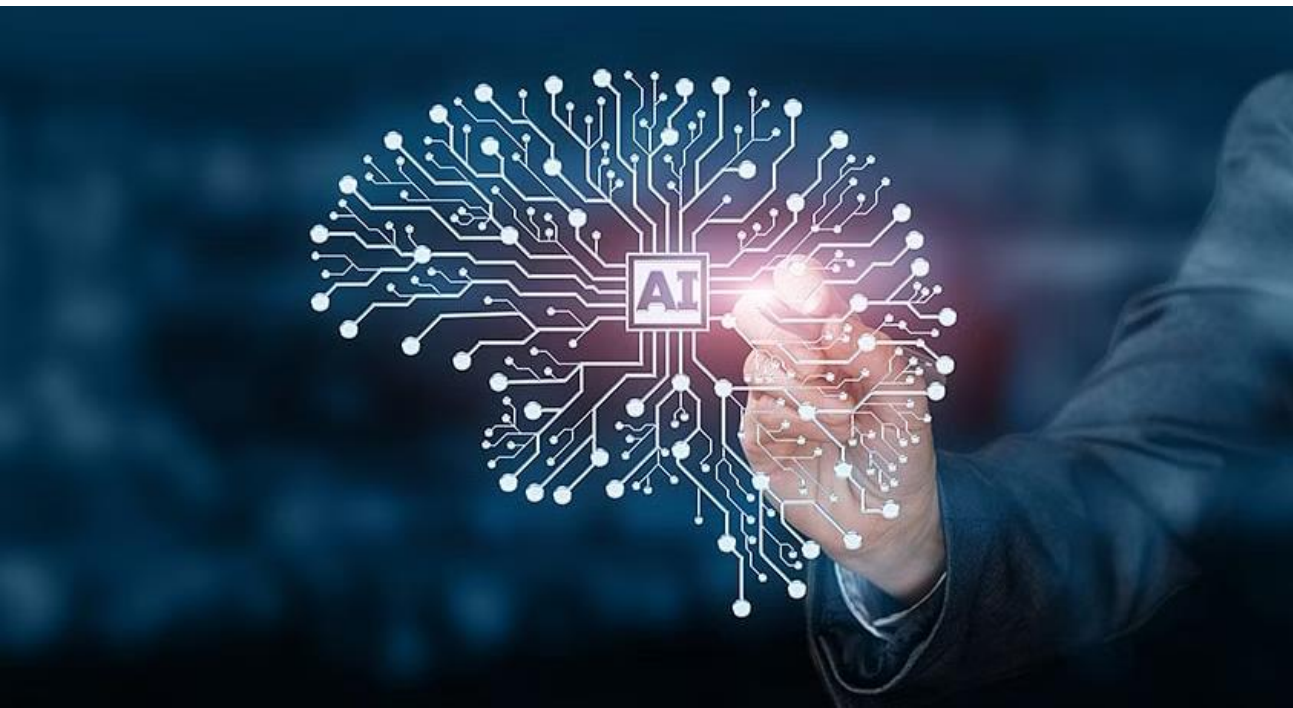
- Begin succession planning at least three years from CEO's expected retirement



