Succession Planning Practices & Outcomes in U.S. Hospital Systems: Final Report

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Prepared for the American College of Healthcare Executives

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Report Overview

Executive Summary

How prevalent is CEO succession planning in U.S. hospital systems, and how effective is it perceived to be? The study described in this report was conducted to find out. A set of surveys were developed using a research-based set of "best practices" in succession planning (see Appendix C-1 and C-2), and distributed to the CEOs of hospital systems as well as the hospitals within those systems in 2006. The results, compiled from the 783 CEOs who returned useable surveys, suggest the following:

Succession Practices:

- Among those who were hired internally, only 40 percent of the system CEOs and 26 percent of member hospital CEOs were identified in advance. For those who indicated they had been identified in advance, the median length of time between being identified and assuming the role was 24 months for system CEOs, and 9.5 months for hospital CEOs.
- Slightly less than half of the system CEOs (49%) said that successor candidates have been identified for their position; roughly the same number indicated that succession planning was routinely practiced at the system level in their organizations. For hospital CEOs, 27% said that one or more successor candidates for their roles had been identified, and 30% said succession planning was routinely practiced within their hospital.
- For CEOs in organizations that were not practicing succession planning, the most frequently mentioned barrier to succession planning was that the incumbent CEO was "too new" to the position. The least frequently mentioned barrier was the perception that succession planning wouldn't be useful.

Selecting potential successors:

- About half of the respondents said that successors were selected informally. In the organizations that used a formal process, the most frequently mentioned approach was an internal leadership development/talent management program.
- The most frequently mentioned quality distinguishing successors from other executives was experience, followed by demonstrated accomplishments / track record of results, leadership style, interpersonal skills, and knowledge of the hospital, system, and/or market.

Developing successors:

- More than 85% of respondents indicated that identified successors were involved in one or more development activities. The most frequently cited of these were mentoring and developmental ("stretch") assignments, each of which were implemented in more than half of the development programs.
- The median length of time the developmental process was expected to take (from the time of successor identification to the time of assuming the role) was 3 years for hospital CEOs and 4 years for system CEOs.

Evaluating Current Practices:

- The majority of hospitals and systems that conduct succession planning also **formally evaluate outcomes of the process at the system level**.

- The most frequently used **approach to evaluation** is to appraise incumbents on how effectively they identify and prepare successors. The second most frequently used approach involves monitoring the percentage of leaders hired from within the organization.
- 44% of system CEOs and 32% of hospital CEOs thought their approaches to **identifying appropriate CEO successors** were either effective or very effective; 22% of system CEOs and 37% of hospital CEOs thought their approaches were either ineffective or very ineffective.
- 36% of system CEOs and 28% of hospital CEOs thought their approaches to **preparing successors to assume the CEO role** were either effective or very effective; 26% of system CEOs and 38% of hospital CEOs thought their approaches were either ineffective or very ineffective.
- Only 27% of system CEOs and 16% of hospital CEOs thought their approach to **communicating about succession to hospital staff** was either effective or very effective; 45% of system CEOs and 54% of hospital CEOs thought their processes were either ineffective or very ineffective.
- In **communicating about succession to the community,** only 11% of system CEOs and 13% of hospital CEOs thought their organizations were either effective or very effective; 63% of system CEOs and 60% of hospital CEOs thought their organizations were either ineffective or very ineffective.
- In terms of **identifying successors**, the key factors associated with greater effectiveness were:
    - A greater number of organizational levels at which succession planning is practiced.
    - A greater emphasis on ethnic and gender diversity in the candidate pool.
    - The presence of an identified successor or successors.
- In terms of **preparing successors for the CEO role**, the strongest predictors of effectiveness were:
        - Succession planning being practiced more widely in the organization.
        - A larger number of developmental activities being used in the process.
        - Longer transition time was provided to the current CEO.
    - The most effective development <u>activities</u> were *formal education/training programs*, *structured "socialization,"* and *job rotation.*
    - The most effective development <u>programs</u> included a combination of the following three activities: *mentoring, formal education/training programs,* and *structured "socialization."*
- In terms of **communicating about succession,** the strongest predictors of effectiveness were:
    - The extent to which succession planning was routinely practiced.
    - The presence of a designated individual or group who is responsible for succession planning.

Implications: Practitioner Perspectives

We asked a practitioner panel to review the results of this study and tell us their implications from their perspective. This panel included senior executives within system hospitals, individuals responsible for succession planning within their hospital systems, and board members. Their feedback was used to improve clarity and readability of the full report; additionally, a summary of their reactions to the content of the report is provided below:

Perhaps the most important point this study makes is that there remains room for improvement in succession planning practice. Succession planning was routinely being done in 49 percent of system headquarters, and only 33 percent of hospitals that are part of systems. The comparable statistic from freestanding hospitals from 2004 was 21 percent, which suggests that systems on the whole are doing better in this area, though still showing some room for improvement. Given the relative prevalence of succession planning going on in corporate headquarters vs. system and freestanding hospitals, the systems may be the place the field should look to for best practices.

Although the prevalence of succession planning is lower than it might be, there was good news in that the perceived importance of succession planning was so widespread among respondents. Given that the first essential step in any change initiative involves awareness-building, the widespread perception of importance may portend more widespread practice in the future.

There were a few practices that seemed to be associated with significantly more favorable outcomes. In terms of **developing candidates**, each of the various developmental activities, measured individually, significantly and positively influenced perceived outcomes. However, the strongest factor affecting perceived effectiveness was the total number of developmental activities that succession candidates participated in, with five or more types viewed as most effective. The **most effective development programs** tended to include the following three elements: **mentoring, structured socializing,** and **formal education/training programs**.

When it comes to **communicating about successions** to staff and the outside community, many respondents felt that the approaches they used were ineffective. Organizations in which succession planning was more routine practice tended to feel they were able to communicate more effectively to staff, but communication to the community was still felt to be very challenging. **Having an individual or group designated as responsible** for the succession planning process may help, though it does not appear to be enough to ensure perceived effectiveness. Stakeholder communications may be an area particularly useful for future development as a profession, through additional research and educational offerings. Our panelists concurred that communicating with stakeholders was often a tricky business; some were comforted to learn that many other organizations found it similarly challenging.

In terms of **important issues not addressed** by the study, the **governance perspective** was viewed as very important, but not included directly in this study. The role of the board in succession planning was viewed as essential, and often dictating the organization's success in implementation and maintenance. Additional guidance on how others have most effectively brought this topic into their board's agenda would be beneficial.

In terms of **next steps**, there was widespread interest among panel members in **developing a more in-depth understanding of best practices,** particularly related to developing candidates. For

example, given the frequency with which **formal education / training programs** were cited, there was interest in learning more about these – what they involve, the areas they focus on and how they are run and evaluated. Similarly, approaches to **mentoring** can vary substantially – some programs are highly formal, including a careful selection of mentors and matching process; others are very informal – mentors are named, and individuals can avail themselves of them (or not) at their sole discretion. In general, given the other potential investments that succession planning must successfully compete with, a clearer understanding of expected **Return on Investment** would be welcomed as a tool for communicating the value of these programs.

The panel also recommended providing a glossary related to the development terms discussed in this report, not all of which were familiar to all participants. A glossary has been added as **Appendix B**.

Introduction to the Full Report

This report contains an analysis of the results from the CEO succession planning survey conducted jointly by the Department of Health Systems Management, Rush University and Tyler & Company, with support and consultation provided through the Health Management Research Award program of the American College of Healthcare Executives. The research is part of an ongoing effort by the American College of Healthcare Executives to help its membership understand and address critical leadership challenges faced by the profession, by providing actionable data to help inform an evidence-based approach. The goals of the present research project were to (1) assess the extent to which systems and system-affiliated hospitals in the United States are appropriately planning for CEO transitions, (2) identify any practice gaps that may need to be addressed, and (3) assist in planning appropriate communications and educational interventions to assist the profession as necessary.

Background

Transitions in the senior leadership of any organization are typically a source of considerable stress among the organization's stakeholders. Any change in which a successor is not immediately identifiable will intensify these effects, because it is frequently interpreted as a strong signal of organizational uncertainty, even instability. The effect is powerful enough to negatively affect organizational performance at a measurable level. Conversely, organizations with top-level succession plans in place are likely to be in a better position to address changes in leadership proactively and positively; not only may they avoid these noxious effects, they may even have the opportunity to utilize the attention of the public to the benefit of their organizations.

