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Succession Planning: Trends Regarding the Perspectives of Chief Executive Officers in United States Hospitals

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ABSTRACT

A study was conducted to revisit the perceptions of chief executive officers (CEOs) in United States (U.S.) hospitals regarding the origin of leadership and how they felt about internally developed successors versus externally recruited successors. Furthermore, the study sought to understand how this group of executives utilizes the succession planning process, what factors impact successor identification, what positions are applicable for succession planning activities, and who is ultimately held responsible for leadership continuity within the hospital industry. The results of this 2012 study were compared to a previous study conducted in 2007 to determine if the perceptions had changed over time.

Keywords:

Leadership Development, Succession Planning, Executive Development
INTRODUCTION

Succession planning and leadership development have long been strategic initiatives which necessitate administrative consideration. Workforce shortages continue to require healthcare organizations to analyze where strategic changes in leadership may be applicable and forthcoming. Initiating proper succession planning and leadership development is critically important, but many organizations still do not devote enough time and resources to the transition of their leaders.1

Effective succession planning is thought to provide seamless leadership transitions. Failure to effectively apply succession planning efforts can carry significant consequences. The processes involved with cultivating appropriately trained and prepared successors are no longer consider options and should not be avoided or disregarded. Absent a succession planning process, organizations see escalating operational costs, decreases in the quality of patient care, and are subject to any number of violations in regulatory compliance due to issues largely surrounding learning curve errors. A concerted effort should be placed on succession planning to avoid unsavory repercussions.1

In 2007, a study was designed to examine a variety of factors in association with succession planning and leadership development in healthcare organizations. It focused on the perceptions of chief executive officers (CEOs) in United States (U.S.) hospitals regarding the origin of leadership and how they feel about internally developed successors versus externally recruited successors. The study sought to understand how this group of executives utilizes the succession planning process, what factors impact successor identification, what positions are applicable for succession planning activities,
and who is ultimately held responsible for leadership continuity within the hospital industry. In 2012, this study was duplicated to determine if there were any changes in the perceptions of CEOs of U.S. hospitals regarding the same topic areas.

The survey used in the initial study was distributed to a group of randomly selected CEOs. These participants were chosen from a nation-wide database of approximately 6,300 U.S. CEOs within the hospital industry. The survey was fielded for 30 days. When the initial 30 day fielding period ended, a secondary survey was mailed to non-respondents to assure the highest possible response rate. A total of 995 surveys were successfully delivered and 186 respondents completed and returned the survey resulting in a response rate of 18.7%. This is compared to 992 successfully delivered surveys, 183 completed and returned surveys, and an 18.4% response rate in 2007. It should be noted that some results reflect lower response numbers if the respondents did not answer every survey question. Total respondents are noted within the figures.

**DISCUSSION AND KEY FINDINGS**

**Nature or Nurture: The Ongoing Debate**

Theorists have deliberated about the origin of leadership for decades. Some believe that leaders must be born with their abilities and the process of developing leaders is a waste of time because the necessary skills cannot be effectively taught. Others theorize that true leadership skills can only be developed over time and with appropriate education and training.²³

To examine how U.S. hospital CEO’s felt about the origin of leadership, survey participants were asked if they felt leaders were born rather than made. Figure 1 depicts
their responses. The results indicated that the controversy regarding the origin of leadership still exists. As the figure demonstrates, in 2007 a total of 44% (44/100) of respondents disagreed or strongly disagreed with the statement that leaders are born rather than made. Furthermore, 35% (35/100) agreed or strongly agreed to the statement. In 2012, 42% (77/183) of respondents disagreed or strongly disagreed with the statement and 40% (74/183), of respondents agreed or strongly agreed to the statement that leaders are born not made.

When results from the initial and subsequent surveys were combined 43% (121/283) of respondents disagreed or strongly disagreed with the statement that leaders are born rather than made. This significantly outnumbered the 39% (109/283) of those who agreed or strongly agreed with the statement. Therefore, the perception of this particular respondent group is more likely to be that leaders are developed rather than born.

