

# Succession Management Capabilities in a VUCA Environment: Lessons from the Healthcare Industry

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**EXECUTIVE SUMMARY**

For organizations that compete a volatile, uncertain, chaotic, and ambiguous (VUCA) business environment, the ability to effectively identify, develop, and deploy executive talent in critical leadership roles is a sustainable source of competitive advantage. This article introduces the Succession Management Capabilities (SMC) framework, which captures three sets of succession planning, talent assessment, and leadership development practices that are critical for driving performance outcomes in a VUCA environments. We illustrate how succession management capabilities and the compelling lessons from nationally prominent healthcare organizations, including a fully-integrated national health system (Kaiser Permanente), an internationally renowned academic health system (Cleveland Clinic Health System), and a private, secular health system (Sutter Health), can help boards and executive teams across industries overcome the challenges of leading in VUCA environments. The SMC framework and lessons from the healthcare industry offer business leaders, irrespective of industry sector, a practical template and a series of best practices and policy recommendations for enhancing succession performance outcomes.

## Succession Management Capabilities in a VUCA Environment: Lessons from the Healthcare Industry

Organizations competing in highly uncertain, rapidly changing business environments must develop a range of dynamic capabilities in order to maintain growth and sustainable competitive advantage.<sup>1</sup> Business environments characterized by VUCA—volatile, uncertain, chaotic, and ambiguous—place enormous pressure on an organization’s succession management capabilities, specifically the ability to effectively identify, develop, and deploy executive talent who are capable of implementing new business strategies, sensing and seizing new opportunities, and transforming the organization to meet emerging challenges.<sup>2</sup> The importance of succession management capabilities is exacerbated in rapidly changing competitive environments that demand a new generation of leaders who possess a different set of skills, competencies, and experiences.<sup>3</sup> Popularized by the U.S. military in the 1990s as a way to describe the increasingly convoluted and complex geopolitical landscape in which it operated, VUCA is an apt description of the \$2.9 trillion healthcare industry that represents approximately 18% of U.S. GDP.<sup>4</sup> While the healthcare industry, are beset by considerable uncertainty and unprecedented challenges across numerous environmental sectors, leading healthcare organizations are effectively leveraging succession management capabilities to sustain growth and operational performance.<sup>5</sup> In this article, we illustrate how succession management capabilities and the compelling lessons from nationally prominent healthcare organizations can help boards and management teams across industries effectively identify, develop, and deploy executive talent.

### **Healthcare’s VUCA Environment**

The current business environment for healthcare organizations, particularly hospitals, health systems, and other healthcare providers, poses numerous challenges and uncertainties for

the executive teams and boards charged with leading approximately one-fifth of the \$18 trillion U.S. economy. The passage of the Affordable Care Act (ACA) in 2010 ushered in a new era of healthcare reform emphasizing value-based care (VBC) and a series of hospital incentives aimed at prioritizing the value rather than the volume of healthcare services. Practically, this unprecedented legislation shifted the Medicare reimbursement rates such that hospitals are rewarded (or punished) for the quality of healthcare services provided to patients as measured by clinical outcomes and patient satisfaction scores.<sup>6</sup> One of the many critical impacts of ACA is rapid consolidation of healthcare provider organizations via acquisitions and affiliations, including hospitals, health systems, and medical groups.<sup>7</sup> Meanwhile, 2016 U.S. Presidential election outcome and onset of the Donald J. Trump administration introduces greater uncertainty given the President's campaign threats to abolish ACA and executive order on the first day of his presidency (January 20, 2017) to dismantle the healthcare law.<sup>8</sup>

In addition to generating tremendous uncertainty in the legislative and competitive environment, ACA has significantly impacted executive team composition and the need for succession management capabilities. Recent research by the American College of Healthcare Executives (ACHE) illustrates the pressing succession management challenges attributed to massive industry consolidation. According to a 2014 ACHE survey, hospital executive teams have added new roles to keep pace with the growing complexities of healthcare delivery.<sup>9</sup> As part of the transition to value-based payment models via stronger alignment with physicians and medical groups, physician leadership roles such as chief medical officer and medical director are the most frequent additions to hospital executive teams. More recently, a 2016 ACHE survey of healthcare executive search firms cited 'increased demand for physician leadership' as the top trend driving the composition of senior executive teams across healthcare organizations.<sup>10</sup>

Furthermore, these survey findings are consistent with the most recent *American Hospital Association's* most recent environmental scan, which described an “unprecedented” number of physician practices that are integrating with hospitals and health systems as partners.<sup>11</sup> Overall, the changing composition of hospital executive teams and rapid addition of physician leadership roles places a greater premium on robust succession management capabilities.

Perhaps the greatest volatility and uncertainty across healthcare's business environment is driven by the seismic demographic shifts that simultaneously impact the demand for healthcare services and the necessary talent to delivery such services. While the aging of the U.S. population and workforce it's impact on demand for healthcare services is well documented—millennials will comprise 75% of the workforce by 2030 while their Baby Boomer parents will be high utilizers of Medicare services—the resulting effects on healthcare's workforce and talent pools receive far less attention. An influential research report by the *IBM Institute for Business Value* and *Human Capital Institute* (HCI) highlighted the daunting twin challenges of spiking demand and shrinking talent supply. By comparison to other industries, healthcare organizations have generally neglected to develop robust succession management capabilities. The report's author, Allan Schweyer, asserted that the healthcare industry is “...a laggard in developing human resource and talent management innovations. Hospitals and health systems have devoted too little time to creating a legacy of leadership...many have no formal plans to identify and develop individuals for future roles, nor do they have a transition strategy should leaders make a planned or unplanned departure”.<sup>12</sup> Among the many talent management practices assessed by the IBM/HCI study, succession management capabilities were called out as specific development areas for healthcare organizations. In a sobering analysis of healthcare industry's incredible demographic challenges, Schweyer offered the following conclusion:

*The healthcare industry may be unique in the enormity of the talent challenges that confront it. If there ever were a 'perfect storm' related to talent management, it is most acute in healthcare. While it is true that the aging population restricts talent for all industries, it is only in healthcare and life sciences that it so profoundly impacts demand at the same time. (p. 13)*

## **Business Case for Succession Management Capabilities**

A firm's ability to select, onboard, develop, and retain executive talent is a critical source of human capital that is difficult for competitors to substitute or imitate.<sup>13</sup> Research examining the resource-based view of the firm (RBV), which proposes that an organization's sustainable competitive advantage is dependent upon a range of valuable, rare, and inimitable resources and capabilities, has pinpointed the talent management capabilities that drive the identification and development of leadership talent as a critical source of competitive advantage.<sup>14</sup> For organizations competing in VUCA landscapes, the executive leadership team's ability to utilize firm resources to produce sustainable performance outcomes represents a critical source of competitive advantage.<sup>15</sup> Consistent with RBV theory, executive leadership talent and succession management capabilities are critical drivers of a firm's strategic direction and sustained performance in uncertain business environments. These processes or practices include leadership assessment activities aimed at evaluating an employee's advancement potential, as well as formal development activities and programs designed to groom high-potential talent for current or expected vacancies in leadership roles.

Irrespective of industry sector, there is a clear business case for developing strong succession management capabilities. For executive teams, board members, and HR professionals engaged in uncertain business environments, the risks and costs associated with underdeveloped or nonexistent succession management capabilities are very high. The *Center for Creative Leadership* reports that 40% of external hires to executive roles will fail within 18 months<sup>16</sup>

while the overall turnover risk for external hires after three years is three times higher than the turnover risk for internal candidates promoted into executive roles.<sup>17</sup> Along a similar vein, *Liberum Research* reports that the average tenure of a public CEO is approximately 5.3 years, while fewer than 50% of boards in the *Standard & Poor's 500* are 'very confident' about their organization's succession plans.<sup>18</sup> There is also growing evidence that internally developed and placed executives, particularly CEOs, demonstrate greater job performance and are less likely to exit their firms. A cross-industry analysis discovered that internal candidates who were identified and deliberately developed for the CEO position were far more effective in their CEO roles compared to (a) external candidates and (b) internal candidates who were selected via a 'horse race' that pits multiple insiders for the CEO position.<sup>19</sup> A *Booz & Company* analysis of numerous industries illustrated that compared to external CEO candidates, internal CEO candidates identified and developed via succession management practices delivered (a) significantly higher market-adjusted shareholder returns, (b) remained in their CEO roles for two years longer, and (c) were substantially less likely to be involuntarily terminated.<sup>20</sup> Overall, companies with highly developed succession management and talent development practices enjoy much stronger continuity in leadership roles due to the depth and quality of succession plans<sup>21</sup>; substantially higher placement rates of internal candidates for executive roles<sup>22</sup>; and significantly less executive failure or derailment.<sup>23</sup>