Healthcare organizations may reap additional benefits for participating in succession planning. Effectiveness in senior healthcare leadership roles is very strongly influenced by the quality of the leader's relationships; this "social capital" effect implies that internal continuity of leadership will be particularly valuable in these settings (or, conversely, external hiring will be all the more disruptive). Additionally, many employees describe their interests in the healthcare field at least in part for its stability and predictability. Planful transitions between top-level leaders assist in maintaining a climate of stability, thereby freeing more of staff time and energy to focus on patient care and hospital operations.

Despite these advantages, succession planning has not yet become a universally practiced leadership activity. As the 2004 study of freestanding hospitals illustrated (Garman & Tyler, 2004), in order for succession planning to be implemented and successfully maintained there are substantial barriers which need to be understood and addressed.

Methods

In preparation for the present study of hospital systems, we reviewed and updated our literature review from 2004. This updated review is provided in Appendix A. From this literature review, as well as the outcomes of the 2004 study, we developed the questionnaires used in the current study.

Data collection was completed via structured surveys, which were mailed to participants. The sample consisted of the CEOs of all hospital systems, and the hospitals comprising those systems, that were listed in the American Hospital Association database in the winter of 2006. Hospitals that were included in the list met the following criteria: non-federal, general medical/surgical, short-term, and identified to be part of a system. The total number meeting these criteria was 2202 hospitals and 342 systems, for a total of 2544 surveys distributed.

Surveys were distributed via first class mail and addressed to the hospital CEO of record in the AHA database. Mailings contained a covering letter explaining the survey, which described the survey's purpose and identified the researchers involved as well as the sponsorship provided by the American College of Healthcare Executives. The mailing also contained a copy of the survey and a prepaid return envelope. Individuals who did not respond to the first survey within several weeks were re-queried via a second "reminder" mailing containing a new copy of the survey and a new reply envelope.

Results: Description of participants

A total of 783 institutions returned a usable completed survey, which included 679 hospital CEOs and 104 system CEOs. Response rates were approximately equivalent across hospitals and systems, with 31% of the 2202 hospitals originally sampled that met the study criteria, and 30% of the 342 hospital system CEOs. A total of 299 systems (87%) had one or more hospital CEOs respond. For hospital respondents, average hospital size was 175 beds (s.d. = 182) with an average of 847 full-time equivalent (FTE) employees (s.d. = 1072). The respondent hospitals were significantly smaller than non-respondent hospitals ($F(1,2200) = 4.5$, $p = .04$), although the absolute difference was not large – on average, respondent hospitals had 18 fewer beds. Respondents were not significantly different from non-respondents in terms of FTEs ($F(1,2200) = 3.2$, $p = .07$). Hospital demographic comparisons of respondent and non-respondent data are provided in Table 1, using the most recent hospital demographic information available.

Table 1: Hospital demographics comparison: Respondent vs. non-respondent hospitals using 2007 data

	Non-respondents N = 1523		**Respondents N = 679**	
	N	% of total	N	% of total
Ownership				
State	26	1.7	10	1.5
County	64	4.2	35	5.2
City	18	1.2	15	2.2
City-County	2	0.1	2	0.3
Hospital District	53	3.5	39	5.7
Church	286	18.8	144	21.2
Other NFP	654	42.9	304	44.8
Individual	3	0.2	1	0.1
Partnership	62	4.1	22	3.2
I/O Corporation	355	23.3	107	15.8
CBSA Type:				
Division	266	17.5	109	16.0
Metro	755	49.6	299	44.0
Micro	249	16.3	123	18.0
Rural	253	16.6	148	0.2

Respondent demographics

The median respondent age was 53; median age for hospital CEOs was 52; for system CEOs the median age was 57. Median respondent tenure in their current position was 5 years, 4 months for hospital CEOs, and 8 years, 2 months for system CEOs. The total sample was 79% male (89% for system CEOs, 77% for hospital CEOs). In terms of ethnicity, 93% reported they were White/Caucasian (94% for system CEOs, 93% for hospital CEOs); Hispanic/Latino was identified by 2% of the system CEO group and 4% of the hospital CEO group; and Black/African American was identified by 4% of the system CEO group and 3% of the hospital CEO group. Other ethnic categories (Asian/Pacific Islander, Native American, and Other) each represented less than 1% of the respondents.

83% of the hospital CEO respondents and 77% of the system CEO respondents indicated they were ACHE affiliated. Of the affiliates, 36% indicated they were Member status (39% of the affiliated hospital CEOs, 14% of the affiliated system CEOs); 33% were Diplomates (34% of hospital CEOs and 20% of system CEOs), and 31% were Fellows (26% of hospital CEOs and 66% of the system CEOs).

Succession Planning Practices

Summary: The first set of questions on the survey asked whether respondents' organizations had succession planning practices in place, whether successors had been named, and if not, the nature of the organizational barriers that were preventing implementation of succession planning.

How the current CEOs came into their roles

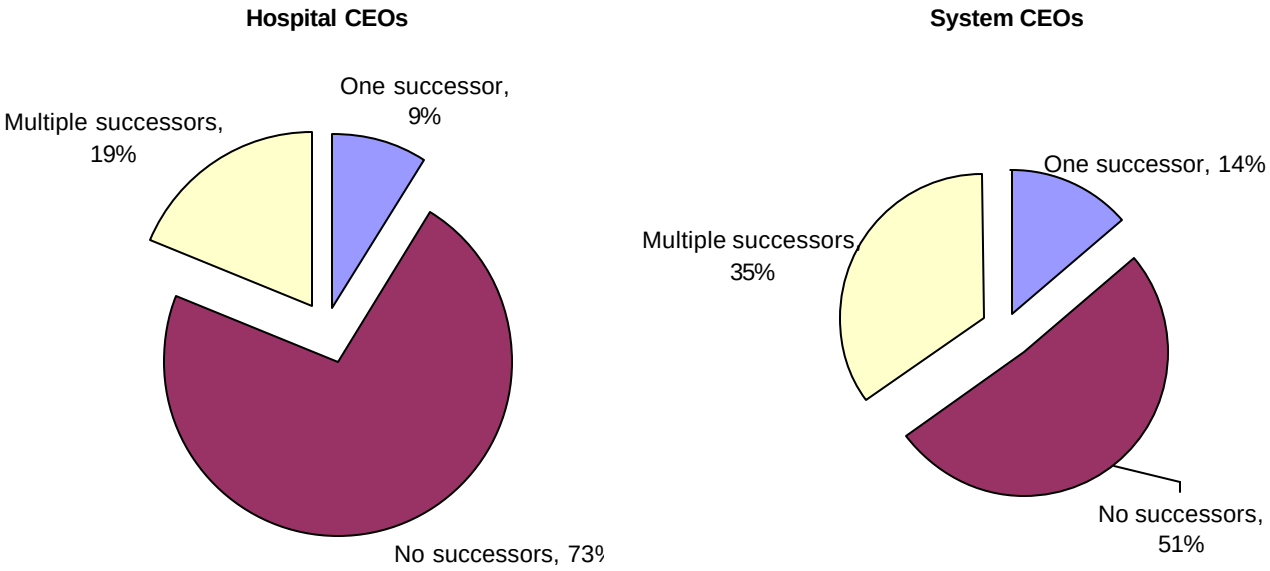
Median respondent tenure in their current position was four years. The median tenure of the prior CEO was seven years for system CEOs, and five years for the hospital CEOs. Twenty-five respondents (3%) indicated there had not been a prior CEO in their role. Fifty-one percent of the hospital CEOs reported that they had been hired internally; of this group, 39% were hired from the same hospital, 43% from another hospital in the system, and 18% from another position in the system. Sixty-five percent of the responding system CEOs reported they were internal hires.

Twenty-eight percent of the internally hired CEOs indicated they were identified for the role in advance: 26% for hospital CEOs, 40% for system CEOs. For CEOs who said they were identified in advance, the median amount of time between when a CEO was identified and when s/he assumed the position was 9.5 months for the hospital CEOs, and 24 months for the system CEOs.

Has a specific successor been identified for your position?

Approaches to succession planning can be meaningfully distinguished into two groups: "relay successions," in which a single individual is identified as a successor, and "horse race successions," in which two or more individuals are identified as potential successors. Participants were asked to identify whether no successors, one successor, or more than one potential successor had been identified for their role. A total of 187 of the responding hospital CEOs (27%), and 50 of the system CEOs (49%) indicated that one or more successors had been identified for their position. For system the CEOs, 14% had identified a specific successor, and 35% had identified multiple possible successors. For the hospital CEOs, 9% had identified a specific successor and 19% had identified multiple potential successors. These results are represented graphically in Figure 1.