When the initial and subsequent surveys were compared, one interesting observation resided within the neutral category. The 2012 survey yielded only 17% of respondents who were neutral on the born versus development topic. In 2007, approximately 21% held neutral positions. This would seemingly indicate that the more recent survey population was more likely to have a firm perception of one side or the other on this specific topic of leadership development. The “gap in the middle”, or the number of those “sitting on the fence”, decreased over this five year period.
**Succession Planning Efforts**

Healthcare organizations are stated to be increasingly aware of the importance of succession planning priorities.¹ This comparison study seemingly supports this statement. The 2012 survey indicates that 66% of hospitals are now utilizing succession planning in their organizations as compared to 55% in the 2007 study.² This is a significant increase especially when 2005 studies are considered which indicated that only 21% of hospitals focused on succession planning at that time.⁴ However, the overall focus may still be somewhat low given 93% of executives surveyed across all business sectors indicate that succession planning is extremely important to long-term organizational success.⁵ The healthcare environment may still require even more focused effort on succession planning, but there does appear to be some significant improvement.

**Internal Versus External Leadership Succession**

When making leadership selections, healthcare organizations must strategically determine who will champion their initiatives⁵ ⁶ Placing the wrong individual in a leadership role can result in overwhelming organizational problems ranging from low employee moral to financial destruction.⁵ ⁷ Leadership selection can be a daunting responsibility. However, selecting the right person for leadership positions is paramount to organizational success and internal promotion should be a routine practice.⁸ ⁹ This practice has been thoroughly supported by studies which indicate that internally cultivated leaders promoted from within the organization generate higher rates of organizational performance than their externally recruited counterparts.⁵ ¹⁰ Consideration for internal promotion is supported by other studies which have shown that organizations
which place an emphasis on in-house promotion report higher financial returns than those organizations which do not.\textsuperscript{5,11}

Although there are many advocates for internal promotion, there are also those that believe externally recruited leaders produce better organizational results. As a whole, organizations across all business sectors tend to seek external replacements most often for top level positions.\textsuperscript{12} This is especially true in organizations where a radical change is needed which internal candidates are thought to be capable of overlooking. Externally recruited leaders bring a fresh perspective to the organization when a radical change is needed.\textsuperscript{8,13}

Participants of the 2007 study reported that 40\% of them had been promoted to their CEO positions from within their current organization.\textsuperscript{2} The 2012 survey revealed only a slight increase indicating that 41\% of these respondents were promoted from within their current organization. Only 61\% held a technical degree in the 2012 survey as compared to 70\% in 2007.\textsuperscript{2} Registered nurse was the most common technical degree held by these specific hospital CEOs which was consistent between both the 2007 and 2012 surveys.

Figure 2 indicates how respondents felt about the internal versus external leadership issue. In 2007, 62\% of respondents indicated that they felt externally recruited leaders were more successful in their leadership roles when compared to internally promoted counterparts.\textsuperscript{2} In 2012, 72\% of respondents agreed with the 2007 survey on this point. This presents an interesting issue. Research shows a positive correlation with succession planning and leadership success; however, the respondents in both the 2007 and 2012 survey report externally recruited leaders are more successful than internally
promoted leaders. Therefore, the speculation can perhaps be made that one of the fundamental obstacles to implementing succession planning in U.S. hospitals is that the CEO’s still do not perceive internal successors to be more likely to succeed than their external counterparts. However, one would then ponder as to why a seemingly significant increase of succession planning activities exists in hospital organizations (55% in 2007; 66% in 2012). If CEOs deem internal succession to yield less successful leaders, why are they increasing their succession planning efforts?

This conundrum still needs further review and research. With the surplus of management literature offered on the positives associated with internal promotion, the responses gathered from these studies are interesting. Perhaps the healthcare industry experiences complexities associated with internal promotion not noted in other studies or perhaps this is merely an education and training issue.