For hospitals and health systems competing in an increasingly uncertain business environment, there are myriad benefits of strong succession management practices. For example, top performing hospitals are 35% more likely to promote an internal candidate CEO—as opposed to an external candidate—compared to hospitals with average performance on clinical and financial outcomes.<sup>24</sup> Collins and Collins' analysis of succession planning and leadership

development practices revealed that internal executives who were identified, developed, and promoted via formal practices were not only higher performers compared to externally sourced leaders but also generated higher levels of organizational performance.<sup>25</sup> Internal successors for executive roles benefit from numerous development opportunities including on-the-job training, mentoring, job shadowing, and other learning activities that allow executive talent to perform executive-level duties prior to assuming senior leadership roles.<sup>26</sup> Recent research findings also illustrate the benefits of strong succession planning and talent development practices for countering the uncertainty of healthcare's business environment. For example, a 2016 field study illustrated the strong relationship between succession management practices and total margin across a national sample of hospital organizations, particularly those engaged in highly competitive markets (compared to monopolistic markets).<sup>27</sup> Similarly, a 2012 survey study concluded that succession planning practices drive higher hospital profitability via greater management of operating expenses and higher proportions of patients covered by private payers or Medicare (compared to Medicaid, which offers lower reimbursement rates to hospitals).<sup>28</sup> Overall, health systems that execute robust succession management practices cultivate a climate of stability that allows frontline staff to maintain their focus on hospital operations and patient care outcomes in the midst of an increasingly uncertain environment.<sup>29</sup>

## **Succession Management Capabilities Framework**

Compelling research findings from multiple industry sectors point to a series of succession management capabilities that characterize high-performing firms.<sup>30</sup> Illustrated in Figure 1, these capabilities comprise the Succession Management Capabilities (SMC) framework. Succession management is defined as the formal processes through which successors are identified for key leadership positions and development activities are planned and executed



for the identified successors.<sup>31</sup> Succession management capabilities include both leadership assessment activities aimed at diagnosing employees' advancement potential as well as planned leadership development activities to groom high-potential employees for vacancies in senior leadership positions.<sup>32</sup> The SMC framework captures three sets of succession planning, talent assessment, and leadership development practices that are increasingly critical for driving performance outcomes in uncertain business environments. The first set of capabilities are *Enabling Capabilities*, including Top Management Team Engagement, Leadership Development Culture, and Talent Management ROI, which serve as foundational capabilities. A firm's ability to develop competence across these foundational capabilities enables the execution of *Assessment Capabilities*, which consist of advanced Performance Feedback and Talent Assessment practices. For industries characterized by high uncertainty and unprecedented changes to key environmental sectors, the execution of *Transition Capabilities* including New Leader Onboarding and Role-Based Leadership Development practices is critical for strong performance outcomes.

[Insert Figure 1 about here]

The high-impact practices and associated performance outcomes across the SMC framework are summarized in Table 1. Top Management Team Engagement is the extent to which the senior leadership team formally describes succession management as a strategic priority for the organization and actively participates in leadership development and succession planning processes. Firms successfully engage senior leadership team members in succession management through active participation in annual talent review activities, mentoring programs, and leadership development programs as faculty and executive sponsors of team projects. Leadership Development Culture, an organizational culture that values fairness, enforces

transparency, and seeks to maximize employees' leadership potential, involves consistent communication of the outcomes of talent review sessions—thereby avoiding the perception of a 'black box' approach to succession—and formal training of managers to engage their direct reports—particularly high-potential leaders—in career planning discussions. A distinctive element of Leadership Development Culture is a climate that encourages managers to 'release' strong performers and high-potential leaders for developmental assignments across the enterprise. As such, management teams are willing to adopt a firm-wide perspective on developing leadership talent at the expense of losing one or more of their respective star performers. Finally, *Enabling Capabilities* comprise the ability to develop and utilize a set of metrics to assess and communicate the efficacy of the firm's succession management practices. The Talent Management ROI capability involves ensuring that the governing board is actively engaged in success management via annual or semi-annual progress reports, as well as consistent communication of succession management metrics to management teams across the firm. Overall, *Enabling Capabilities* establish a compelling business case for succession management and help ensure management team accountability for succession outcomes.

[Insert Table 1 about here]

The *Assessment Capabilities* of the SMC framework include both advanced Performance Feedback processes and Talent Assessment practices that provide the necessary data for effective succession decisions across key leadership roles. Defined as the quality and consistency of performance feedback provided to high-potential leaders and successors to key positions, the Performance Feedback capability includes 360-degree or multi-source feedback processes that provide leaders and high-potential employees with powerful data that inform leadership development opportunities. A cornerstone capability, Talent Assessment practices comprise the

formal processes through which high-potential leaders and successors to critical leadership roles are identified via standardized assessment instruments, nine-box grids, selection tools, and other methods. The centerpiece of Talent Assessment practices include annual talent review meetings across management levels that consist of robust, data-driven assessment of successors to key roles and emerging leadership talent. Effective Talent Assessment practices demand careful attention to limiting any potential politicizing of talent review discussions by using (a) a validated tool for assessing leadership potential, (b) a trained facilitator for each talent review session, and (c) a formal nine-box or other matrix tool that maps leadership development opportunities according to job performance and leadership potential. Organizations that develop strong *Assessment Capabilities* effectively match the best development opportunities for leaders and high-potential employees across each combination of performance and potential levels, which provides managers across levels a set of leadership development tools to present to their team members following the annual talent review meetings.

Finally, *Transition Capabilities*, the succession management capabilities that are particularly critical in uncertain business environments, include New Leader Onboarding and Role-based Leadership Development. New Leader Onboarding reflects the quality and depth of practices aimed at socializing individuals into leadership positions, including formal onboarding programs for all leaders in new roles (internal promotions and external hires) that consist of comprehensive stakeholder analyses and leader assimilation activities. The key performance outcomes associated with highly effective onboarding practices include greater engagement and productivity of individuals placed into new leadership roles, and lower turnover in key positions over time. The final SMC capability, Role-based Leadership Development, includes a range of high-quality leadership development experiences assigned to successors and high-potential

leaders, including job rotations, action learning projects or leadership academy programs in which team projects address company-wide challenges, and strategic job assignments. Organizations with strong Role-based Leadership Development practices effectively develop leadership talent through practical assignments that are outside of their respective ‘comfort zones’, including functional, product/service, and/or geographic role-based experiences. As such, successors and high-potential leaders develop a much broader range of leadership competencies and job experiences, thereby building much deeper bench strength across key leadership roles.

How are the high-impact practices of the SMC framework executed by organizations that compete in highly uncertain business environments such as healthcare? What are the performance outcomes achieved by organizations that effectively develop the *Enabling*, *Assessment*, and *Transition Capabilities*? The following describes a diverse set of healthcare organizations—a fully-integrated national health system (Kaiser Permanente), an internationally renowned academic health system (Cleveland Clinic Health System), and a private, secular health system (Sutter Health)—that each execute the full range of succession management capabilities to meet the needs of their evolving and increasingly uncertain business environment.

## **Kaiser Permanente**

As a fully integrated health system, Kaiser Permanente comprises the Kaiser Foundation Hospitals and their subsidiaries, Kaiser Foundation Health Plan, Inc. and The Permanente Medical Groups. Kaiser Permanente is a national health system that serves 10.6 million members across seven regions, including Colorado, Georgia, Hawaii, Mid-Atlantic States (Virginia, Maryland, and Washington, DC), Northern California, Southern California, and Northwest (Oregon and Washington). With an annual operating revenue of \$60.7 billion in 2015, the health system’s network includes 38 hospitals, and approximately 18,652 physicians and 194,294

employees. Among the innovations it has contributed to U.S. healthcare include prepaid health plans that spread costs to increase affordability; physician group practices that focus their abilities on preventing illness as much as caring for the sick, and an organized delivery system that places as many services as possible under one roof. In each state in which the health system operates, a Kaiser Permanente plan holds the top ranking for both commercial and Medicare plans. Kaiser Permanente's mission of preventative care and total patient health is strongly aligned with the ACA's requirements and incentives for healthcare providers, which has elevated the organization's national profile. Chairman and Chief Executive Officer Bernard J. Tyson was recently ranked second on *Modern Healthcare's* list of "Top 100 Most Influential Leaders in Healthcare, only surpassed by former President Barack Obama."<sup>33</sup>

Kaiser Permanente's Strategic Leadership Program (SLP) exemplifies the SMC framework in action. As a national leadership development program for Kaiser Permanente's leaders, the SLP supports the execution of the health system's national business strategy across its regions, functions, and facilities. The SLP's purpose is to facilitate the execution of Kaiser Permanente's national business strategy by developing a critical core of mid-level leaders—directors, executive directors, and newly placed vice presidents—who are charged with aligning and executing the local strategies of their respective regions, functions, and departments. According to leadership development expert Jay Conger, strategic leadership development programs such as the SLP are designed to be tightly integrated to an organization's strategic agenda and "...facilitate efforts to communicate and implement the corporate strategy, build strategic unity throughout the organization, and create a cadre of change agents. They simultaneously build leadership capabilities while facilitating progress toward key strategic objectives".<sup>34</sup> Given the increasingly uncertain nature of the broader healthcare environment,

particularly the tenuous status of the Affordable Care Act (ACA) and ongoing healthcare reform efforts, the SLP supports Kaiser Permanente's efforts to continually evolve its strategic agenda as the business environment changes. Robert Sachs, vice president of National Learning and Development, explains that "...SLP will continue to be an important focus because our [business] strategy will clearly continue to evolve as the environment evolves. Our Chairman and CEO has begun to talk about how we are going from being a health care organization to a health services organization. The SLP is geared toward participants understanding that broader strategic context and ensuring that the local strategy has strong alignment to what the overall organization is trying to do".