Figure 1: Number of successors identified



Of the CEOs who had themselves been part of a succession planning process in the past, 37% had one or more specific successors identified. Of the CEOs who had not been part of a succession planning process, 29% had a specific successor or successors identified.

CEOs who said that no successors had been identified were asked to identify barriers they experienced to identifying a successor. As shown in Table 2, by far the most frequently cited barrier was that the CEO was "too new" to the position to be considering a successor (N = 210, or 39%). Three additional specific barriers were cited by more than one in five of the respondents: not part of our organizational culture, not a high enough priority to the board, no internal candidates to prepare. Fewer than five of the respondents (less than 1%) indicated that they thought succession planning was not useful.

At the hospital level, there was a small but statistically significant relationship between net margin and whether one or more successors had been identified ($F(1, 601) = 4.0$, $p = .047$). Hospitals with identified successors averaged a 7.0% net margin, vs. 5.5% for hospitals without identified successors. At the system level, the absolute difference was smaller (4.8% for those with identified successors, vs. 3.9% for those without) and was not statistically significant ($F(1, 91) = 2.2$, $p = .14$).

Table 2: Reasons cited for not naming a successor

Response choice	**N**	**(%)**
I'm too new to the CEO position	210	(39)
It's not a high priority for the board right now	155	(29)
It's not a part of our organizational culture	153	(28)
There are no internal candidates whom we could prepare	126	(23)
Other	121	(22)
It's not a high priority for me right now	106	(20)
I have not been offered a retirement / transition package	67	(12)
There are several internal candidates who could succeed me; therefore, succession planning would be very difficult politically	21	(4)
I do not view succession planning as useful	<5	(0)

N = 543

To what extent is succession planning routinely practiced?

For the 102 system CEOs who responded to this question, 50 (49%) reported that succession planning was routinely practiced at the system level. For the 677 hospital CEOs responding to this question, 202 (30%) reported that succession planning was routinely practiced within their hospital. Both sets of results compare favorably to the freestanding hospitals survey conducted in 2004, in which only 21% of respondents indicated any succession planning was taking place. By comparison, a recent research review suggested that 45-65% of other private-sector industries practice succession planning (Garman & Glawe, 2004).

A breakdown of responses by level of succession planning is provided in Table 3.

Table 3: Prevalence of succession planning by organization level

	N	(%)
Hospital CEOs (hospital level succession planning)		
- Not routinely done	475	(70)
- Routinely done for…		
CEO position	116	(17)
Top-level leadership (e.g., CFO, COO, SVP)	142	(21)
Mid-level leadership (e.g. VPs)	116	(17)
Department heads	97	(14)
System CEOs (system level succession planning)		
- Not routinely done	52	(51)
- Routinely done for…		
CEO position	36	(35)
Top-level leadership (e.g., CFO, COO, SVP)	45	(44)
Mid-level leadership (e.g. VPs)	31	(30)
Department heads	11	(11)

Assessment and Selection Practices

Summary: Selecting potential successors is an essential early step in the succession planning process. Survey participants were asked several questions about how candidates were selected, and the extent to which a consideration of ethnic diversity affected the assembly of candidate pools.

Who was involved in the selection?

Respondents who reported that they had identified one or more successors were asked a set of questions about who had been involved in the candidate's selection. The most frequently cited person involved was the incumbent CEO, who was involved in 63% of the hospital successor decisions and 76% of the system successor decisions. For hospital CEOs, 77% cited at least one system representative as being part of the selection, most frequently the system CEO (47%). System representatives were involved in selecting system CEO successors for 84% of the respondents.

How was the successor chosen?

Organizations were asked to describe the methods used to make the choice of successor in their organization. Of the 234 respondents, 123 (53%) said the decision was made informally (e.g. through internal discussion), and 111 (47%) indicated that formal methods were used. For both hospitals and systems, the most frequently cited formal method was internal leadership development / talent management programs (84 of the hospital CEO respondents and 12 of the system CEO respondents, or 96 total), followed by interview (42 total), assessment tests / assessment centers (26 total), and peer nomination (21 total).

Who were considered as potential successors?

For both hospital and system CEOs, the most frequent composition of a potential successor pool included internal candidates only (67% for each respondent type), followed by a combination of internal and external candidates (27% for each). Six percent of the system CEO successor pools and 6% of the hospital CEO successor pools included external candidates only. Hospital CEOs were also asked whether internal candidates were from within the hospital, outside the hospital but within the system, or both. For 55% of respondents, all internal candidates were from outside the hospital and elsewhere in the system; for 28% of the respondents all internal candidates were from within the hospital; and 17% of the respondents indicated a combination of the two.

What characteristics set the potential successors apart?

Survey respondents were asked to write down any characteristics that distinguished the potential successors from other senior executives; 161 respondents provided comments, containing a total of 241 descriptors. Experience was the most frequently cited distinguisher, with 63 mentions, followed by the track record of results (29), leadership style (18), interpersonal skills (15), and knowledge of the hospital, system, and/or market (13).

Successor development and transition

How are Successors Prepared for the Role?

The majority of respondents who reported that potential successors had been identified also indicated that the successors were involved in one or more formal development activities to prepare them for this role. Most respondents indicated that multiple methods were being used (modal response was 3).

As can be seen in Table 4, mentoring was the most frequently cited development method used in both hospital and system CEO successions, followed by developmental ("stretch") assignments and 360-degree feedback. In comparison to system CEO successors, hospital CEO successors were significantly more likely to be involved with formal education / training programs (X^2 (1, N = 233) = 4.9, p = .02); system CEO successors were significantly more likely to be receiving mentoring (X^2 (1, N = 232) = 4.6, p = .02).

Table 4: Hospitals and systems with identified successors: Types of development activities that successors are / will be involved in

	Hospital CEOs		**System CEOs**	
	N	***(%)***	**N**	***(%)***
No developmental activities cited	27	*(14)*	6	*(12)*
One or more developmental activities cited:	160	*(86)*	44	*(88)*
Specific development activities mentioned:				
• Mentoring (e.g. regular 1:1 meetings with you, current CEO, for this explicit purpose)	128	*(68)*	38	*(84)*
• Developmental ("stretch") assignments	111	*(59)*	25	*(56)*
• 360-degree feedback	83	*(44)*	17	*(38)*
• Structured socialization (e.g. meeting with key stakeholders to develop these relationships)	74	*(40)*	12	*(27)*
• Formal education / training program	64	*(34)*	8	*(17)*
• Coaching from external consultant	41	*(22)*	15	*(33)*
• Job rotation	32	*(17)*	5	*(11)*
• Other	17	*(09)*	4	*(10)*

N = 187 for hospital CEOs; 50 for system CEOs

How Long is the Transition Process Expected to Take?

Respondents who indicated that one or more successors had been identified were asked to indicate how long the succession process was expected to take in total, from inception to transition. The median amount of time reported by respondents to this question (N = 151) was three years for hospital CEO successors (N = 112), and four years for system CEO successors (N = 39).

Evaluation practices

Respondents who indicated that succession planning was an ongoing/routine process in their systems were also asked whether the planning process was evaluated at the system level. Responses to this question were then aggregated to the system level, and evaluation methods were considered to be in place if at least one respondent mentioned them. Of the 117 systems with responses to this question 68 (58%) indicated that their succession planning processes were formally evaluated.

For those systems indicating the process was formally evaluated, the most frequently cited evaluation practice was incumbent appraisals (68%), followed by statistical analysis of internal vs. external hires (47%), board reviews of effectiveness, and success of transitions (44% and 34%, respectively). Cost-benefit analysis was cited by the smallest number of organizations (n = 14). Seventeen respondents indicated they used some other means for evaluating succession planning (e.g. review by senior leadership committee, or use of external consultants).

Table 5: Whether and how succession planning was evaluated at the system level

		N	***(%)***
If routinely done, is the process formally evaluated?	Yes	68	*(58)*
	No	44	*(38)*
If formally evaluated, how? (n = 68; respondents could select multiple methods)			
• Incumbents are appraised on how they identify/prepare successors		46	*(68)*
• Statistics are kept on the percentage of leaders hired from within		32	*(47)*
• Board reviews effectiveness of the process		30	*(44)*
• Statistics are kept on the success of transitions		23	*(34)*
• Costs/benefits of succession programs are estimated		14	*(21)*
• Other		15	*(22)*

N = 117 systems

There was a statistically significant relationship between whether a designated individual or group was responsible for the succession planning process at the hospital level, and the presence of a formal evaluation process (X^2 (1, N = 104) = 23.0, $p < .001$). 77% of organizations with designated responsible parties also had formal evaluation processes; this compared to 27% of organizations in which there was no identified responsible party.