Championing the Process

Cultivating the next layer of leadership can be an overwhelming, intrusive, and a time consuming process. Therefore, ownership of the process can go unclaimed, avoided, or debated. Some feel development of a leadership pipeline is the responsibility of executives given it is a leadership issue. Others feel it is a function of the human resource department since it is a workforce, labor, and training issue. In reality, literature shows that succession planning is more of a shared responsibility between executives and the human resource department. Although coordination of the process may more logically belong to the human resource department, the responsibility for the development and outcomes of the process belongs to executives.
As Figure 3 indicates, 91% of respondents from the initial study indicated that the responsibility of succession planning belonged predominantly to the current leadership team rather than the human resource department. In 2012, the percentage slightly dropped to 90%. The message is still clear that the overwhelming majority of both studies place the responsibility of building the leadership pipeline on the current leadership team.

**Positions Applicable for Succession Planning**

Succession planning activities is often reserved only for the position of CEO. However, healthcare organizations should be cognizant that succession planning can be used advantageously for the identification, cultivation, and development of any key position in the organization.

Figure 6 demonstrates that the position of chief executive officer remains as the position perceived to be the most suitable for succession planning. In 2007, positions in the marketing department were perceived to be the least likely to be suitable for succession planning. In 2012, marketing moves up slightly and the least likely position to be suitable for succession planning is reported as those in Radiology.

**Key Factors in the Identification of Successors**

The identification of potential internal successors is challenging given some may not have the opportunity to demonstrate their potential leadership attributes and skills prior to the need to fill the position. This is, of course, is if an individual’s attributes and skills are what current executives use to identify potential would-be potential leaders.
There are many research studies which identify strategies that might be used when identifying leaders. However, there is little information on how other attributes such as friendship and political connection influences the selection process. Therefore, participants were asked to reveal the most predominant factors in terms of identifying future leaders.

As Figure 5 indicates, both the 2007 and 2012 surveys indicated that competency is the most highly ranked factor when identifying successors. In the 2007 survey, 45% of respondents indicated competency was the top factor; in the 2012 survey, 57% of respondents indicated it as the top factor. Therefore, competency receives even a higher percentage of the respondent vote in 2012 than in 2007. Although to a much lower degree, respondents indicate that friendship and political connection also have an impact on some successor identification. In the 2007 study, friendship held the lowest percentage of respondent vote coming in at 6% and political connection was close behind at 7%. In 2012, friendship and political connection reversed their rankings. Political connection was reported to hold the least important factor at 3% and friendship held a slightly larger portion of the respondent vote at 8%.

CONCLUSION

Long-term organizational success of healthcare organizations depends on effective leadership. This comparison study reveals that questions still exist in terms of internal promotion versus recruitment of leadership; it also reveals that more emphasis is being placed on succession planning activities especially in the highest ranking positions such as CEO. The information gathered from the 2007 and 2012 surveys provides a chance to more effectively understand how healthcare organizations utilize succession
planning. Even though there is a glut of management studies which indicate internal promotion creates higher economic returns and more successful organizational performance than external recruitment, there is still an opportunity to increase succession planning in healthcare organizations. The increased number of CEOs reporting their facilities utilized succession planning activities is a positive move in the right direction, however the perception that internally promoted leaders are less successful than their externally recruited counterparts provides an interesting chance for further research on the perceptions of succession planning in U.S. hospitals.
Figure 1: Leaders Born Not Made

Figure 1- Partial Source: Collins, SK (2009). Succession Planning: Perspectives of Chief Executive Officers in US Hospitals. The Health Care Manager. 28(3) 258-263.

Figure 2: Externally Recruited vs. Internally Promoted Leaders

Figure 2 - Partial Source: Collins, SK (2009). Succession Planning: Perspectives of Chief Executive Officers in US Hospitals. The Health Care Manager. 28(3) 258-263.
Figure 3: Executives Responsible for Cultivation of Leaders

Figure 4: Positions Suitable for Succession Planning

Figure 3 - Partial Source: Collins, SK (2009). Succession Planning: Perspectives of Chief Executive Officers in US Hospitals. The Health Care Manager. 28(3) 258-263.

Figure 4 - Partial Source: Collins, SK (2009). Succession Planning: Perspectives of Chief Executive Officers in US Hospitals. The Health Care Manager. 28(3) 258-263.
Figure 5 - Partial Source: Collins, SK (2009). Succession Planning: Perspectives of Chief Executive Officers in US Hospitals. The Health Care Manager. 28(3) 258-263.
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