



Walker Healthcare
Services Group
Certified Public Accountants

Succession Planning and Practice

*An Essential
Component of Success*



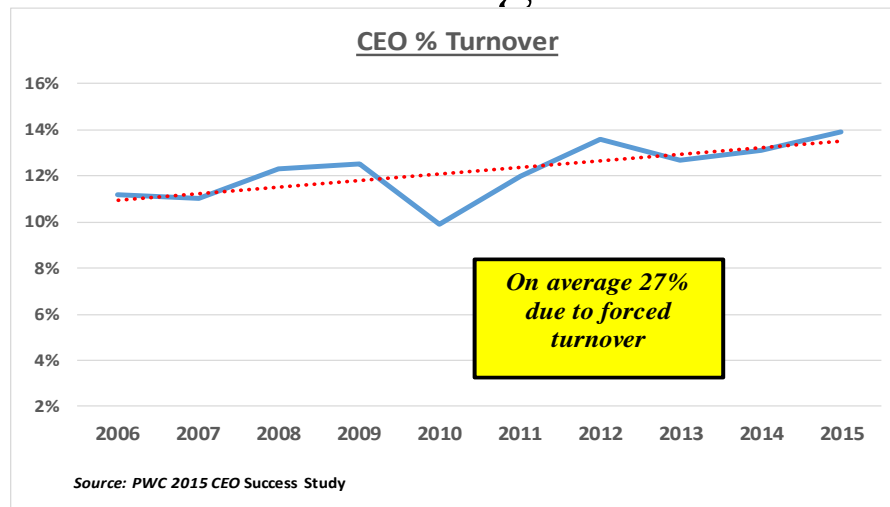
Objectives today are to understand:

- Why succession planning is Important
- What it “is” and “is not”
- How to Get Started
- Ownership and Scope
- Nature and Frequency of Critical Review
- The level of organizational change required



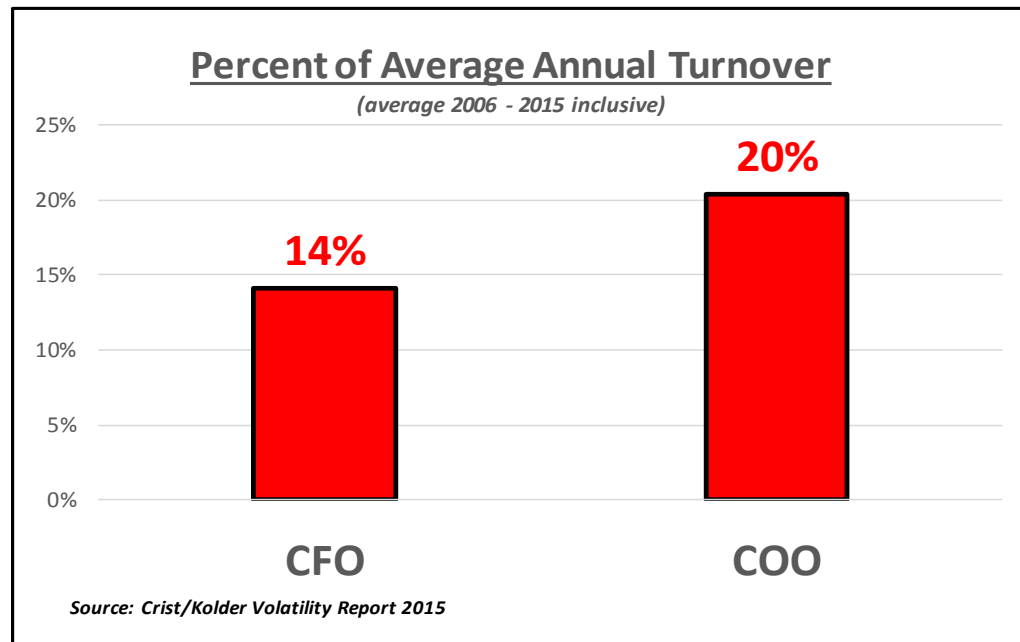
Why it is important:

- Succession planning is one of the board's most important oversight responsibilities
- CEO and other "C" suite turnover can be quite disruptive and costly to key stakeholders.
- CEO turnover is increasing



Why it is important:

- Turnover rates for CFO's and COO's are also significant



- The relative importance of “C” suite positions is (*generally*) inversely related to organization size.