What Makes Succession Planning Practices Most Effective?

Respondents were asked for their perceptions of the effectiveness of their succession planning processes via two questions: "How effective is your organization in identifying appropriate successors for the CEO position?" and "How effective is your organization in preparing candidates for the CEO role?" Responses involved a Likert-type scale ("Very ineffective" to "Very effective"). A breakdown of responses is provided in Table 6.

Table 6: How respondents viewed their organization's effectiveness

	Hospital CEOs		System CEOs	
	N	***(%)***	**N**	***(%)***
Identifying appropriate successors				
▲ *Very Ineffective*	92	*(14)*	7	*(07)*
	146	*(23)*	16	*(15)*
Uncertain	203	*(31)*	36	*(35)*
	148	*(23)*	34	*(33)*
▼ *Very Effective*	57	*(09)*	11	*(11)*
Preparing successors for the role				
▲ *Very Ineffective*	85	*(13)*	5	*(05)*
	163	*(25)*	21	*(21)*
Uncertain	211	*(33)*	39	*(38)*
	138	*(21)*	30	*(29)*
▼ *Very Effective*	48	*(07)*	7	*(07)*
Communicating about succession to staff				
▲ *Very Ineffective*	157	*(25)*	14	*(14)*
	187	*(29)*	32	*(31)*
Uncertain	196	*(31)*	29	*(28)*
	75	*(12)*	22	*(22)*
▼ *Very Effective*	24	*(04)*	5	*(05)*
Communicating about succession to the community				
▲ *Very Ineffective*	200	*(32)*	27	*(28)*
	178	*(28)*	34	*(35)*
Uncertain	171	*(27)*	26	*(27)*
	63	*(10)*	7	*(07)*
▼ *Very Effective*	20	*(03)*	4	*(04)*

As the table illustrates, system CEOs as a group tended to view their organizations as more effective than hospital CEOs did in terms of identifying successors, preparing successors for their roles, and communicating about successions with the staff. In terms of identifying and preparing successors, there were more system CEOs who viewed their organizations as either effective or very effective than there were systems CEOs who viewed their organizations as either ineffective or very ineffective. The opposite pattern was found for these two questions for hospital CEOs; there were

more hospital CEOs who described their organizations as either ineffective or very ineffective than there were who described them as either effective or very effective.

In terms of the questions about communicating succession plans, the differences between hospital CEOs and system CEOs were less pronounced, and both groups generally viewed their organizations less favorably. For both questions about communications (to staff and to the community), there were substantially more hospital and system CEOs who thought that their organizations were either ineffective or very ineffective, than there were CEOs who thought their organizations were either effective or very effective. For communications to the community, in particular, only 13% of hospital CEOs and 11% of system CEOs thought their organizations were either effective or very effective.

Extent to which it is Routinely Practiced

Additional analyses examined the extent to which specific practices were associated with perceived effectiveness. First, the extent of succession planning (i.e. whether it was routine, and if so, how pervasive the practice is) was correlated with the effectiveness items. An ordinal scale was created which sums the number of levels (1-4) in which succession planning is conducted within hospitals. Results indicated that extent of planning was significantly and positively correlated with perceived effectiveness in identifying successors (r_s (750) = .32, $p < .001$)[1] and preparing successors for the CEO role (r_s (747) = .29, $p < .001$), as well as communicating with staff and the community (r_s (741) = .18, $p < .001$ and r_s (730) = .12, $p = .001$, respectively).

The effects described above appeared to also be influenced by the extent to which succession planning was a top-down vs. bottom-up practice in the organization. Respondents indicating that only department heads and mid-level leaders (i.e. no higher levels) were involved in succession planning tended to view their organizations as less effective at succession planning than respondents who indicated that higher levels of leadership were also involved.

Evaluation Practices

Next, associations between evaluation practices and effectiveness were assessed via ANOVAs. Results, shown in Table 7, indicate that identification of a formal evaluation process associated with succession planning was associated with significantly higher perceived effectiveness in identifying candidates. However, other than keeping statistics on the success of transitions, there were no specific formal evaluation processes that appeared to significantly influence perceived effectiveness in preparing CEO successors more than the others.

[1] r_s, the Spearman-Brown rank order statistic, is used to provide a measure of association between two variables when one or both are not normally distributed. The r_s can range from a high of 1, which would be interpreted as a perfect correlation, to a low of 0, which would indicate no relationship. The number in parentheses (750) refers to the number of observations; the *p* value indicates the likelihood that a result of this magnitude might have happened by chance alone (in this case, less than one in a thousand).

Table 7: How evaluation practices relate to perceived effectiveness

		Average effectiveness in…	
		Identifying candidates[1]	**Preparing successors for the role[1]**
Is succession planning formally evaluated?	*Yes*	3.6*	3.4
	No	3.3	3.2
If evaluated, how?			
Incumbents are appraised	*Yes*	3.6	3.4
	No	3.6	3.4
Statistics are kept on the success of transitions	*Yes*	3.9	3.8*
	No	3.5	3.3
Statistics are kept on Internal hires	*Yes*	3.6	3.5
	No	3.6	3.3
Costs/benefits estimated	*Yes*	3.4	3.4
	No	3.6	3.4
Board review	*Yes*	3.5	3.2
	No	3.6	3.5
Other	*Yes*	3.7	3.5
	No	3.5	3.4
Designated individual or group Responsible at system level	*Yes*	3.7	3.5
	No	3.5	3.4

[1]Scale: 1 = very ineffective ←→ 5 = very effective
* $p < .05$

The next three sections describe analyses related to the effectiveness questions. The first section relates to perceived effectiveness in identifying candidates; the second, to effectiveness in preparing candidates for the role; the third, to the process of communicating about succession planning.

Improving the Identification of Successors

Summary: This section examines how organizational practices relate to perceived effectiveness in identifying successors. Higher perceived effectiveness was associated with identifying one or more CEO successors in advance and greater emphasis on ethnic and gender diversity in the identification process. None of the other factors, including types of assessment methods used, were significantly associated with perceived effectiveness.

Identifying CEO successors in advance

CEOs who reported that no potential successor CEOs had been identified also described their organization's practices as significantly less effective in identifying potential successors ($F(2,745) = 57.5$, $p < .001$) [2]. For CEOs with no identified successors, the average perceived effectiveness was 2.7 (i.e. between ineffective and the neutral midpoint); for CEOs with one potential successor identified, average perceived effectiveness was 3.4 (i.e. between neutral and effective). CEOs with multiple potential successors identified rated their organization's effectiveness as 3.6.

Who is involved in the decisions

No statistically significant relationships were found between the involvement of specific individuals (by position title) in the selection decision and perceived effectiveness of identifying successors. However there was a significant relationship between the breadth of system representation involved (as measured by the total number of system representatives mentioned involved in the process) and perceived effectiveness of identifying successors ($r_s (213) = .19$, $p < .01$).

Nature of the candidate pools

No statistically significant differences were found between the composition of the candidate pool (internals-only, externals-only, or both) and perceived effectiveness of the organization in selecting candidates ($F(2,204) = 2.7$, n.s.[3]).

Respondents were also asked to describe the extent to which ethnic and gender diversity were important considerations in assembling the most recent pool of candidates for a senior executive position. There was a positive and statistically significant association between perceived effectiveness in identifying successors and the importance of ethnic diversity ($r_s (707) = .14$, $p < .001$). and gender diversity ($r_s (704) = .13$, $p < .001$).

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[2] The *F* statistic is provided by analysis of variance, and measures the magnitude of association for a particular model. The two numbers in parentheses are the "degrees of freedom" associated with the analysis (higher numbers provide greater statistical power); the first is the number of groups minus one; the second is the number of observations minus the number of groups.

[3] "N.S." abbreviates "not significant." For this report, results in which $p > .05$ were considered not significant.

Assessment methods used

There was a significant relationship between the total number of formal assessment methods used and perceived effectiveness in identifying CEO successors (r_s (690) = .24, $p < .01$). There were other no significant associations found between use of formal vs. informal approaches to selection processes, or for specific types of formal processes (interviews vs. peer nomination, assessment centers) and perceived effectiveness of the successor identification process.