### **SLP Objectives and Phases**

Exemplifying the importance of fully engaging the top executive team and providing leaders with role-based development opportunities, the SLP is designed to accomplish the following objectives: (1) enhance leaders' ability to think and act strategically; (2) expand leaders' understanding of Kaiser Permanente's business strategy; (3) provide leaders an opportunity to develop, refine, and execute a strategic project that aligns with the national strategy; and (4) network and develop relationships with Kaiser Permanente leaders across regions, facilities, and national functions. The SLP's curriculum design and delivery is co-owned by chief executives from Kaiser Permanente's national headquarters, Senior Vice President and Chief Strategy Officer Paul Swenson and Senior Vice President and Chief Diversity and Inclusion Officer Ronald Copeland, M.D. "The program is primarily led by our strategy executives—it's not an HR-run development program—who are people from the business talking about our strategy, the framework that we use, and Kaiser Permanente's national strategy", notes Alice Chen, Director of National Leadership Development. Delivered across a

span of eight months, the SLP comprises three distinct phases that include a mix of learning and development activities. Illustrated in Figure 2, the SLP's phases and developed activities are summarized below:

- *Preparation Phase:* Leaders meet with their direct manager to begin brainstorming strategic project topics that they will execute throughout the program. In conversations with their direct manager, leaders identify a project topic that both responds to a specific business/function or regional need and is also linked to their development plan and their performance evaluation. The process for identifying and scoping the strategic project is a critical SLP design element that must strike a balance between being 'executable' while also delivering developmental value. Paul Swenson, Senior Vice President and Chief Strategy Officer, notes that "...the projects need to be something that are real, agreed upon, and part of the strategic agenda of the participants' business, function, or region. The participant must have a role of significance in the project, and must be able to measure progress within the time frame of the SLP program".
- *Residential Phase:* This SLP phase consists of an offsite, three and a half-day residential program that primarily focuses on expanding participants' understanding of Kaiser Permanente's national strategy and its implications for their respective regions, functions, and departments. The residential program includes four primary learning activities: (1) strategy session conducted by top leadership team executives, (2) several strategy applications (Kaiser Permanente case study, learning inquiry, learning journal), and (3) numerous tools and resources to support project execution (project management tools, work plans, guidelines on executive sponsor identification). Central to cultivating top management team engagement throughout the program, the

strategy sessions are led by senior executives from the national headquarters, including Executive Vice President and Chief Medical Officer Patrick Courneya, M.D., Chief Operating Officer Janet Liang, Executive Vice President and Chief Information Officer Dick Daniels, and Senior Vice President and Chief HR Officer Chuck Columbus, amongst other top executives.

- *Project Phase:* The final SLP phase consists of a series of learning and networking activities that culminate with the strategic project presentations and graduation ceremony. The strategic project presentations, which are attended by the participants' direct managers, executive sponsors, and senior Kaiser Permanente leaders, expand participants' understanding of the breadth and depth of Kaiser Permanente's leadership roles and functions. Not only do participants gain a deeper appreciation for the work of their peers and Kaiser Permanente's complexity, but they also learn how various regions, functions, and departments are seeking strategic alignment across the enterprise, says Dan Cousins, vice president of Talent and Organizational Performance. "Participants get the opportunity to see a lot of different expressions of what alignment looks like from different parts of our organization and see Kaiser Permanente's strategy through many different lenses, not just their own. This part of the program is very important, especially when we get to succession, because we want to develop leaders who have more than a single perspective or expertise."

[Insert Figure 2 about here]

### **SLP Success Factors & Performance Outcomes**

The SLP's long-term success is dependent upon numerous succession management capabilities, notably the magnitude of top management team engagement in program design and



execution, astutely leveraging role-based development experiences via strategic projects, and developing strategically aligned leadership competencies that deepen bench strength in critical leadership positions. Senior Vice President and Chief Strategy Officer Paul Swenson lauds the SLP's impact on strategic alignment and succession management outcomes. "What makes the Strategic Leadership Program (SLP) different and particularly valuable is its foundation in reality and in our strategy. The SLP connects that reality with both the projects that leaders complete and the residential experience. The SLP projects support Kaiser Permanente's strategic agenda while improving the performance of those specific work units. I think the broader SLP benefit is the continuing development and succession of leaders who have better strategic context as they are driving, motivating, developing their teams and their areas".

Although research findings confirm the integral role of job experiences in the leadership development process, relatively few organizations adopt an approach that strategically utilizes job experiences to develop leadership talent.<sup>35</sup> Indeed, most organizations fail to gain the most from their leadership development efforts due to overreliance on classroom-based training programs, utilizing tactical rather than strategic job experiences, or adopting a 'survival of the fittest' strategy of placing leaders in stretch roles and simply promoting those who succeed.<sup>36</sup> While these practices may prove useful in some contexts, leadership development experts Paul Yost and Mary Plunkett conclude that "...they seldom achieve the potential that could be attained with a rigorous, comprehensive approach that systematically builds experiences into the heart of the organizational talent management system".<sup>37</sup>

Kaiser Permanente adopts an evidence-based approach for evaluating the SLP's impact on strategically-aligned performance metrics. To evaluate the program's impact over a sustained period (2013-2015), three groups of Kaiser Permanente leaders were compared across three

metrics: annual turnover, annual promotions, and annual performance reviews. The three comparison groups included the following: (1) directors, executive directors, and vice presidents designated as high potential leaders via Kaiser Permanente's talent review process but have not completed the SLP ('HiPo'); (2) SLP alumni who had not been assessed as high potential leaders and who were at least one year removed from program graduation ('SLP'); and (3) leaders who were both designated as high potential leaders via Kaiser Permanente's talent review process and also at least one year removed from program graduation ('Both'). These three groups were assessed over a three-year period (2013-2015) to isolate the SLP's impact on annual turnover, annual promotions, and annual performance reviews. Illustrated in Figure 3, the impact of SLP participation by Kaiser Permanente's high potential leaders was magnified in each successive year following completion of the program. In 2014, the annual turnover rate for this group was an impressive 0% compared to 5.9% for the HiPo group and 6.8% for the SLP group. These trends continued in 2015 with the annual turnover rate surging to 8.3% for the HiPo group and only 2.1% for the 'Both' group. Overall, the SLP's sustained impact on the retention of leadership talent and development of deeper bench strength across key leadership roles represent key succession management outcomes for Kaiser Permanente's board and executive team.

[Insert Figure 3 about here]

## **Sutter Health**

Spanning a network of 24 hospitals, 34 outpatient surgery centers, numerous cardiac, cancer, trauma, and behavioral health centers, and home health and hospice facilities, Sutter Health is a \$10.2 billion not-for-profit health system that provides award-winning, personalized health services in more than 20 counties across Northern California, Hawaii, and Southern California. Sutter Health operates as a fully integrated health system comprised of its hospital

network, award winning affiliated medical groups and medical foundations, and the Sutter Health Plus health plan. A strong proponent of succession management and workforce engagement, Sutter Health is recognized as a Top 10 healthcare organization for leadership development by the *National Center for Healthcare Leadership*.<sup>38</sup> While Sutter Health has developed deep capabilities across several talent management practices, its signature succession management system stands out as a cornerstone, best-in-class practice that distinguishes Sutter Health as an industry leader. Throughout a challenging period between 2013 and 2016, its succession management capabilities were tested with a reorganization from five regions into two divisions, the vacancies of seven hospital CEO positions in 2014, and several transitions in top executive team transitions including the chief medical, chief nursing, and chief human resource officer positions. In perhaps the greatest test of the succession management system's efficacy, President and CEO Pat Fry retired on January 4, 2016.

### **Succession Planning Objectives & Processes**

Sutter Health's succession management system, which includes talent assessment practices, talent review sessions, and succession planning processes, is designed to accomplish two overarching goals: (1) build bench strength and succession depth in critical leadership positions throughout the health system; and (2) ensure the right talent, in the right location, and at the right time, effectively meets Sutter Health's strategic goals. To achieve these overarching goals, Sutter Health's pursues the following succession management strategies:

- *Cultivate Succession Plans for Critical Leadership Positions*: The identification of critical leadership positions for which comprehensive succession plans are developed is a core principle of Sutter Health's strategy. These positions include Chief Executive Officer (CEO) or Chief Administrative Officer (CAO), Chief Operating Officer (COO), and Chief Nurse

Executive (CNE) across the health system's hospitals. However, the succession planning process (as discussed below) is adaptable to other talent pools as required by executive teams across levels (hospital, service area/region, system/corporate office, or department).