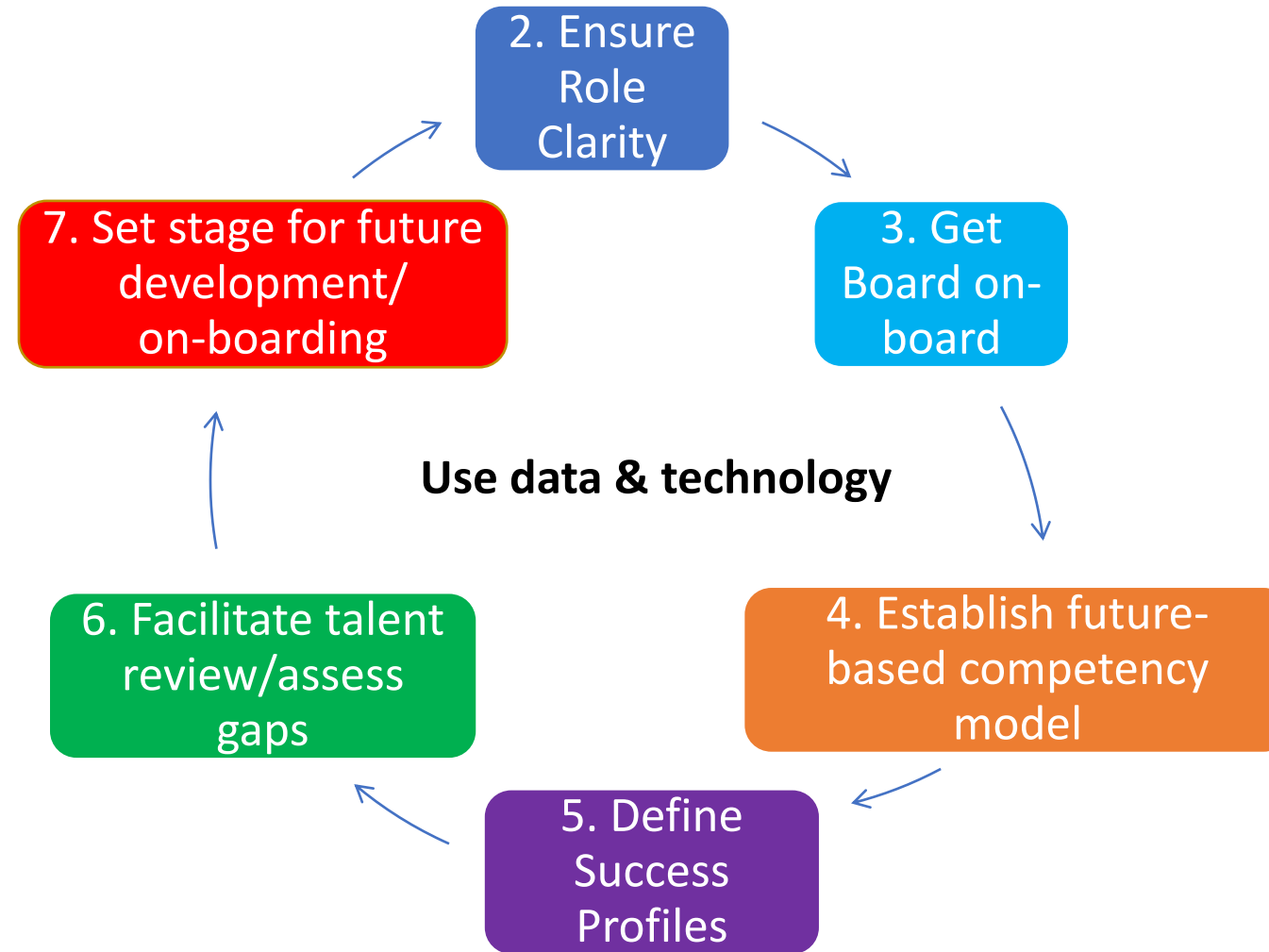


# Use data & technology

- Workforce analytics
- Tools to rule people in – increase diversity & reduce bias
- AI as career advisors, personalized career hubs



# 7 Elements – Succession Planning



**1. Identify organization's strategic priorities for the future**

The background consists of a dark wood-grain surface covered with several colorful sticky notes. Each sticky note features a simple black outline of a person's head and shoulders. The colors of the sticky notes include yellow, green, purple, teal, and grey. The text is centered over the middle of the image.

**1. Identify organization's  
strategic priorities for the  
future**

# What's Your Vision?

---

- What would it look like if we had a proactive, intentional, disciplined, data-driven succession planning process with a user-friendly, people-centric approach that adequately engages stakeholders?





# Future Needs

- How are requirements for the job different today than what they were when incumbent moved into role?
- How might they be even more different out into the future?