Improving Successor Preparation

Summary: In this section we examine how organizational practices relate to perceived effectiveness in preparing successors to assume their new role. Higher perceived effectiveness was positively associated with: (1) identifying one or more CEO successors in advance, (2) longer transition times, and (3) higher numbers of developmental activities employed (three or more was best). The most powerful combination of development activities involved ***mentoring, structured socialization,*** *and* ***formal education/training programs.***

Identifying CEO successors in advance

Perceived effectiveness in preparing successors differed according to whether no successors had been identified for the CEO role ($M = 2.6$, s.d. = 1.1), versus one successor ($M = 3.5$, s.d. = 1.1) or multiple successors ($M = 3.4$, s.d. = 0.93). Intergroup differences were statistically significant ($F(2,742) = 50.6$, $p < .001$); post-hoc analyses indicated that participants who had no identified successors rated their organization's practices for preparing successors for their new roles as significantly less effective than the participants who had one or more successors currently identified.

Perceived effectiveness was also significantly associated with the scope of the succession planning program, measured by an ordinal scale which sums the number of organizational levels (1-4) in which succession planning is conducted within the hospitals (r_s (235) = .14, $p < .05$).

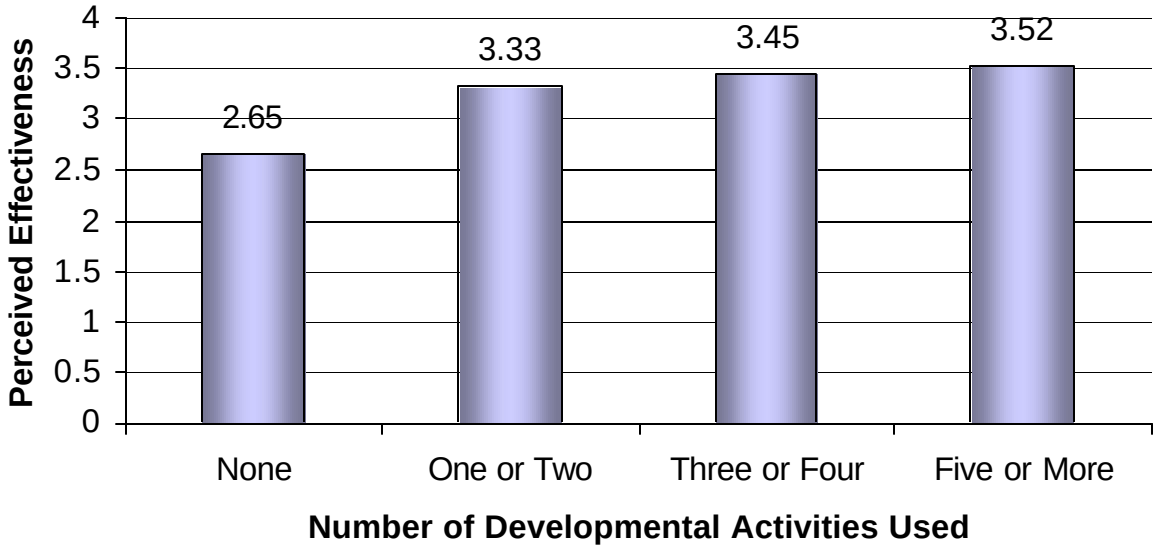
Length of the transition

Perceived effectiveness was significantly correlated with the length of time the incumbent CEO had between being identified as a potential successor and assuming the CEO role (r_s (112) = .19, p = .05). However there was not a significant relationship between the anticipated length of the succession transition process and perceived effectiveness in preparing successors for the role (r_s (155) = .11, n.s.).

Developmental activities used: Amount and types

We assessed the relationship between specific developmental steps taken and the perceived effectiveness of the organization in preparing candidates for the CEO role. First, a scale score was created based on the total number of developmental activities cited (options given on the survey were: mentoring, coaching, structured socialization, 360-degree feedback, developmental assignments, job rotation, formal education/training programs, and "other"). Next, this new scale was correlated with perceived effectiveness in developing candidates. The relationship was statistically significant and positive ($r_s(747) = .32$, $p < .01$). Figure 2 illustrates the effect by grouping respondents according to the number of development interventions employed.

Figure 2: How the number of development interventions related to effectiveness



1 = Very Ineffective; 5 = Very effective

Next, we analyzed the relationship between specific developmental interventions and the perceived effectiveness of these efforts. Results of these analyses are shown in Table 8. For example, overall perceived effectiveness averaged 3.4 for organizations who reported the use of mentoring, and 2.7 for organizations that did not report using mentoring in preparing successors. Analyses (ANOVAs) revealed statistically significant differences in overall perceived effectiveness for each of the development activities cited.

To assess whether a combination of developmental activities was associated with higher perceived effectiveness, stepwise regression was used (F-to-enter = .05; F-to-remove = .10). From this analysis, the strongest predictive model included three developmental areas: Mentoring (Beta = .17), Structured socialization (Beta = .12), and Formal education/training programs (Beta = .11). This grouping yielded an R^2 of .10, indicating that although the combination was statistically significant, the magnitude of the effect was relatively small, accounting for only 10% of the variance in effectiveness ratings.

Table 8: How each of the developmental activities related to perceived effectiveness of preparing successors

		Overall Perceived effectiveness[1]
Developmental activities employed:		
• Mentoring (e.g. regular 1:1 meetings with the current CEO for this explicit purpose)	*Yes*	3.4**
	No	2.7
• Developmental ("stretch") Assignments	*Yes*	3.5**
	No	2.7
• Structured "socialization" (e.g. meeting with key stakeholders to develop these relationships)	*Yes*	3.6**
	No	2.8
• 360-degree feedback	*Yes*	3.4**
	No	2.8
• Formal education/training programs	*Yes*	3.6**
	No	2.8
• Job rotation	*Yes*	3.6**
	No	2.8
• Coaching from external consultant	*Yes*	3.3**
	No	2.8
• Other	*Yes*	3.4*
	No	2.9

[1]Scale: 1 = very ineffective; 5 = very effective.
* p <.05; ** $p \leq .001$

Improving Communication Effectiveness

Summary: In this section we examine how organizational practices influence perceived success in communicating about succession plans. We find that most respondents don't believe their organizations communicate effectively about successions, either to staff or to the community. Higher perceived effectiveness was associated with (1) succession planning being a routine practice, and (2) having a specific individual, or group of individuals, who are identified as responsible for the succession planning process, however the latter finding was not statistically significant when hospital and system respondents were analyzed separately.

Communicating about successions, particularly in top-level positions, often poses considerable challenges and risks. Transitions inevitably create uncertainty among employees, as well as a need for enhanced communication with the communities the hospital serves. Our practical experience suggested to us that this is an area in which many hospitals are trying to improve. Several questions on the survey focused on the perceived communication efforts; in this section we examine the association between various practices and perceived effectiveness of communications. Results are shown below in Table 9.

Table 9: How structural and procedural differences related to communication effectiveness

		Mean effectiveness in communicating about succession…	
		…to hospital staff	**…to the community**
Respondent type	*Hospital CEO*	2.4	2.2
	System CEO	2.7*	2.3
Succession planning is routine practice…			
…at the hospital level	*Yes*	2.7**	2.4*
	No	2.3	2.2
…at the system level	*Yes*	3.1*	2.4
	No	2.4	2.1
Designated individual or group responsible at system level			
Hospital CEOs	*Yes*	2.9	2.5
	No	2.6	2.4

1 = very ineffective ←→ 5 = very effective
* $p < .05$; ** $p < .001$

As can be seen in Table 9, system CEOs perceived their communications with hospital staff to be more effective than was the case for hospital CEOs; however the groups did not differ significantly in their perceptions of communications to the community. In hospitals and systems where succession planning was routinely practiced, communications to hospital staff and to the community tended to be viewed as more effective. Communications about hospital successions also tended to be viewed as more effective in hospitals in which an individual or group was designated as responsible for the succession planning process; however the magnitude of this effect was not statistically significant. (System CEO responses were not separately reported in the latter half of this table because fewer than five of the system CEOs reported that there was not a designated individual or group responsible for succession planning at this level.)

Conclusions

The research project described in this report was implemented to gain a better understanding of the current state of succession planning practices in U.S. hospital systems. Results suggested that system headquarters practiced succession planning much more frequently than their component hospitals. Barriers preventing succession planning at system headquarters to roll down to the hospital level may be a useful focus for follow-up research.

Results also suggested that respondents may be providing substantially more time to their potential successors to prepare for these roles than the respondents themselves had received. Hospital CEOs, who anticipated successors having three years to prepare, had themselves only been given six months. System CEOs, who reported providing an average 3.5 years for their successors to prepare, had themselves on average been given 2.5 years. Given the relationship between prior transition length and perceived effectiveness of the transition process, this trend toward longer transition times seems encouraging.