- *Create a central, searchable repository of leadership talent:* Adopting a software platform to codify leadership talent across the organization represents a critical success factor for Sutter Health. Human resource professionals and executive teams populate PSDP (*Performance Success and Development Process*), a platform developed by Oracle Taleo), with performance feedback and succession data. This comprehensive repository allows Sutter Health's board and executive teams to embrace an enterprise-wide perspective on leadership talent, examine much deeper and more diverse talent pools for succession decisions, evaluate development opportunities that exist outside of a given leader's business unit, and assess system-wide talent gaps given retirement forecasts, growth targets, and new positions.
- *Foster a culture of career growth and leadership development:* The health system cultivates a work environment in which employees across functions and levels are offered clear career paths and associated development opportunities. This strategy is critical given the reticence of many talented clinicians to transition into administrative roles across healthcare delivery organizations. Employees across levels, functions, and clinical roles are afforded career paths that include professional development via Sutter Health University's course offerings, leadership development programs, job rotations and other role-based assignments, mentor and preceptor programs, and roles on enterprise-wide initiatives or task forces.

### **Talent Profiles & Talent Review Sessions**

Sutter Health's succession management system is executed through two complimentary processes: (1) the completion of talent profiles and (2) annual talent review sessions. Executive

teams across hospitals, regions, and the corporate office complete comprehensive talent profiles that are fully integrated into the PSDP system. Illustrated in Figure 4, the talent profile is a comprehensive assessment of both the individual and the position. After completing a standardized leadership potential assessment and providing ratings for *Risk of Loss*, *Impact of Loss*, and *Promotability Range*, the executive describes the employee's *Best Next Move* including the functional area (nursing, operations, IT, finance, HR, etc.), management level (grow in current role, promote to director, etc.), and type of business (transition to larger hospital, region, or system office). The executive also describes each direct report in terms of his or her readiness to succeed one or more specific roles or persons across the health system, which represents an important metric for evaluating the efficacy of the succession management system.

[Insert Figure 4 about here]

Armed with the leadership potential and development planning data provided by the *Talent Profiles*, executive teams across levels participate in annual talent review meetings. Following the system-level talent review meeting, Sutter Health Board's Chair and Executive Compensation Committee assess the talent reviews of the system CEO's direct reports (Executive Leadership Team) and emerging system-level executives. The Sutter Health Board plays a key role in providing key insights and feedback to HR professionals in the targeted development of senior leaders and design of executive development programs. This critical element of the annual talent review process holds HR accountable for developing successors to the system CEO, a key responsibility of the Board and the system CEO. The Board Chair and Executive Compensation Committee evaluate potential successors to the system CEO and create relevant development opportunities for potential successors. As demonstrated by the promotion of Sutter Health's COO, Sarah Krevans, to the CEO position in January, 2016, a smooth system

CEO transition is ultimately the result of several years of planning and collaborative work amongst HR, the Board Chair, and the Executive Compensation Committee. Former CEO Pat Fry underscored the instrumental role of Sutter Health's succession management capabilities. "Our nationally recognized talent review and succession planning program allows us to cultivate leaders from within, and the Sutter Health Board and I identified Sarah Krevans early on to assume my role. It's part of the transition planning we do within the organization [to maintain top executive talent]. I encourage other organizations to invest in their teams and to take time to mentor and plan for succession, so they experience smooth transitions in leadership."

An invaluable element of the talent review process is the facilitator's role, which is performed by a Sutter Health University (SHU) professional. The facilitator plays multiple roles throughout the talent review process. For the critical pre-talent review meeting preparation, the facilitator meets with the senior leader (hospital CEO, regional president, system CEO) of the executive team to determine the target population for the talent review. This discussion is critical given the necessary time for executive teams to effectively accomplish the multiple goals of the talent review meeting—calibrate ratings for leadership potential, 9-box grid placements, and development planning. During the talent review meeting, all executive team members are invited to offer input and comment in an effort to calibrate the leadership potential ratings and placement of individuals across the 9-box grid. A critical responsibility of the facilitator is to ensure that the executive team remains focused on discussing individual's potential for future leadership roles and not performance in the current role. Finally, the facilitator ensures that the discussion of leadership development planning and potential educational or role-based opportunities adopts a system-wide perspective that avoids 'talent hoarding'—managers keeping high potential

employees from leaving current positions or pursuing role-based developmental assignments elsewhere across Sutter Health.

### **Succession Management Performance Outcomes**

Sutter Health's succession management system is characterized by numerous capabilities of the SMC framework, particularly the deep engagement of executive teams, comprehensive performance feedback and talent assessment practices, and cultivation of a leadership development culture that adopts a system-wide view of leadership talent. Reflecting the views of Sutter Health's top executive team, Jeff Gerard, President of the Bay Area Service Area and a member of the system-level Executive Leadership Team (ELT), proclaims that "...succession management as one of the most important things we are doing in our role as system executives. Succession planning discussions and talent review sessions for senior leaders in the organization, as well as emerging leaders, is driven by system executives. There is a high level of engagement and common understanding of the importance of the topic." The rigor and depth of the talent assessment tools and talent review sessions enhances the succession management system's effectiveness. James Conforti, President of the Valley Service Area and an ELT member, remarked, "The part I like the most [about the talent review process] is where I have rich dialogue with my team and discussions about people, their current performance, readiness, and potential. We have to complete the 9-box grid and it adds rigor to the process. I like the dialogue about their true performance, and true potential moving forward. I think that the more honesty and more discussion in those conversations, the more effective our process is."

In an effort to regularly assess the succession management system's impact on key performance metrics, and subsequently communicate these findings to the board and executive teams across the system, Sutter Health focuses its evaluation strategy on four primary metrics

that comprise an annual succession management scorecard: (1) internal/external executive placement rate, (2) leadership bench strength, (3) succession management depth across Sutter Health, and (4) executive gender and ethnic diversity. Illustrated in Figure 5, Sutter Health's internal/external executive placement rate offers clear evidence of sustained excellence over a five-year period (2011-2015). Assessed as the percentage of open executive positions (VP and above) filled by internal candidates, Sutter Health establishes an annual goal of 70%.

Remarkably, the health system's internal executive replacement rate for 2011 through 2015 was 71%. Defined as the percentage of critical leadership roles with at least one 'ready now' candidate, the average leadership bench strength over a five-year period (2011-2015) was 47% (see Figure 6). By comparison, results of the *Healthcare Talent Management Survey*<sup>39</sup> report a 31% leadership bench strength score for a national sample of hospitals and health systems. Ultimately, the annual communication of these metrics to the board and executive teams effectively aligns key stakeholders around a common succession management philosophy that supports Sutter Health's strategic priorities.

[Insert Figures 5 & 6 about here]

## **Cleveland Clinic Health System**

An internationally renowned, \$7.9 billion health system comprised of the Cleveland Clinic, nine regional hospitals, 18 family health and ambulatory surgery centers, and facilities in Ohio, Florida, Nevada, Canada, and Abu Dhabi, Cleveland Clinic Health System (CCHS) is ranked second overall by *U.S. News & World Report's 2016-17 Best Hospitals* and ranked in the top five for cardiology, urology, orthopedics, gastroenterology and GI surgery, rheumatology, pulmonology, and other specialties.<sup>40</sup> Delivering healthcare services through patient-centered, integrated practice units or institutes, CCHS operates as a physician-led, multispecialty group



practice that integrates clinic and hospital healthcare services with research and education missions. The health system's steadfast commitment to succession management and talent development practices has earned numerous awards for leadership development and workforce engagement, including the prestigious designation as a "Best Organization for Leadership Development (BOLD)" in 2016 by the *National Center for Healthcare Leadership*.<sup>41</sup>

Given the incredible frequency and intensity of changes in the healthcare industry, CCHS places strong emphasis on driving high employee engagement through numerous succession management best capabilities, specifically its executive onboarding program. In recognition of the robust link between caregiver engagement, patient satisfaction, and hospital safety outcomes, and the role of leaders in driving caregiver engagement outcomes, CCHS recently embarked on journey to redesign its executive onboarding program. The increasing complexity of leader roles across the health system coupled with the organization's renewed focus on employee engagement during a period of unprecedented industry change demands new strategies for assimilating internal and external candidates into new leadership roles.

### **Executive Onboarding Program**

For caregivers who are either promoted into senior leadership roles or placed into such roles as external hires, including all director positions and above, CCHS offers a comprehensive executive onboarding program (EOP) modeled after industry best practices both within and outside of healthcare (see Figure 7). A central EOP design feature is customizing onboarding practices to each new executive's needs, which requires careful assessment of the new leadership role and work context to determine the ideal mix of onboarding activities. The customization of onboarding activities demands strong collaboration and trust between the hiring executive and HR professionals. While HR maintains the lead role in developing onboarding tools and

facilitating various assimilation processes for new executives, hiring executives play a principal role throughout the process. The following describes the four primary EOP practices:

1. *Executive Book of Knowledge*: As part of the pre-boarding process, new executives receive a welcome letter from Cleveland Clinic CEO and President Dr. Toby Cosgrove and the *Executive Book of Knowledge*, which includes a comprehensive menu of files that address the following leadership-oriented topics: Cleveland Clinic mission, vision, and values; enterprise-level strategic direction, goals, and targets; business plans and budgeting processes; organization chart; key leadership initiatives; talent development resources; performance management processes, forms, and guides; and an overview of the executive's institute or department, including resumes of direct reports, key initiatives and status, and workforce analytics scorecard.
2. *Stakeholder Analysis*: Prior to the new executive's arrival, the hiring executive and an HR professional meet to discuss the many internal and external stakeholders with whom the interviews should be conducted. Given CCHS's highly complex and matrix organizational structure, selection of the right set of stakeholders is critical for driving rapid assimilation into the leadership role. The organization's highly collaborative and consensus-driven culture demands that leaders operate from an expansive network of colleagues across divisions, institutes, and work units. After asking each stakeholder to offer his or her perspectives and feedback on a range of transition issues facing the new executive, the HR professional prepares a comprehensive report that includes confidential summaries of the perspectives shared by the new executive's key stakeholders. The new executive and HR professional meet to review the stakeholder analysis report in detail and discuss recommendations for accelerating learning and transition into the new role.

