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The Healthcare Leadership Pipeline

Strategic succession management helps organizations innovate.

Healthcare executives and their teams are no strangers to change, and part of that change is the result of turnover from executive leaders retiring or leaving for new roles. Hospital CEO positions turned over at a rate of 16% for the third consecutive year in 2022, according to a recent report by the American College of Healthcare Executives. This turnover forces board members, the remaining executives and human resources leaders to address gaps in talent that they may or may not be ready to fill.

Many healthcare organizations create and implement succession plans that identify individuals who are capable of filling critical leadership positions. Strategic succession management is ongoing, starting even before an incumbent leader begins to consider their departure. This process identifies the critical skills, experiences and competencies required for an organization's future success and, therefore, a pathway to assess and develop select leaders for future roles, ensuring business continuity and future growth.

Why Succession Management Is Important

In today's rapidly changing landscape, numerous factors make strategic succession management even more critical, which can include:

Rising competition for market share.

Mergers and acquisitions among technology, retail and other nontraditional healthcare players are causing a critical mass of patients to receive primary and urgent care outside of health systems. Successful succession management in traditional health systems ensures continuity of vision and stakeholder relationships so that the health system's unique perspective remains at the forefront as new partnerships are forged with other sectors to maintain critical market share.

Recruiting and retaining top talent.

Among strategic initiatives that human resources leaders are prioritizing for 2023, more than 50% of organizations expect competition for talent to increase this year, according to a recent Gartner survey. In addition, 36% said their sourcing strategies were insufficient for finding the skills they need. To recruit new talent and keep top employees in-house, organizations must have a plan to meaningfully invest in, develop and promote leaders.

Managing rising costs. Hospitals' total expenses, including labor, drug and supply expenses, rose 21% between 2022 and 2023, according to a May 2023 report from Kaufman Hall. Leaders will need financial savvy and institutional knowledge to decide which investments are

essential and timely. Developing internal candidates for senior roles as part of a succession plan ensures a seamless transition of leadership, fostering stability and continuity in organizational operations, decision-making and strategic planning, ultimately contributing to financial stability in the future.

Adapting to new technologies.

Forbes contributor Robert Pearl, MD, noted in his article "5 Ways ChatGPT Will Change Healthcare Forever, For Better" that more tasks in healthcare are beginning to lend themselves to automation and support from artificial intelligence. Succession management can play a pivotal role in identifying and cultivating leaders who are capable of harnessing new technologies required for future growth.

Well-developed succession management ensures that organizations have the right people in key leadership positions today and that qualified leaders can fill these positions in the future. Strategic succession management also ensures that healthcare organizations remain competitive, even as the landscape shifts.

A Strategic Succession Management Template

1. Understand the implications of your strategy on talent needs.

2. Develop a detailed profile of behavioral characteristics, job competencies, leadership expectations, knowledge, skills and experiences required for the future.
3. Design and facilitate a sustainable talent management process to select and develop the next generation of leaders and determine if key roles need to be filled with external candidates.
4. Customize development for incumbents, which includes strategically managed assignments, coaching, and targeted learning and development.
5. Design sustainability into the process to ensure it becomes a consistent part of your talent management framework and overall culture.

Creating Success Profiles for Leadership Positions

An essential component of strategic succession management is creating a detailed success profile. Success profiles consider an organization's overall culture and strategy, unique job responsibilities and challenges, and specific leadership dimensions required at the organization.

Warner L. Thomas, FACHE, president and CEO of Sutter Health, Sacramento, Calif., and previously president and CEO of Ochsner Health System, New Orleans, explained how he made succession planning a priority early on while leading Ochsner Health. Thomas implemented formal talent reviews and executive assessments for all C-suite positions. As a result, when it came time for him to leave Ochsner, there were several internal candidates that the board considered as his successor.

Louis A. Shapiro, an ACHE Member, who is transitioning out of the role of CEO at Hospital for Special Surgery, New York, explained that the first step of planning for his own successor was creating what he called a "key success criteria" for the new CEO that would reflect the organization's current situation and environment and where it needed to go in the future. The key success criteria, which is similar to a success profile, was used to identify Bryan Kelly, MD, HSS' current CMO, as the successor who would thrive in the position.

"My background as a long-tenured surgeon, scientist, innovator and executive with HSS enables me to assess opportunities in new, different ways, ensuring that we are meeting [the] needs of patients, the organization, and the communities and populations we serve," Kelly says. "This extends across the interconnected pillars of HSS: patient care, education, research and innovation, and people."

Practical Strategies for Strategic Succession Management

In addition to creating and assessing potential candidates against a future-focused success profile, there are three specific steps that organizations can take to build a pipeline for the next generation of leaders.

1. Identify potential leaders early. Leaders who make decisions about talent should always have their eye on developing a diverse, inclusive leadership pipeline. The success profile provides an established set of criteria to assess leaders and identify those who have the capacity for growth and ability to step into key leadership roles.

2. Design meaningful leadership development opportunities. Kelly White, who joined LifeSource as CEO in 2022, noted that her successful transition is due in part to the years she spent learning and developing her own leadership capabilities. For White, executive coaching and mentorship, taking opportunities to serve in a variety of stretch-leadership roles, and working on challenging projects earlier in her career gave her foundational experiences and confidence to step into a CEO role. Best-in-class organizations build their talent pipeline through continuous leadership development.
3. Communicate transparently with employees about the succession plan. Shapiro and other leaders at HSS began discussing leadership succession in 2021, two-and-a-half years before Shapiro would step down. According to Kelly, this gave Shapiro and the board plenty of time to prepare a strategic succession process, communicate the transition plan with leadership, and promote early support for Kelly.

In the rapidly changing healthcare industry, proactive, strategic succession management is critical for healthcare organizations. Staying ahead of the curve means identifying the success criteria for your organization, determining which leaders can be developed to take on future roles, and investing in leadership development opportunities to enable your leaders, and your organization, to thrive. ▲

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