In the near-term, however, it seems likely that ideal transition time will remain longer than actual transition time, particularly in hospitals and systems that have not adopted succession planning as routine practice. To this end, additional research investigating best practices for "fast tracking" healthcare managers for senior leadership roles (e.g. use of ACHE programs, mentors / coaches, and/or professional support networks such as the CEO Circle) may be particularly helpful.

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Appendix A: Literature review

Introduction

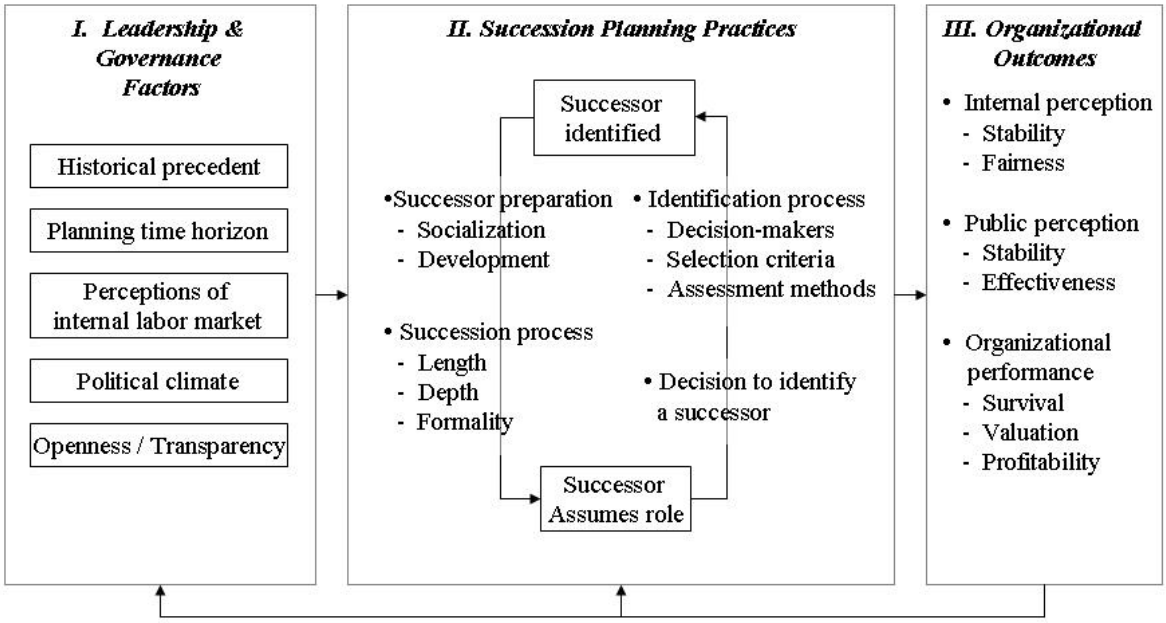
The construct of "succession planning" has been defined in many different ways; therefore we start this section with an operational definition for our purposes. We will define succession planning as: a structured process involving the identification and preparation of a successor, for a given organizational role, that occurs while that role is still filled. By "formal," we refer to a process having some reliable structure and/or custom, thereby excluding from the definition the more ad hoc or "just-in-time" identification of successors. The identification and preparation processes in our definition are purposely left undefined as to specific methods, to reflect the full heterogeneity of current practice. Finally, the qualifiers, "given organizational role" and "while that role is still filled", were added to exclude the preparation of individuals for new and emerging roles, as well as the more reactive process of finding a successor once a position has been vacated.

Using this definition, Garman and Glawe (2004) conducted a comprehensive review of all succession planning research conducted during the past ten years. As this review noted, despite the tremendous breadth and diversity of field research that has been conducted regarding top-level succession planning, no dominant theoretical model of succession has emerged.

Since the time of that study, interest in succession planning has grown considerably, particularly as it relates to the broader domain of strategic human resource management. This has led to the emergence of a new construct – "talent management" – to describe organization-level efforts to identify and preparing potential successors for key roles. A recent review of these practices (Lewis & Heckman, 2006) reached a conclusion similar to the 2004 review, i.e. that practices remain relatively fluid, unguided by theory or standards of practice.

In 2004, we constructed a model by which to frame the available research into a coherent whole. Although the model has undergone some additional revision for this report, the basic framework remains largely intact, as shown in Figure A-1. The model divides succession research into three domains: Leadership and Governance factors affecting succession process, Practices (the succession process itself), and Outcomes associated with each.

Figure A-1: An integrated model of the succession planning process



Leadership and Governance Factors

Whether, and how, succession planning should be conducted is ultimately decided by some combination of the hospital's board and/or its senior leadership. Of the various factors affecting succession planning decisions, the strongest is historical precedent (Ocasio, 1999): quite simply, succession planning is most likely to take the form of prior approaches, or lack thereof. Assuming that succession planning is taking place, the specifics of the process will be affected by the other factors listed in the left-most box of Figure 1. "Planning time horizon" refers to the extent to which long-range goals dominate over immediate challenges. For example, when leadership is preoccupied with financial or other threats to organizational survival, the time horizon tends to constrict; in these cases succession planning is far less likely to receive attention. In contrast, longer time horizons allow for a greater focus on position transitions and, subsequently, succession planning. Internal labor market perceptions will influence whether the internal pool is considered in exclusion to an external search, or, if external search is conducted, the extent to which it is taken seriously. Political climate will determine the relative weight given to existing relationships vs. objective competency. Finally, the "openness" in the organizational climate will influence the extent to which succession planning processes are communicated within the organization.

Succession practices

Although succession planning practices continue to vary considerably from organization to organization, the process model shown in the middle box of Figure 1 captures the components most frequently described as associated with the process. The box succession planning as a cyclical process, moving continuously from successor identification to role assumption and back again. If we arbitrarily decide that assumption of a role begins the cycle, the next phase will begin with the

decision that a successor should be identified. Organizations will differ in the extent to which responsibility for candidate identification rests with the CEO vs. the board chair, or in combination with other key stakeholders (Schleifer & Summers, 1988; Vancil, 1987). In terms of who is eligible for consideration, hospitals may employ "first-cut" criteria for experience (e.g. a certain number of years in an executive leadership position) and education (e.g. an M.D. and/or MBA/MHA/MPH). The identification process itself may vary from highly informal to highly structured; the latter may include formal assessment processes using objective outside counsel. Candidates may be identified from within the organization, or outsiders can be brought in to assume a temporary role (e.g. EVP or COO) in anticipation of succeeding to the CEO role. Once the successor is identified, a preparation phase begins. Here also, in practice the process can vary from informal and unstructured to a more structured, planned process of forming relationships with key stakeholders and gaining exposure to critical processes.

Outcomes

Succession planning is thought to have a number of payoffs for organizations. Although multi-organization evaluation studies of succession planning remain relatively uncommon (noteworthy exceptions include the work of Conger & Fulmer (2003) and Karaevli and Hall (2003)), these evaluation studies have yielded a number of important findings, particularly in relation to the implications of internal vs. external successors. When successors are brought in from outside the organization, the public often interprets this as a signal that the prior leaders were performing below expectations (Dyl, 1985; Friedman & Singh, 1989; Lorsch & MacIver, 1989) or that there were fundamental differences in the board's and leaders' perspectives on where the organization should be going (Faith, Higgins, & Tollison, 1984).

Best practices

Results of the evaluation studies described in the prior section, supplemented by the more informal "lessons learned"-type writings of succession practitioners, were used to craft a preliminary set of "best practice" guidelines for the 2004 study (Garman & Glawe, 2004). These initial guidelines have been supplemented by additional work appearing in the past two years. Most writings reviewed discussed succession planning in a broad sense, rather than as it specifically should play out with the CEO role. Where differences were cited between CEO succession vs. succession for other positions, there was a universal emphasis on the importance of CEO succession planning being an ongoing process – i.e., having a successor ready to step in if needed at all times.

The other best practice findings are summarized in Table A-1, and are annotated here. First, executive ownership is considered critical for success, as it helps ensure that executives and the board dedicate time and hold one another accountable for the process (Axel, 1994; Beeson, 2000; Buckner & Savneski, 1994; Carey & Ogden, 2000). The succession planning process should ideally identify high-potential employees early enough in their careers so that significant developmental assignments can be appropriately planned and implemented. These developmental tasks should be cross-functional in nature in order to expose candidates to the full breadth of business functions (Beeson, 1999; Metz, 1998). Succession planning should also include objective criteria or competencies against which potential candidates are assessed. This can be accomplished through assessment centers or structured interviews (Axel, 1994; Beeson, 2000; Buckner & Savenski, 1994). Another important aspect in assessing candidates is to benchmark those candidates not only against

one another, but also against outside leaders in order to ensure that the chosen successor could lead the company successfully into the future and that the identified "high potential" would also be considered an industry best (Beeson, 1999;Carey & Ogden, 2000).