3. *90-Day Transition Plan*: The transition plan allows new executives to chart several sets of learning activities and deliverables for the first 90 days by asking each newly placed leader to formally state (a) the key stakeholders they will meet to conduct interviews, (b) the learning priorities across Cleveland Clinic's processes, systems, training opportunities, and culture, and (c) the primary work activities and deliverables that will lay the groundwork for an 'early win' or significant contribution to their respective division or institute. Based on Michael Watkins' influential research that details these key strategies and best practices, new executives formulate their 90-day plans with a focus on accelerating learning opportunities, developing strong relationships with their new bosses, creating coalitions across the organization, and maintaining work/life balance.<sup>42</sup>
4. *New Leader Assimilation*: Adapted from General Electric's new manager assimilation program and best practices supported by research findings, the new leader assimilation (NLA) process facilitates rapid development of strong relationships between the new executive and his or her direct reports.<sup>43</sup> Facilitated by an HR professional, NLA consists of a series of facilitated sessions to foster clear communication and develop strong team relationships. For the first session, an HR facilitator meets with the incoming executive's direct reports and captures their responses to a series of questions about the new executive's leadership style, key challenges that the work unit will face in the coming year, and what they want most from the new executive. Next, the HR facilitator meets with the new executive to review the responses from the first session and discuss a strategy for feeding this information back to the direct reports. Finally, the new executive meets with his or her direct reports in a second facilitated session to (a) present the aggregate responses from the initial session, (b) address any additional questions or

concerns from the direct reports, (c) seek clarification where needed, and (d) develop an action plan that adopts suggestions from the direct reports. Approximately six months following these initial sessions, the HR facilitator again meets with the new executive's direct reports to discuss strengths, development areas, and an action plan.

[Insert Figure 7 about here]

### **Executive Onboarding Program Outcomes**

The EOP's sustained impact on several key CCHS performance outcomes is enabled by several succession management capabilities, specifically the engagement of senior executive team members and a culture that prioritizes the socialization of leaders to their new roles and new team members. Karen Mihalik, Executive Director of Revenue Cycle Management, onboarded many new executives in 2014 and 2015 as part of Cleveland Clinic's strategic initiative around cost repositioning. "The most important component of the executive onboarding program is a personal commitment [by hiring executives] to making it a priority and planning around what we need to do to make sure that it is successful for our new leaders. That means my personal investment in getting to know the leader as a person and making sure that we're addressing their questions and being accessible to them, which is really the most critical part." For hiring executives and newly placed leaders across the health system, CCHS's leadership development culture is most effectively cultivated via the new leader assimilation process. Newly placed executives across CCHS describe the many NLA benefits on their onboarding experience, including (a) setting clear expectations for the new executive and his/her team members; (b) quickly building relationships and establishing mutual trust; (c) getting to know one another on a personal level; and (d) managing expectations for all team members such that poor experiences and other obstacles with prior leaders are addressed openly. A recently placed

finance executive noted the impact of the assimilation process on her onboarding experience and her team. “The new leaders on my team were fearful [of the new leadership assimilation process] because this area had a history of issues. The feedback we received from the leaders on my team was more beneficial for them than even for me because it really eased their mind. It let them get to know me and learn a lot of things about me and my style.”

The EOP’s business case is bolstered by ongoing assessment of several key CCHS performance metrics, including the job performance, engagement, and productivity of newly placed executives. Compared to executives who did not participate in the EOP, new executives who complete the program activities achieve significantly higher outcomes across each of these metrics in their first year. EOP participants are rated significantly higher on their first year job performance ratings (36.1%) for the top-box score (“*exceptional performance*”) compared to those executives who do not participate in the program (31.8%). By comparison, close to three times fewer EOP participants (3.1%) scored in the lowest category (“*meets most expectations*”) compared to executives who did not complete the EOP (9.1%). Similarly, EOP participants report significantly higher leadership support overall compared to non-EOP participants on CCHS’s annual employee engagement survey. New executives who complete the EOP are more likely to feel strongly supported by their boss via consistent performance feedback, job design that affords meaningful work, and collaborative decision-making in their business unit. To assess the EOP’s impact on first year executive productivity, CCHS collected baseline survey data in 2013 and again in 2015. For both years, the survey was administered to new executives who completed the EOP with the intent of identifying performance improvements that may be attributed to the EOP redesign. Illustrated in Figure 8, newly placed executives in 2015 were far more likely to assess higher preparedness and productivity in their job role compared to new

executives in 2013. Overall, these talent management ROI findings strengthen the business case for the EOP's impact on key performance outcomes during a challenging period of growth and increasing complexity of leadership roles across CCHS.

[Insert Figure 8 about here]

## **Practice Recommendations & Conclusions**

Illustrated by the case studies of three leading healthcare organizations, the SMC framework offer firms across industries a clear set of best practices and policy recommendations for driving succession performance outcomes in uncertain business environments. Irrespective of industry sector, organizations seeking to further develop succession management capabilities to meet the rapidly changing needs of a turbulent business environment may utilize the SMC framework as a template for identifying where to focus their efforts and resources. Whether an organization is at the nascent stages of developing a succession management process or reinvigorating an existing program that has stalled or lost support from key stakeholders, application of the SMC framework can effectively guide the agenda of board members and executive teams. Summarized in Table 2, the succession management capabilities illustrated in this article are presented as a set of core principles and supporting recommendations for practice. The development of strong *Enabling Capabilities*, including substantively engaging top leadership teams, establishing a set of succession metrics that unifies key stakeholders, and cultivating a culture centered on leadership development, provides organizations a foundation from which *Assessment* and *Transition Capabilities* may be leveraged in increasingly uncertain business environments. As noted, nonexistent or underdeveloped foundational capabilities will hamper efforts to implement more advanced and targeted succession management practices. The lack of genuine commitment from executive team members or the absence of a basic metric

strategy for evaluating succession management outcomes will ultimately obstruct the impact of talent assessment practices, leadership development programs, onboarding practices, and other succession activities.

[Insert Table 2 about here]

In closing, this article presented the Succession Management Capabilities (SMC) framework and a series of best practices and policy recommendations for driving succession performance outcomes in uncertain business environments. In addition to presenting an evidence-based business case for succession management capabilities across industry sectors, the research findings and illustrative case studies provide executive teams and board members with a practical foundation for investing in talent development and succession planning practices. As organizations of all sizes and industries confront the challenges of heightened competitive pressures and unprecedented workforce demographic shifts, the risks and costs associated with underdeveloped or nonexistent succession management capabilities will remain very high.

**Table 1.** Succession Management Capabilities, Practices, and Outcomes

| Succession Management Capabilities |                                | High-Impact Practices  | Performance Outcomes   |
|------------------------------------|--------------------------------|--|--|
| ENABLING CAPABILITIES              | Top Management Team Engagement | <ul style="list-style-type: none"> <li>▪ Designating succession management and talent development as strategic capabilities</li> <li>▪ Actively participating in annual talent review processes</li> <li>▪ Regularly teaching in leadership development programs or academies</li> <li>▪ Mentoring and developing leaders throughout the organization</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Compelling business case for succession management</li> <li>▪ Firm-wide view of succession management as a strategic priority</li> </ul>              |
|                                    | Leadership Development Culture | <ul style="list-style-type: none"> <li>▪ Emphasizing the transparency and fairness of talent review processes</li> <li>▪ Consistently communicating the results of talent review processes to employees</li> <li>▪ Training managers to engage high potential leaders in career development discussions</li> <li>▪ Encouraging managers to ‘release’ high potential employees for developmental assignments across the organization</li> </ul> | <ul style="list-style-type: none"> <li>▪ Succession management process transparency</li> <li>▪ De-emphasis of high-potential status</li> <li>▪ Reduced incidence of talent hoarding</li> </ul> |
|                                    | Talent Management ROI          | <ul style="list-style-type: none"> <li>▪ Utilizing metrics and ROI analyses to assess succession management practices</li> <li>▪ Ensuring governing board annually reviews succession management metrics</li> <li>▪ Regularly communicating succession management metrics to management teams across the organization</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Reaffirmed business case</li> <li>▪ Heightened board engagement</li> <li>▪ Management team accountability for succession outcomes</li> </ul>          |
| ASSESSMENT CAPABILITIES            | Performance Feedback           | <ul style="list-style-type: none"> <li>▪ Providing managers with annual 360-degree/multi-source feedback that is development-based</li> <li>▪ Ensuring that managers across levels meet with each of their high potential employees biannually to discuss their performance and development opportunities</li> <li>▪ Utilizing a performance management platform that engages managers and employees as stakeholders</li> </ul>                | <ul style="list-style-type: none"> <li>▪ Clear diagnosis of leadership competency gaps</li> <li>▪ Enhanced credibility and discipline of performance feedback system</li> </ul>                |