Why it is important:

- Changing environmental factors places pressure on needed (and changing) organizational (and hence “C” suite) competencies:
 - Sustained regulatory changes & pressure
 - Changing customer expectations
 - Changing definitions of who the “customer” is.
 - Increasing competition in a fragmented provider market.
 - For profit providers
 - Service delivery and product
 - Need for economic efficiencies



Why it is important:

- Provides a framework that drives executive development
- Gives CEO, CFO, COO a greater opportunity to adjust/recalibrate role based upon changing needs of the organization
- Strengthens the relationship & informational flow between senior management and board.
- Reduces overreliance upon a hard driving CEO/CFO



Why it is important:

- Improved platform for executive performance measurement
- A robust & broad succession planning process
 - Builds internal “bench strength”
 - Reduces reliance upon “tribal knowledge”
 - Motivates employees: they are valuable
 - Continued supply of qualified people
- Provides organizational continuity – mission/service

Leads to greater employee retention and a high performing organization



What it is:

An integrated systemic approach to the acquisition, development and retention of key talent which ensures:

- Transition of key employees is without disruption
- The organization is better positioned post transition
- Employees are developed for “what may come next”
- Performance expectations are in alignment with and driven by organizational objectives
 - Both today and tomorrow



What it is:

An integrated systemic approach to the acquisition, development and retention of key talent which ensures:

- Part of organizational “DNA”
 - “Owned” by board & SLT
 - Continually reviewed
 - Linked to and part of strategic and operational plans
- Helps to ensure alignment between organizational capabilities and the strategic plan