Table A-1: Summary of "best practice" findings from the literature review

Governance oversight	• Codify the board's succession planning responsibilities as ongoing and proactive (versus event-driven / reactive.)
Executive ownership	• Dedicate time and agenda space for ongoing succession planning, and hold executives accountable for participating
Early identification and development of talent	• Orchestrate significant developmental assignments at a time when major shifts in job responsibility are easier to handle
Assessment of candidates' strengths and weaknesses	• Use objective criteria/competencies • Use formal assessment processes (e.g. structured interviews, assessment centers)
Developmental assignments	• Make use of developmental ("stretch") assignments to build needed skills and relationships. • Build feedback loops into the assignments (e.g. 360-degree feedback, post-assignment debriefings)
External benchmarking/ Recruitment	• Periodically assess high potential inside candidates against external/industry benchmarks • Use objective parties in conjunction with internal development to ensure objectivity
Inside Successors	• Greater likelihood to maintain current strategic vision • Leads to homogeneous groups because of similarity in past experience and organization tenure – more cohesive/communicate more frequently/ high level of integration • More likely to follow in predecessors footsteps
Outside successors	• Greater likelihood to experience significant strategic change • Leads to more heterogeneous work group – challenge existing viewpoints/more solutions • Represents new power base b/c of few ties to the old system
Measuring success	• Create and maintain specific accountabilities for the success of the process. • Regularly evaluate outcomes of succession planning processes. • Monitor succession planning using objective outcome metrics (e.g. rates of internal successions, and effectiveness of those transition), and use the metrics to evolve practices.

Appendix B: Definitions of Development Practices

The expert panel alerted us that a number of the development practices described in this report would not be familiar to all readers. Below we provide a brief definition of each, in the context of this specific research project.

Mentoring. Regular one-to-one meetings between a successor (or potential successor) and the incumbent CEO, in which the explicit purpose of the meeting was developing the successor's skills.

Coaching. Mentoring that is provided to successors through an external consultant (sometimes referred to as "executive coaching.")

Structured socialization. Meetings set up between potential successors and key stakeholders (for example: medical staff, board members, and community representatives), to proactively develop working relationships that will be needed in the future.

360-degree feedback. (Also called "multisource feedback.") The collection, from multiple sources (e.g. superiors, peers, direct reports, clients, and other stakeholders), of performance-related information about a particular leader, which are then aggregated into a report that typically masks the individual sources of that information, with the exception of the direct supervisor. The approach is designed to help the leader identify strengths and development needs, and to formulate appropriate development plans.

Developmental ("stretch") assignments. Special projects and responsibilities that are assigned to a leader in order to help them develop the skills and experience they will need to be successful in a future role.

Job rotation. The temporary movement of a leader to a different position, department, and/or hospital within a system, to build knowledge and relationships that will be needed in a future role.

Formal education/training programs. Any formally structured program designed to develop leaders for future roles. In the context of this survey, this often included system-provided leadership development programs, but also included externally provided programs (e.g. a potential successor enrolling in a master's degree program or one of the ACHE boot camps).

Appendix C-1: System CEO Succession Survey

ID

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System CEO Succession Survey

Note: If you are the CEO of both a system and a hospital, please answer questions from the system perspective

Background

1 How long have you held the CEO position of this system? _____Years _____Months

2. About how long was your predecessor the CEO of this system? _____Years ○ No predecessor

3 Were you hired (check one): ○ Externally? (outside the system) ○ Other? (e.g., merger, acquisition)
○ Internally? (within the system)

IF INTERNALLY: Were you identified as the successor in advance of your taking the position?
○ Yes → IF YES: How long before you took the position? _____Years _____Months
○ Unsure ↴
○ No → IF NO OR UNSURE: Have you ever been involved with succession planning before?
○ Yes ○ No

4 In the last five years, what percentage of hospital CEOs in your system were hired from within the system?
Approx _____% ○ Unsure

Succession Practices

5. Has a specific successor or group of potential successors been identified for your position?
○ Yes, specific successor ○ Yes, group of potential successors
○ No
→ **IF NO:** What are the key barriers to identifying a successor? (Check all that apply)
○ I'm too new to the CEO position
○ It's not a part of our organizational culture
○ It's not a high priority for me right now
○ It's not a high priority for the board right now
○ I do not view succession planning as useful
○ There are *no* internal candidates whom we could prepare
○ There are *several* internal candidates who could succeed me; therefore, succession planning would be very difficult politically
○ I have not been offered a retirement/transition package
○ Other _____

SKIP TO QUESTION 6, next page

→ **IF YES:**
5a. How was your successor or group of potential successors chosen?
○ Informally (e.g., internal discussion)
○ Formally, using (Check all that apply)
○ Peer nomination
○ Structured interviews
○ Leadership development/talent management program
○ Assessment tests and/or an assessment center
○ Other _____

(CONTINUED)

Succession Practices (Cont., If you responded NO to question 5, skip to question 6)

5b Who was involved in making the succession decision? (Check all that apply)

- ○ Myself
- ○ System representatives, including:
  - ○ Board chair
  - ○ Board compensation committee
  - ○ HR executive
  - ○ System COO
  - ○ Other executive(s), list titles: _____
  - ○ Board executive committee
  - ○ Other board members
  - ○ Officials of a religious order
- ○ Other board committees or task forces, please explain:

_____

- ○ Executive search consultant (external)
- ○ Other external consultant, list type: _____

_____

5c What types of candidates were considered potential successors? (Check all that apply)

- ○ External candidates (outside system)
- ○ Internal candidates (within system)

5d What characteristics did your successor or group of potential successors have that set them apart from other senior-level executives? _____

5e What kind(s) of developmental activities has/will the successor(s) be involved in as part of this process? (Check all that apply)

- ○ Mentoring (e.g., regular 1:1 meetings with you, the current CEO, for this explicit purpose)
- ○ Coaching from an external consultant
- ○ Structured socializing (e.g., meeting with key stakeholders to develop these relationships)
- ○ 360-degree feedback
- ○ Developmental ("stretch") assignments
- ○ Job rotation
- ○ Formal education/training program, please describe: _____
- ○ Other _____

5f About how long is the succession process expected to take in total, from inception to transition?

_____Years _____Months

6. To what extent is succession planning a routine/ongoing process in your system?

- ○ Not routinely done → **SKIP TO QUESTION 7, page 3**
- ○ Routinely done for *system-level positions* (Check all that apply)
  - ○ CEO position
  - ○ Top-level leadership (e.g., COO, CFO, senior vice president)
  - ○ Mid-level leadership (e.g., vice president)
  - ○ Department heads
- ○ Routinely done for *hospital-level positions* (Check all that apply)
  - ○ Unsure
  - ○ CEO position
  - ○ Top-level leadership (e.g., COO, CFO, senior vice president)
  - ○ Mid-level leadership (e.g., vice president)
  - ○ Department heads

→ IF ROUTINELY DONE: Do the succession plans exist in written form at the system level?

- ○ No
- ○ Yes

(CONTINUED)

Succession Practices (cont.)

→ IF ROUTINELY DONE (continued): Is succession planning formally evaluated at the system level?

○ No
○ Yes → IF YES: How is it evaluated? (Check all that apply)

- ○ Incumbents are appraised on how well they identify/prepare successors
- ○ Statistics are kept on the success of transitions
- ○ Statistics are kept on the percentage of leaders hired from within
- ○ Costs/benefits of succession programs are estimated
- ○ Board reviews effectiveness; If so, how often: _____Years _____Months
- ○ Other: _____

→ IF ROUTINELY DONE: Is there a designated individual or group responsible for the succession planning process at the system level?

○ No
○ Yes → IF YES: Please describe the group (titles, group size, nature of group involvement)

_____

_____

7. The last time a list of candidates was assembled for a senior executive position, to what extent was each of the following a factor?

7a *Racial/Ethnic Diversity*
- ○ It was considered mandatory
- ○ It was viewed as very important, but not mandatory
- ○ It was somewhat important
- ○ It was not considered important

7b *Gender Diversity*
- ○ It was considered mandatory
- ○ It was viewed as very important, but not mandatory
- ○ It was somewhat important
- ○ It was not considered important

8. Overall, how effective do you believe your system's practices are for identifying and preparing successors for the CEO position? (Check one box in each row.)