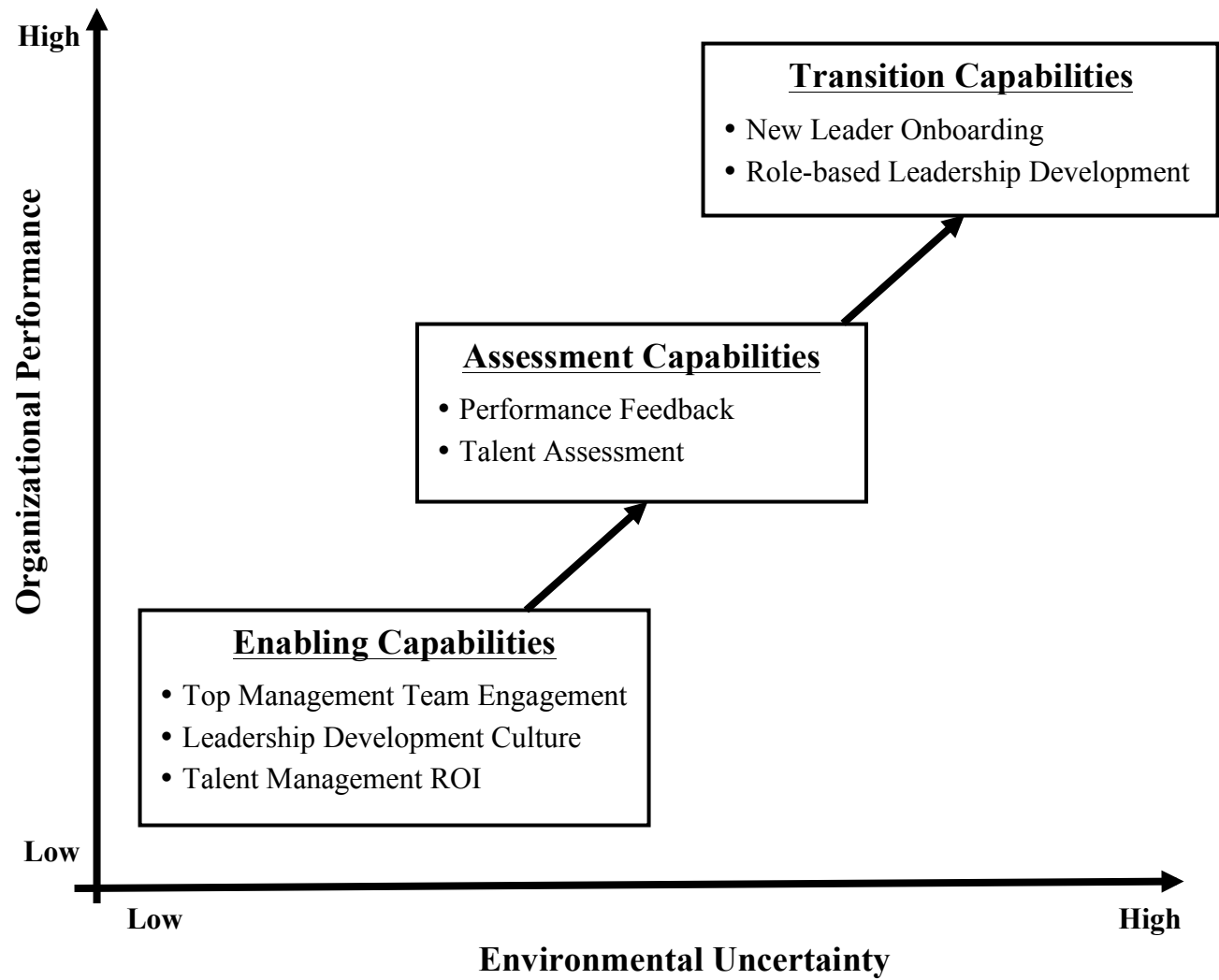
**Table 1.** Succession Management Capabilities, Practices, and Outcomes (continued)

| Succession Management Capabilities |                                   | High-Impact Practices  | Performance Outcomes  |
|------------------------------------|-----------------------------------|--|---|
| ASSESSMENT CAPABILITIES            | Talent Assessment                 | <ul style="list-style-type: none"> <li>▪ Conducting annual, rigorous talent review sessions that lag the performance review discussions</li> <li>▪ Utilizing nine-box or other assessment tools to plot employees according to job performance and leadership potential</li> <li>▪ Assessing leadership potential with a validated tool</li> <li>▪ Facilitating talent review sessions to ensure management teams engage in authentic, non-politicized dialogue</li> </ul> | <ul style="list-style-type: none"> <li>▪ Enterprise-wide view of leadership talent</li> <li>▪ Greater objectivity of leadership potential ratings</li> <li>▪ Matrix mapping employees with leadership development opportunities</li> </ul>  |
| TRANSITION CAPABILITIES            | New Leader Onboarding             | <ul style="list-style-type: none"> <li>▪ Utilizing behavioral-based interviews for managerial roles that are aligned with leadership competencies</li> <li>▪ Ensuring that all external hires and internal promotions or transfers into managerial roles complete a formal onboarding program</li> <li>▪ Conducting comprehensive stakeholder analyses and leader assimilation programs for leaders placed into new roles</li> </ul>                                       | <ul style="list-style-type: none"> <li>▪ Higher new leader engagement</li> <li>▪ Greater new leader productivity</li> <li>▪ Reduced new leader turnover and stronger retention in key roles</li> </ul>  |
|                                    | Role-based Leadership Development | <ul style="list-style-type: none"> <li>▪ Employing job rotations whereby high potential employees are reassigned on at least a half-time basis for skill development</li> <li>▪ Developing action learning programs or leadership academies in which high potential employees develop new competencies by completing team projects that address firm-wide challenges</li> <li>▪ Creating strategic, project-based assignments for high potential employees</li> </ul>      | <ul style="list-style-type: none"> <li>▪ Development of enterprise-level leadership competencies</li> <li>▪ Strategic alignment of leadership development practices</li> <li>▪ Executive team successors with broader functional, product/service, and/or geographic experiences (deeper bench strength)</li> </ul> |

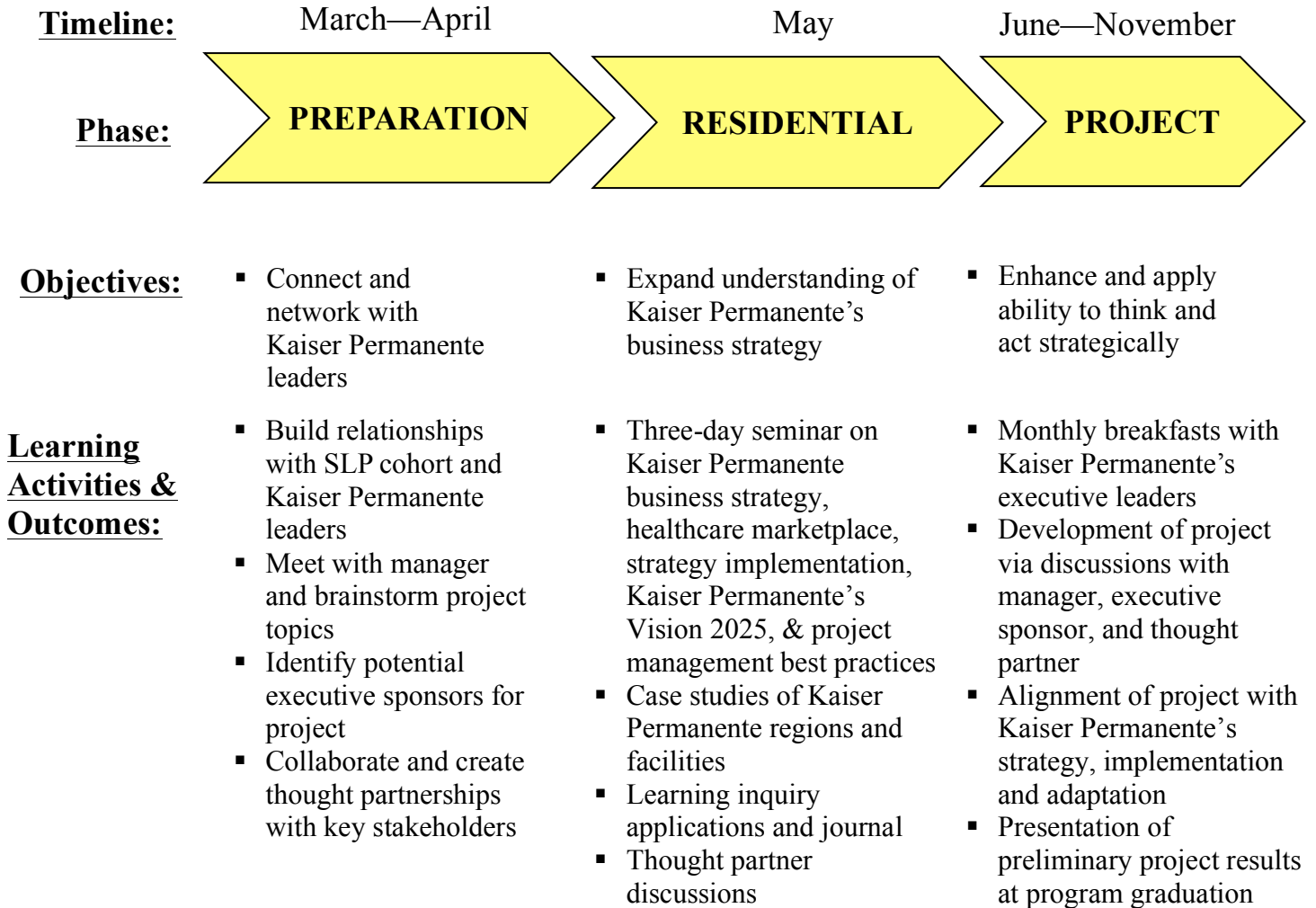
**Table 2. Succession Management Principles & Best Practice Recommendations**