## 2. Ensure Role Clarity

- **Board** – sponsor process, CEO succession, conduct effective CEO performance evaluation process, on-board new CEO
- **CEO** – own & drive process/ pathway, role model/coach, executive advocacy
- **CHRO** – strategic advisors, facilitate process, provide data, introduce tools
- **Individual leaders** – execute the plan







### **3. Get the Board On-Board**



Ensure that board/commissioners are using shared definitions of core jargon, such as *vision, strategy, agility, transformation, execution.*




## **4. Establish future- based competency model**

**Focus on what vs. who**

A person in a white lab coat is writing in a notebook. In the background, other people are sitting at a table, and a laptop is visible on the left. The scene is a professional meeting or conference.

# Competencies

- **NCHL Health Leadership Competency Model 3.0**
- Interprofessional
- Language of performance
- Standard of leadership excellence
- System & local

A decorative background consisting of a grey gradient with a cluster of purple circles and thin, light-colored lines on the right side, resembling a network or molecular structure.

**“Leaders who can do hard  
things in a human way...”**

Rasmus Hougaard



# Six Mindsets that Distinguish High-Performing Leaders

NEW YORK TIMES BESTSELLER

*The Six Mindsets That Distinguish the Best Leaders from the Rest*

# CEO Excellence

CAROLYN DEWAR  
SCOTT KELLER  
VIKRAM MALHOTRA

Senior Partners at McKinsey & Company

# 5. Develop Success Profiles



*What does success look like?*





## 6. Facilitate Talent Review Process



# Assess Talent Gaps

---

Develop process to illuminate talent & capability gaps in your organization



# 9-Box Matrix

Performance/potential



# High-Performers

- Track record of making outstanding decisions informed by available data
- Acts according to organization's values
- Able to lead people to achieve excellent performance
- Able to innovate/grow
- Able to manage navigate political, legal, regulatory matters/crises



# Assess Talent Gaps

- Are there potential internal successors for you & other C-Suite executives?
- If so, in addition to passage of time, what needs to happen to get them ready to step into more senior roles?
- What resources can help accelerate development process?





# Insider vs. Outsider

---

Research says that insiders tend to be more successful than outsiders in replacing CEO



**Adopt  
“hire for  
potential”  
mindset**





# Talent Pipeline

- Mix internal pipeline & external recruits
- What got us here, won't get us there!





**Recognize  
hi-potentials &  
fast track development**

# 7. Set the stage for future development



# Determine Development Strategies

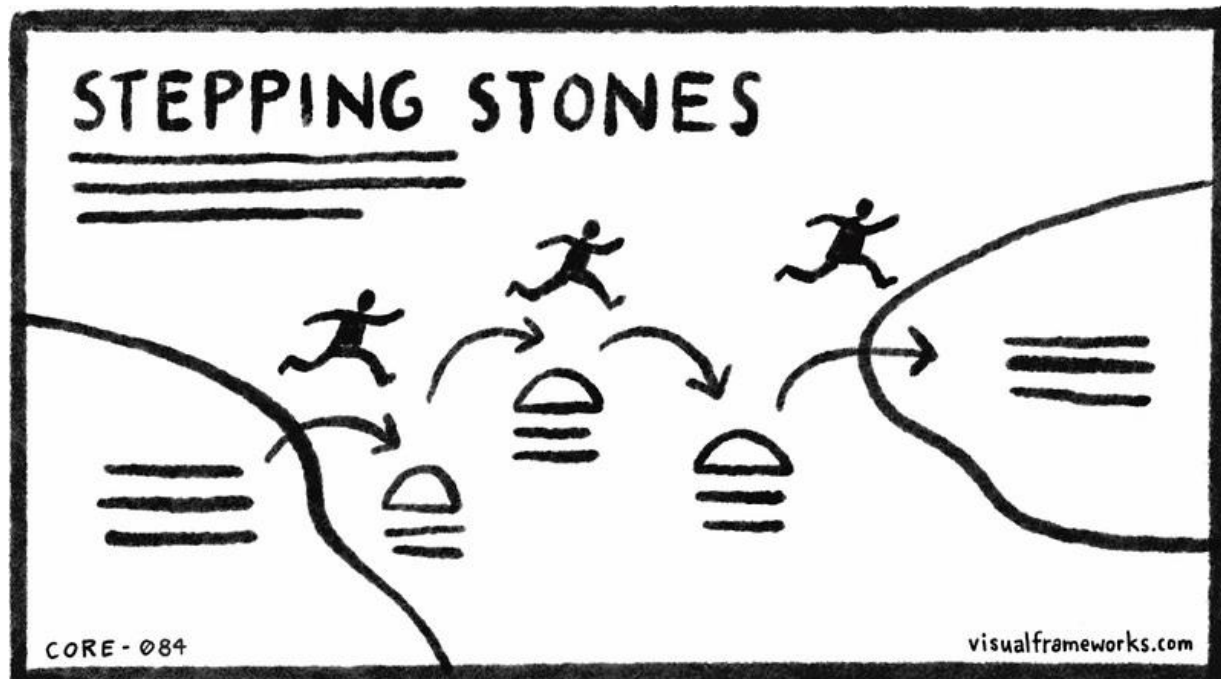
*What needs to happen to  
strengthen the bench deeper  
into organization?*