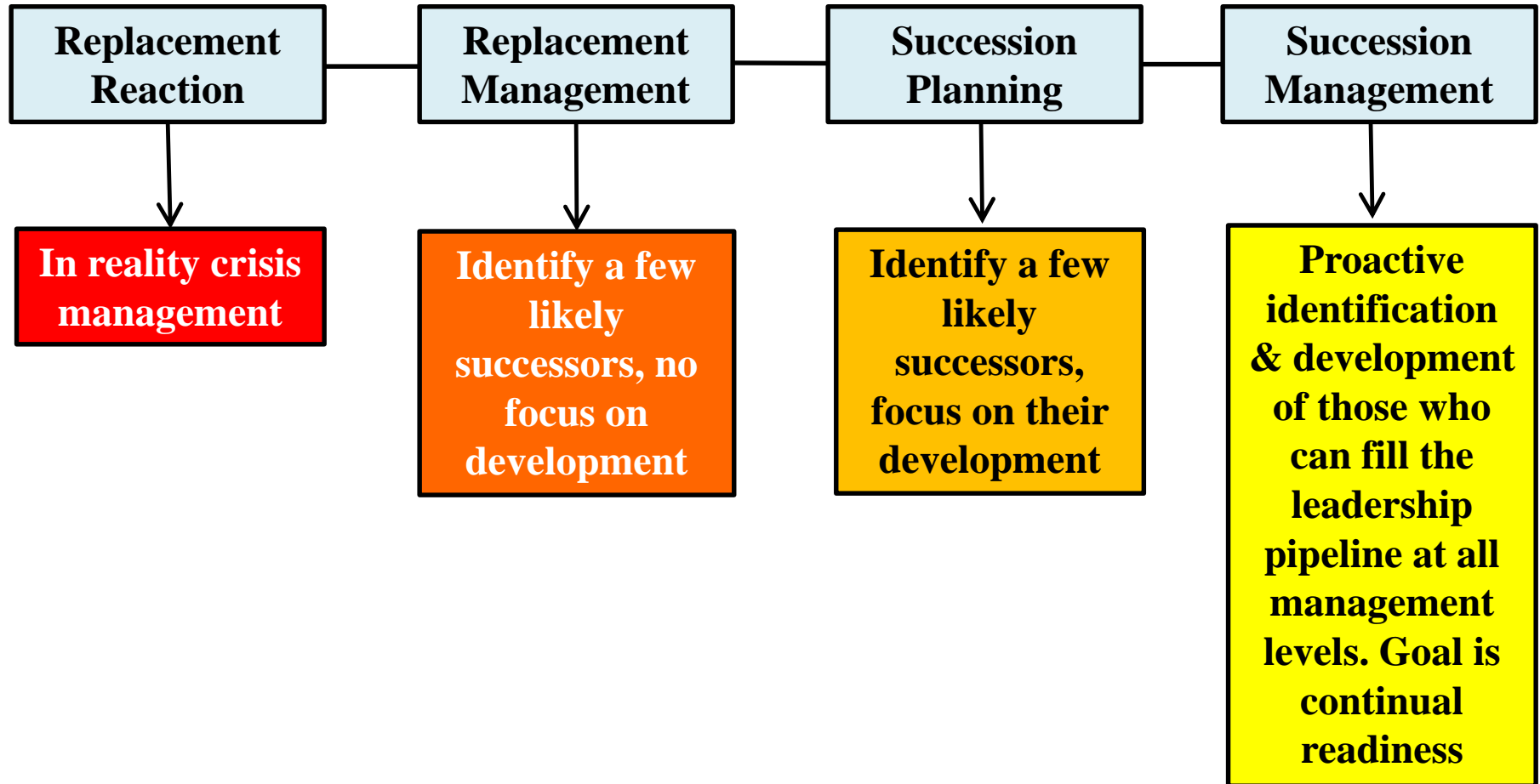


What it is not:

- Replacement management
- Only for the CEO – You may certainly start here however
- Focused upon the immediate need to “fill” a position
 - *Although this is a subset of the overall process*
- Not limited to identifying one or two potential successors for a few senior positions
- Candidates which are identified solely on feedback from their immediate supervisor
- Accomplished in secret by the board or board and CEO
- Static – A dynamic work environment requires changes in both expectations and competencies



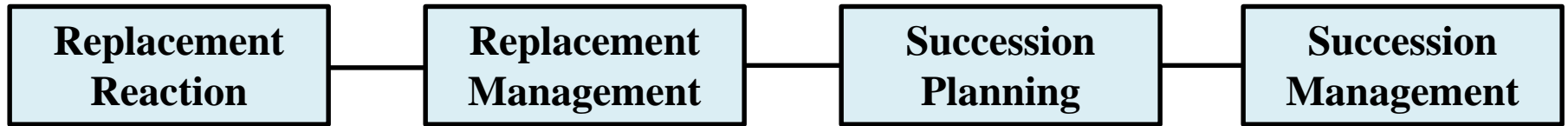
The Spectrum of Succession Planning:



Where is your organization?

The Spectrum of Succession

Planning:



Low & Shallow

High & Deep

Level of Organizational Commitment, Depth of Involvement and Impact



So where to start?

1) Establish Board & SLT ownership and oversight

- Senior decision makers must be committed and formulate a forward looking succession plan – define scope
- Be willing to commit resources to a process which becomes part of “what you do every day”
- If the organization is small it will likely need to commit budget dollars for the procurement of external resources to assist.
- To be successful, must be a process (not a drill or event) that board members and SLT view as being critical to organizational success.



So where to start?