|   |
|---|
| <p><b>1. Strong alignment between business strategy and succession management capabilities</b></p> <ul style="list-style-type: none"> <li>• Identify strategic talent pools</li> <li>• Elevate the strategic priority of succession management practices</li> <li>• Assess leadership development program curricula for strategic alignment</li> <li>• Leverage role-based, strategically aligned development experiences</li> </ul>  |
| <p><b>2. Substantive engagement of the board and executive teams in succession management practices</b></p> <ul style="list-style-type: none"> <li>• Engage executive teams in leadership assessment and development practices</li> <li>• Develop multiple mentoring and teaching opportunities for senior leaders</li> <li>• Compel board members to participate in talent reviews for top management team</li> <li>• Partner with regional and business unit executives to design action learning projects</li> </ul> |
| <p><b>3. Robust talent management metrics and ROI measures</b></p> <ul style="list-style-type: none"> <li>• Illustrate the looming retirement wave and workforce demographics</li> <li>• Establish an evidence-based evaluation strategy to sharpen the business case</li> <li>• Benchmark succession management capabilities against comparable organizations</li> <li>• Communicate the ROI of succession management practices to key stakeholders</li> </ul>   |
| <p><b>4. Rigorous talent assessment, review, and development practices</b></p> <ul style="list-style-type: none"> <li>• Conduct comprehensive talent reviews</li> <li>• Utilize formal leadership assessment tools</li> <li>• Link leadership assessment results to targeted leadership development experiences</li> <li>• Align leadership assessment and development practices with diversity initiatives</li> </ul>  |
| <p><b>5. Consistent cultivation of a leadership development culture</b></p> <ul style="list-style-type: none"> <li>• Facilitate multi-level and cross-disciplinary networking and development opportunities</li> <li>• Ensure co-ownership of program design and execution by HR and business owners</li> <li>• Adopt a flexible talent management software platform</li> <li>• Craft leadership development strategy and programs with targeted outcomes</li> </ul>  |

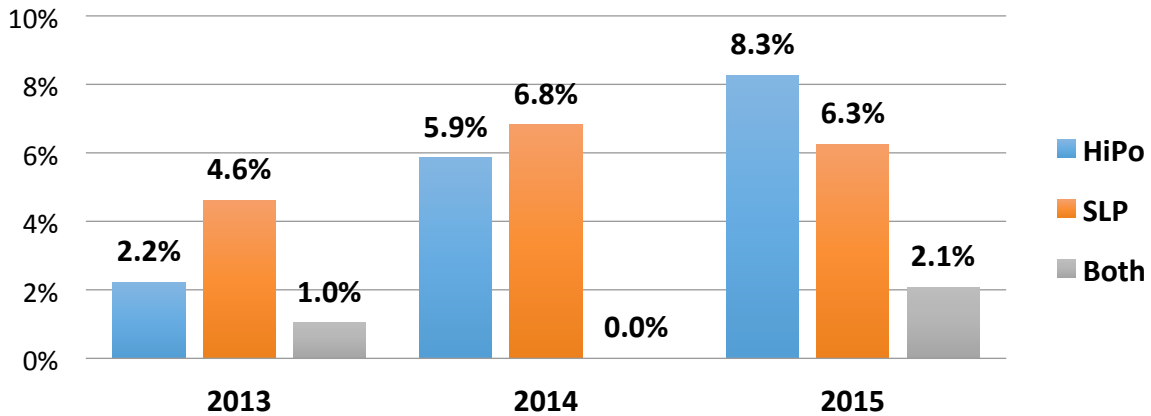
**Figure 1.** Succession Management Capabilities Framework



**Figure 2: Kaiser Permanente’s Strategic Leadership Program Phases, Objectives, & Learning Activities**



**Figure 3.** Annual Turnover of SLP Alumni versus Comparison Groups of Kaiser Permanente Leaders (2013-2015)



Source: Kaiser Permanente.

Notes: The 'HiPo' group (n = 943) includes executives who were designated as high potential leaders via Kaiser Permanente's annual talent review process but have not completed the SLP program; the 'SLP' group (n = 65) includes executives who completed the SLP but have not been designated as high potential leaders via Kaiser Permanente's talent review process; the "Both" group (n = 96) consists of executives who completed the SLP and were also designated as high potential leaders via Kaiser Permanente's talent review process.

**Figure 4.** Sutter Health's PSDP Succession Planning:  
Manager Assessment and Talent Review Worksheet

Employee Name: \_\_\_\_\_

Manager Name: \_\_\_\_\_

|                               | <b>High</b>              | <b>Medium</b>            | <b>Low</b>                                  |
|-------------------------------|--------------------------|--------------------------|---|
| <b>1. Potential</b>           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>                    |
| <b>2. Risk of Loss</b>        | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>                    |
| <b>3. Impact of Loss</b>      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>                    |
| <b>4. Promotability Range</b> | _____                    | _____                    | _____                                       |
|                               | to                       | months                   | Examples: 6 mo. 12 – 24 mo., 36 + mo., etc. |

**5. Best Next Move**

Potential job role employee could fill

Function: \_\_\_\_\_ Examples: Nursing, Operations, IT  
 Level: \_\_\_\_\_ Examples: Grow in current role, Director  
 Business Type: \_\_\_\_\_ Examples: Large Hospital, Region, Division

**6. Successor To**

Specific Role/Person: \_\_\_\_\_

Readiness: ☐ **Ready Now** ☐ **1 to 2 Years** ☐ **3+ Years**

**7. Development Planning** (to be discussed with employee)

Development Needs: \_\_\_\_\_

Potential Development Programs:

Examples: Leadership Academy, ACE, MCE

Potential Development Activities  
based on 4E Model:

Explore: \_\_\_\_\_  
 Experience: \_\_\_\_\_  
 Exposure: \_\_\_\_\_  
 Education: \_\_\_\_\_

**8. Identify Successors**

Successor Name: \_\_\_\_\_

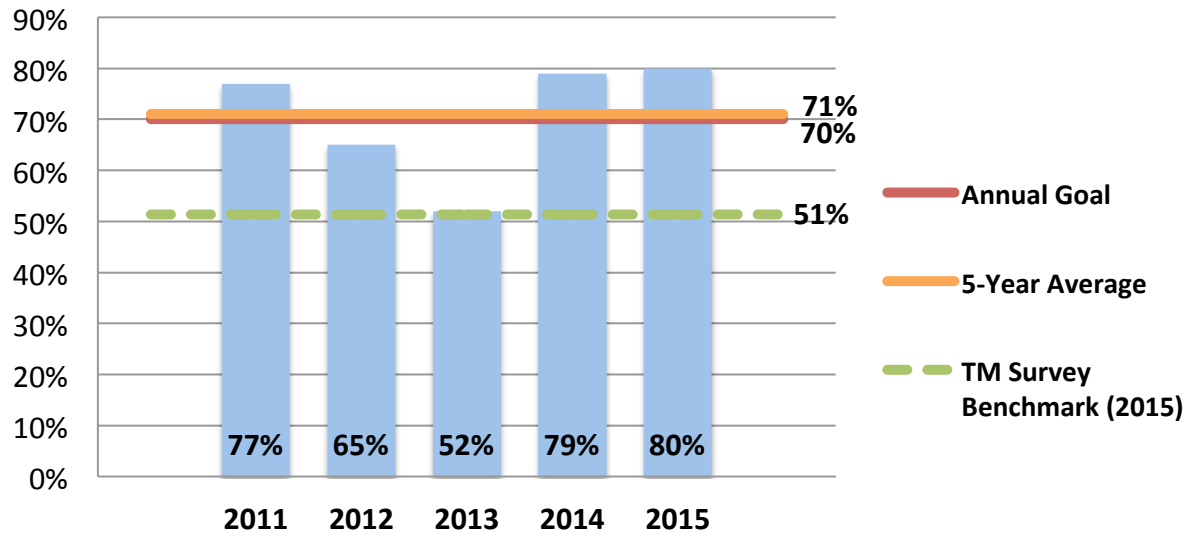
Rank (circle one): **1** **2** **3**

Readiness: ☐ **Ready Now** ☐ **1 to 2 Years** ☐ **3+ Years**

Interim Replacement: ☐ **Yes** ☐ **No**

Source: Sutter Health.