- Experience
- Exposure
- Education



# Stretch Assignments

Strategically move people into new roles to expand learning





# Invest in Development

- Ensure people know there is a pathway to advancement within your organization.
- Turn potential into success.



**Lattice vs. Ladder**



**Upskilling**

# Sponsorship

---





A photograph of three business women in a modern office setting. They are standing near a window with a view of a city. The woman on the left has blonde hair in a ponytail and is wearing a light-colored blazer. The woman in the middle has dark curly hair and is wearing a grey blazer over a light blue top. The woman on the right has dark hair and is wearing a dark patterned blazer. They are all smiling and appear to be in a positive conversation.

# On-Boarding

- Right amount of transition
- Clear expectations
- Accelerate success with support to avoid derailing



Where's your gap?

A hand is pointing to a complex, multi-colored map or network diagram. The map features a dense web of lines in various colors (blue, orange, red, green, purple) and shapes, suggesting a complex system or network. The hand is positioned on the left side of the image, with the index finger pointing towards the center of the map. The background is white, and the map is partially obscured by a white, torn-paper-like border on the right side.

# Evaluate Planning Outcomes

- How does our succession planning explicitly map to our strategies, while also bridging gap between our legacy ways of working & how we must evolve for future?
- How does it map from our legacy culture to culture we want to have?
- What's required to keep planning sustainable?

# Next Steps

---

- Start w/listening tour
- Take candid look at current state
- Great CEOs are great coaches!
- Engage stakeholders
- Set direction & convey pathway



# Shifts to signal when to leave

---

- Joy
- Feel challenged
- Personal circumstances
- Milestones that make leaving relevant
- Potential successors
- Industry change, not right person for future



# Your Role

---

- Don't stay too long
- Identify several internal candidates
- Orchestrate seamless transition
- Keep delegating responsibilities
- Move from decision-making to mentoring



# Polling #2

1. Which 3 elements are most challenging for you/your organization (pick top 3)?
  - Linking succession planning to strategic vision
  - Ensuring role clarity
  - Getting the Board on-board
  - Identifying future leadership competencies
  - Developing success profiles
  - Facilitating talent review process
  - Assessing talent gaps
  - Using data & technology to support the work
  - Determining development strategies
  - On-boarding new talent

The background of the slide features two wooden Adirondack chairs on a pebbly beach. The chairs are positioned on the left side of the frame, facing away from the viewer towards the ocean. The beach is composed of dark, smooth pebbles, and there is a pile of driftwood in the foreground. The ocean is visible in the background, with gentle waves breaking on the shore. The sky is overcast and grey.

# Peer Sharing

1. What's on your mind?
2. What is pushing you forward?
3. What is holding you back?
4. What are 1-2 ways you can set the direction on succession planning?





Kimberly McNally, MN, RN, BCC  
President, McNally & Associates

[www.mcnally-assoc.com](http://www.mcnally-assoc.com)

206.300.0530

kamcnally@me.com