2) Perform a gap analysis & organizational assessment

- Review your strategic plan and identify the essential skills and competencies your organization will need to have in place to succeed 1 to 5 years from now.
 - Plan for where you will be, NOT where you are.
 - These should be incorporated into the position description
 - NO FLUFF – ensure everyone understands what each means, (i.e. How does this translate into desired behaviors and outcomes?)
- Identify the key positions in your organization and map these competencies to each. This may highlight the need for an organizational shift/realignment, as you may have an organizational gap(s) – Revise position descriptions



So where to start?

3) Perform a realistic assessment of the staff in place which hold these key positions.

- Compare the required competencies to the competencies exhibited by existing staff. This gap analysis will identify the competencies to be gained and/or improved upon.
- Gain a realistic understanding of existing staff and their mobility within the near and longer term, i.e. how many key staff members may go next year, 3 years from now etc.
 - Requires open and candid discussion with employee(s)
- Realistically determine if these positions are authority and decision “hoarders”. This conclusion will impact your decision path with regard to further development with that manager and his/her staff. (*more later*)



So where to start?

3) Perform a realistic assessment of the staff in place which hold these key positions.

- So you have identified the who (position/individual) and the what (competencies), now you need to ensure they have the desire to move forward in this process...The development plan may require a lateral move for a key employee.
- Remember – You may have “diamonds in the rough” with flaws; flaws, that if significant, can harm the organization in the long term and flaws that cannot be corrected. Do not be afraid to deal with these, as sooner is better than later. Be prepared to have conversations around, “Why am I not being developed?”



So where to start?

4) Formulate development plans by position & individual

- Once gaps have been identified for key internal personnel, design a development plan unique to the needs of this individual
 - This may be in the form of in-house experience, executive coaching, project assignments, lateral move to another position, communication training, management and/or leadership development, etc.
 - Outline a reasonable plan in terms of timeframe
 - Ensure progress is tracked and its effectiveness is measured (and therefore measureable).



So where to start?

5) Identify a plan for key positions assuming turnover is abrupt

- Identify your desired approach for an interim:
 - Internal, board members or outside party?
 - Keep the list of specific individuals current!
 - Identify a “term limit”
- Even if you have internal candidates who are ready for the position, you may want to consider looking outside to understand what you might be missing... calibrate needs



So where to start?

5) Identify a plan for key positions assuming turnover is abrupt - *continued*

- Who conducts the search process?
 - If external, still need a well articulated process which includes board accountability in a very specific manner.
- Interview search firms as a part of the planning process
 - Have a short list and, if beneficial, a contract in place
 - If you wait until the need arises, it's too late
 - May use multiple firms based upon the needs of the position.



So where to start?

5) Identify a plan for key positions assuming turnover is abrupt - *continued*

- If internal candidates deemed “not ready”, have the discussion early in the process.
 - Be specific about gaps!



So where to start?

6) Outline a formal “on boarding” process for key positions

- Typically today, this only occurs IF the individual comes from another industry!
- One of the board’s key responsibilities is to position your SLT/management team for success.
- Process should be specified in advance, but the plan should include approaches unique to the individual’s experience, traits and “gaps”.
 - Remember the competency “gap analysis”...This should be performed (typically prior to selection)
 - Generally the higher the position level, the more relatively important “fit” becomes...Measure through testing