	Very Ineffective				Very Effective
8a Identifying appropriate successors	☐	☐	☐	☐	☐
8b Preparing successors for the role	☐	☐	☐	☐	☐
8c Communicating about succession...					
to system staff	☐	☐	☐	☐	☐
to the community	☐	☐	☐	☐	☐

Profitability

9. In the most recently completed fiscal year, what was your system's total margin? _____ %

Helpful Definitions:

$$\textit{Total Margin} = \frac{\textit{Net Income (i.e., Excess of Revenue Over Expenses)}}{\textit{Total Revenue (Net of Deductions)}}$$

Net Income = Net Patient Revenue + Other Revenue – Operating Expenses

Total Revenue (net of deductions) = Net Patient Revenue + Other Operating Revenue

(CONTINUED)

Your Demographics

10 Year of birth _____

11 Gender
- ○ Male
- ○ Female

12 What is your educational background? (Check all that apply)
- ○ BA/BS ○ MHA ○ MBA ○ MPH
- ○ PhD/DrPH ○ MD ○ DO ○ Other _____

13 (Optional) Which of the following best describes your race/ethnicity?
- ○ White/Caucasian ○ Hispanic or Latino
- ○ Black/African American ○ Asian or Pacific Islander
- ○ American Indian, Eskimo or Aleut ○ Other _____

14 Are you an affiliate of ACHE?
- ○ No
- ○ Yes

→ **IF YES:** Status ○ Member ○ Diplomate ○ Fellow

Follow-up

15 If you would like a summary of these research results, please tell us the e-mail address to which you would like the results sent (we will only use the e-mail address for this purpose)

_____

16 If you have a succession planning story or best practice that you would be willing to share with others, we would like to hear more about it. In the space below, please let us know whom we should contact and how we should contact them. If you prefer, you may send an e-mail message to Matt Johnson, project manager, at matthew_johnson@rush.edu.

17 If your system is identified as a "best practice" site based on your responses to this survey, may we contact you and/or others in your organization for additional information?
- ○ No
- ○ Yes → **IF YES:** Please give us your preferred contact information

_____

18 Please include any other comments and/or experiences with succession planning (favorable or unfavorable) that we should keep in mind as we complete this research.

Please return this survey in the attached, postage-paid envelope, or fax to (312) 942-4957.

THANK YOU *again for your participation. We look forward to providing results from this research to the healthcare executive community.*

Appendix C-2: Hospital CEO Succession Survey

ID

AmericanCollege of HealthcareExecutives
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RUSH UNIVERSITY MEDICAL CENTER

Tyler & Company

Hospital CEO Succession Survey

Background

1 How long have you held the CEO position of this hospital? _____Years _____Months

2 About how long was your predecessor the CEO of this hospital? _____Years ○ No predecessor

3 Were you hired (check one):
- ○ Internally from the same hospital? Former title: _____
- ○ Internally from another hospital in system? Former title: _____
- ○ Internally from another position in system? Former title: _____
- ○ Externally, from outside the system?

IF INTERNALLY: Were you identified as the successor in advance of your taking the position?
- ○ Yes → IF YES: How long before you took the position? _____Years _____Months
- ○ Unsure ↴
- ○ No → IF NO OR UNSURE: Have you ever been involved with succession planning before?
  - ○ Yes ○ No

Succession Practices

4 Has a specific successor or group of potential successors been identified for your position?
- ○ Yes, specific successor ○ Yes, group of potential successors
- ○ No

→ **IF NO:** What are the key barriers to identifying a successor? (Check all that apply)
- ○ I'm too new to the CEO position
- ○ It's not a part of our organizational culture
- ○ It's not a high priority for me right now
- ○ It's not a high priority for the board right now
- ○ I do not view succession planning as useful
- ○ There are *no* internal candidates whom we could prepare
- ○ There are *several* internal candidates who could succeed me; therefore, succession planning would be very difficult politically
- ○ I have not been offered a retirement/transition package
- ○ Other _____

SKIP TO QUESTION 5, next page

→ **IF YES:**

4a. How was your successor or group of potential successors chosen?
- ○ Informally (e g , internal discussion)
- ○ Formally, using (Check all that apply)
  - ○ Peer nomination
  - ○ Structured interviews
  - ○ Leadership development/talent management program
  - ○ Assessment tests and/or an assessment center
  - ○ Other _____

(CONTINUED)

Succession Practices (Cont.)

If you responded NO to question 4, skip to question 5

4b. Who was involved in making the succession decision? (Check all that apply)

- ○ Myself
- ○ System representatives, including:
  - ○ Board chair
  - ○ Board compensation committee
  - ○ HR executive
  - ○ System CEO
  - ○ Other system executive(s), list titles:
  - ○ Other board committees or task forces, please explain: _____
  - ○ Board executive committee
  - ○ Other board members
  - ○ Officials of a religious order
  - ○ System COO
- ○ *Hospital* representatives, including:
  - ○ Board chair
  - ○ Board compensation committee
  - ○ HR executive
  - ○ Other system executive(s), list titles: _____
  - ○ Other board committees or task forces, please explain:
  - ○ Board executive committee
  - ○ Other board members
  - ○ Officials of a religious order
- ○ Executive search consultant (external)
- ○ Other external consultant, list type: _____

4c. What types of candidates were considered potential successors? (Check all that apply)

- ○ External candidates (outside system)
- ○ Internal candidates (within system)
  - ○ Within the hospital only
  - ○ Outside the hospital, but within the system

4d. What characteristics did your successor or group of potential successors have that set them apart from other senior-level executives? _____

4. What kind(s) of developmental activities has/will the successor(s) be involved in as part of this process? (Check all that apply)

- ○ Mentoring (e g , regular 1:1 meetings with you, the current CEO, for this explicit purpose)
- ○ Coaching from an external consultant
- ○ Structured socializing (e g , meeting with key stakeholders to develop these relationships)
- ○ 360-degree feedback
- ○ Developmental ("stretch") assignments
- ○ Job rotation
- ○ Formal education/training program, please describe: _____
- ○ Other _____

4f. About how long is the succession process expected to take in total, from inception to transition?

_____Years ___Months

5 To what extent is succession planning a routine/ongoing process in your hospital?

- ○ Not routinely done → **SKIP TO QUESTION 6, page 3**
- ○ Routinely done for... (Check all that apply)
  - ○ CEO position
  - ○ Top-level leadership (e g , CFO, COO, senior vice president)
  - ○ Mid-level leadership (e g , vice president)
  - ○ Department heads

(CONTINUED)

→ IF ROUTINELY DONE: Do the succession plans exist in written form at the hospital level?
- ○ No
- ○ Yes

→ IF ROUTINELY DONE: Is succession planning formally evaluated at the system level?
- ○ No
- ○ Yes → IF YES: How is it evaluated? (Check all that apply)
  - ○ Incumbents are appraised on how well they identify/prepare successors
  - ○ Statistics are kept on the success of transitions
  - ○ Statistics are kept on the percentage of leaders hired from within
  - ○ Costs/benefits of succession programs are estimated
  - ○ Board reviews effectiveness; If so, how often: _____Years _____Months
  - ○ Other: _____

→ IF ROUTINELY DONE: Is there a designated individual or group responsible for the succession planning process at the hospital level?
- ○ No
- ○ Yes → IF YES: Please describe the group (titles, group size, nature of group involvement)

_____

_____

6 The last time a list of candidates was assembled for a senior executive position, to what extent was each of the following a factor?

7a *Racial/Ethnic Diversity*
- ○ It was considered mandatory
- ○ It was viewed as very important, but not mandatory
- ○ It was somewhat important
- ○ It was not considered important

7b *Gender Diversity*
- ○ It was considered mandatory
- ○ It was viewed as very important, but not mandatory
- ○ It was somewhat important
- ○ It was not considered important

7 Overall, how effective do you believe your hospital's practices are for identifying and preparing successors for the CEO position? (Check one box in each row.)

	Very Ineffective				Very Effective
7a Identifying appropriate successors	☐	☐	☐	☐	☐
7b Preparing successors for the role	☐	☐	☐	☐	☐
7c Communicating about succession					
to hospital staff	☐	☐	☐	☐	☐
to the community	☐	☐	☐	☐	☐

Profitability

8 In the most recently completed fiscal year, what was your hospital's total margin?_____ %

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Appendix D: Acknowledgments

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