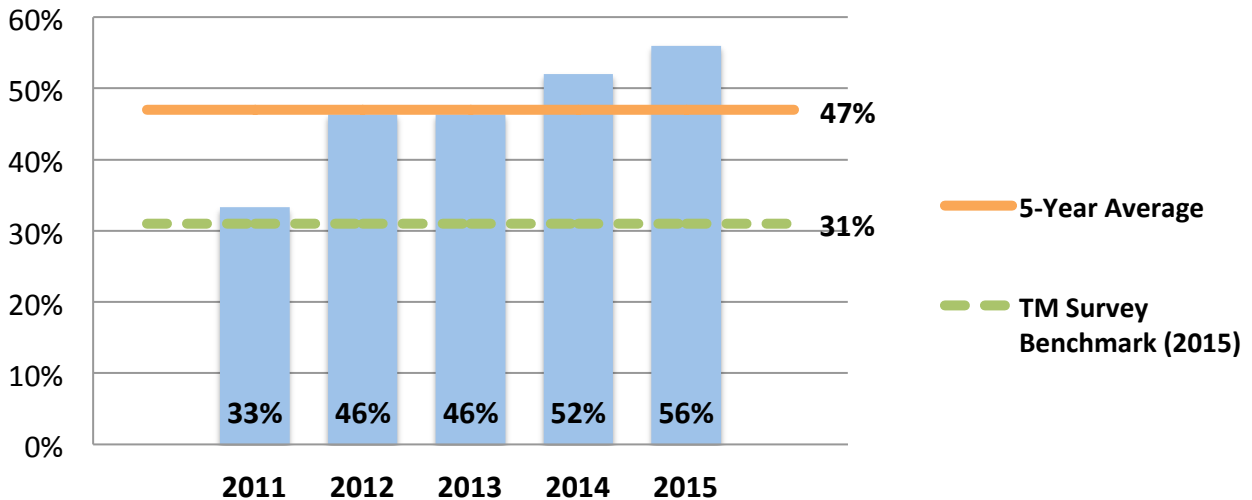
**Figure 5: Sutter Health's Internal/External Executive Placement Rate (2011-2015)\***



Source: Sutter Health.

\*Percentage of open executive positions (Vice-Presidents and above) filled by internal candidates. The TM Survey Benchmark (2015) is the average internal/external executive placement rate across a national sample of hospitals and health systems from Healthcare Talent Management Survey 2015.

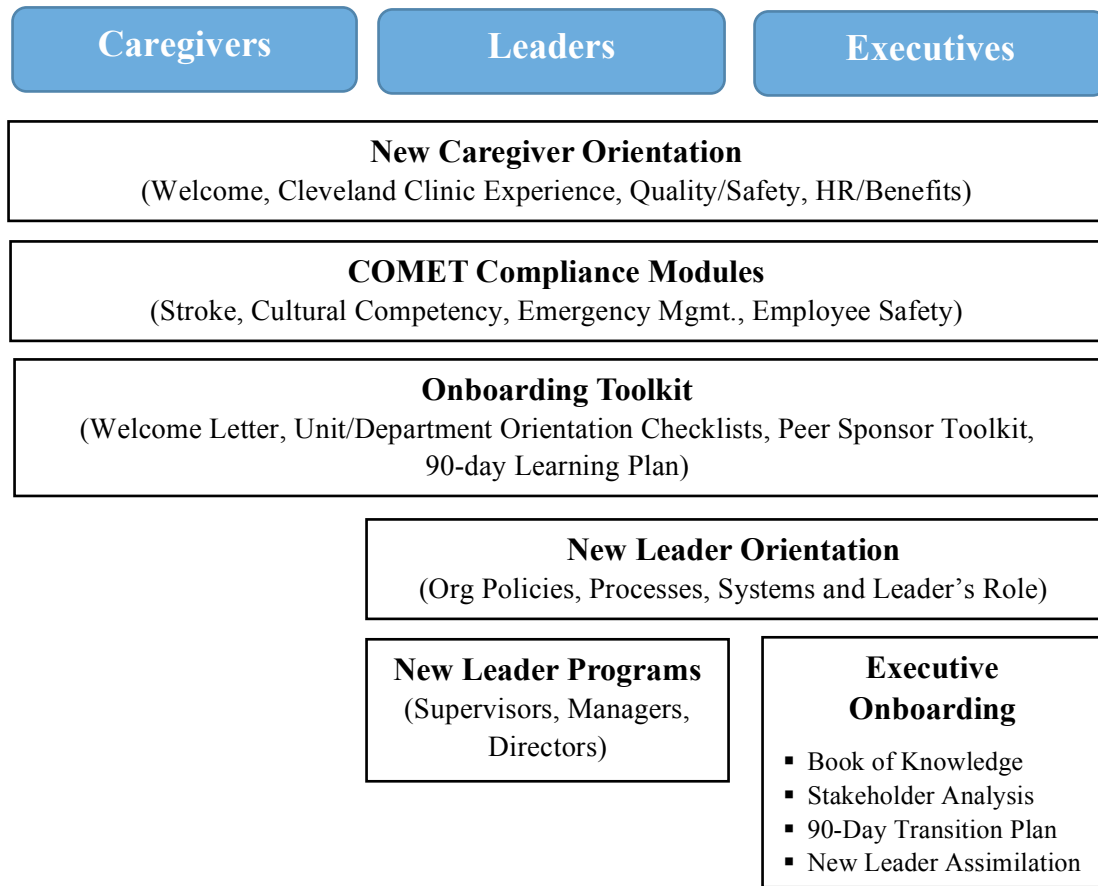
**Figure 6: Sutter Health's Executive Leadership Benchstrength (2011-2015)\***



Source: Sutter Health.

Notes: \*Percentage of critical leadership roles with at least one 'ready now' candidate. The TM Survey Benchmark (2015) is the average executive leadership benchstrength across a national sample of hospitals and health systems from Healthcare Talent Management Survey 2015.

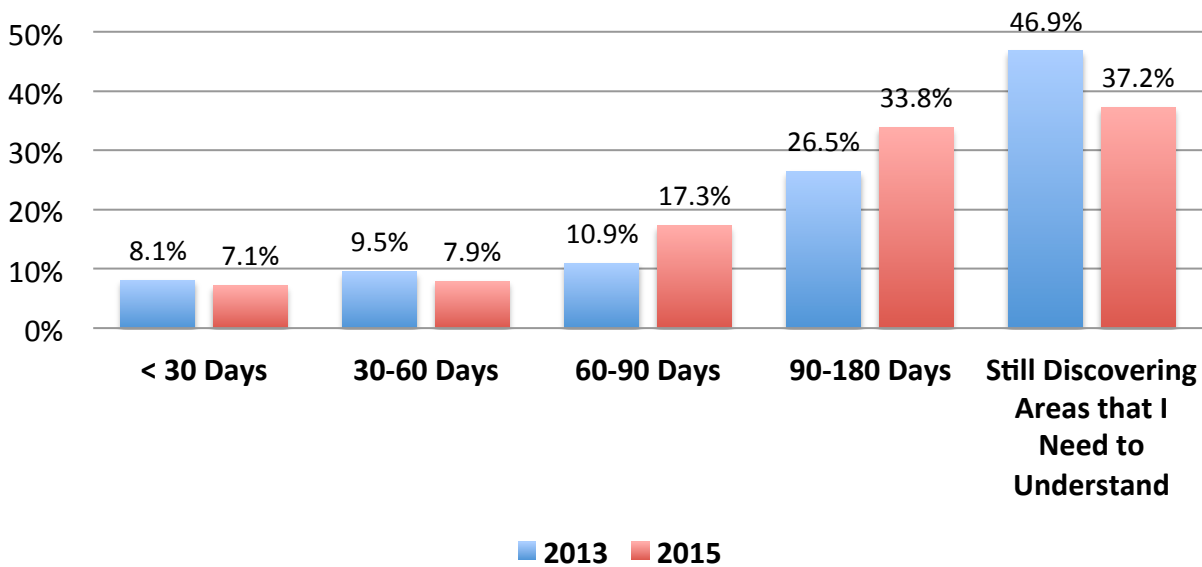
**Figure 7: Cleveland Clinic Health System Onboarding Framework**



Source: Cleveland Clinic Health System.



**Figure 8:** Cleveland Clinic Executives' Evaluation of Preparedness and Productivity in New Leadership Roles (2013 & 2015)



Source: Cleveland Clinic Health System.

## Notes

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