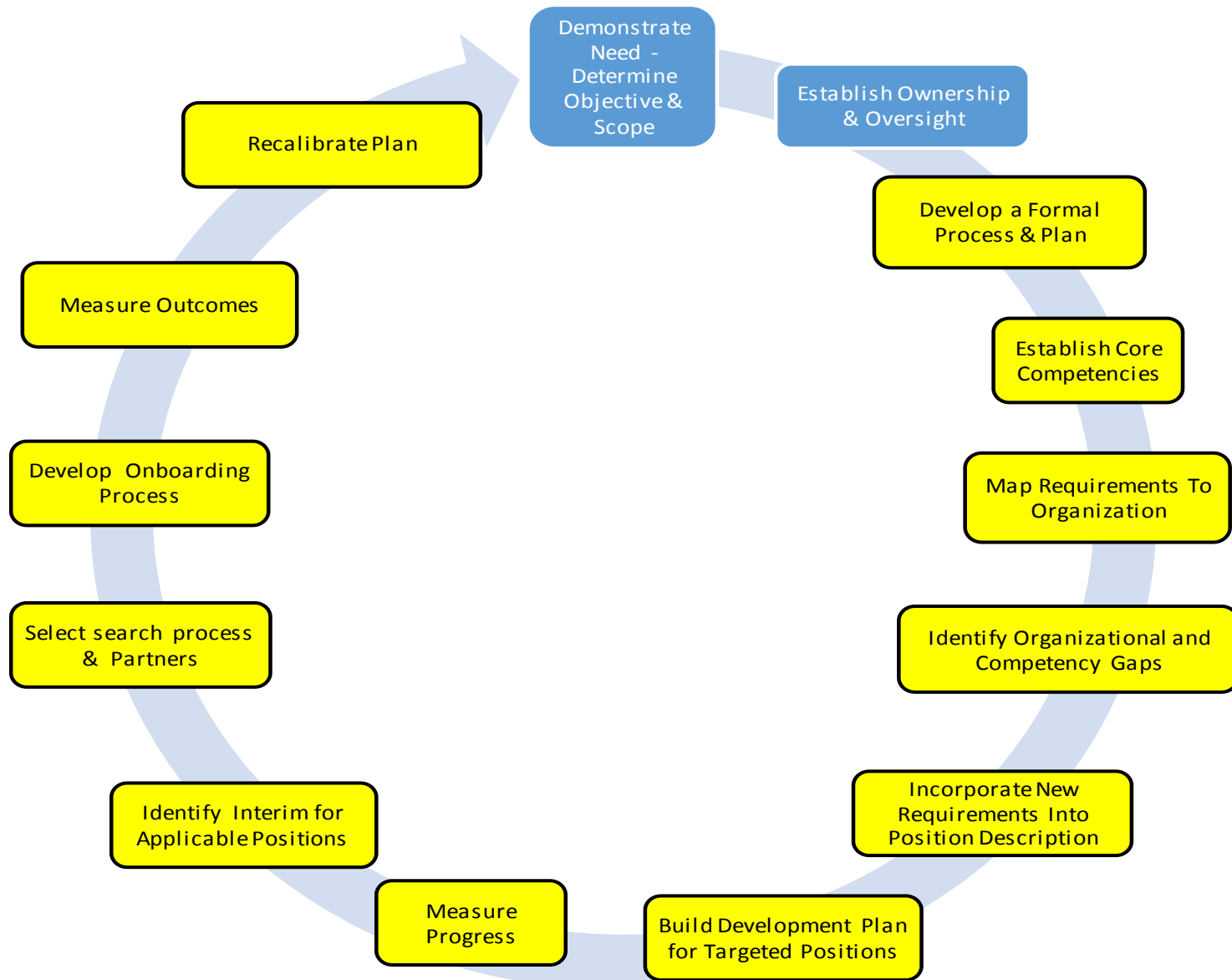
So where to start?

7) Revisit the plan and related processes

- Remember – your needs are a function of your strategic plan.
 - Are they in alignment?
- Has something changed?
 - Turnover in key positions?
 - Desire of candidates, etc.?
 - Competitive landscape? Etc.
- The overall plan should contain timeframes and triggers which initiate review and potential recalibration of plan.



Process Overview:



Some Caveats:

- Although it will contain many of these components, a plan and associated process will be unique to each organization.
- Do not keep the plan a secret
- Do not focus uniquely on “hard” skills
- Don’t underestimate the talent within
- Do consider more than upward succession
- Be careful not to tailor a CEO position’s requirements to the incumbent because they are considered great
- Be realistic about desired scope – Start with the CEO and go from there.
- Take it as a serious component of organizational responsibility – If not up for the commitment, don’t try





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Thank You

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