

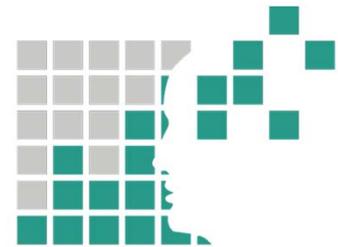
Succession Planning: The Key To Long-Term Leadership Success

The 2015 *OPEN MINDS* Executive Leadership Retreat
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Agenda

- I. Critical Elements In Succession Planning
- II. Succession Planning Case Studies
 - The Adaptive Model – Spectrum Healthcare
 - April Razo, LAMFT, Chief Executive Officer
 - Robert D. Cartia, M.B.A., M.A., LISAC, Mentor/Coach/Retiring CEO
 - The Maturity Model – Harbor Behavioral Health
 - John M. Sheehan, M.B.A., Chief Executive Officer
- III. Questions & Discussion



Learning Objectives

- Discuss why it is so important to have a plan in place
- Discuss the critical elements that go into a good succession plan
- Discuss the role of the Board and CEO in developing and implementing a plan
- Describe how to prepare an organization and community for a smooth transition
- Outline the critical elements needed in a strong plan
- Discuss the importance of planning for “unexpected” changes at the top
- Discuss the importance of “transparency” and effective communications
- Outline the steps needed for a Board to conduct a successful CEO recruitment strategy



“Before everything else, getting ready is the secret to success.”

- Henry Ford



“I start with the premise that the function of leadership is to produce more leaders, not more followers.”

- Ralph Nader



“From now on, choosing my successor is the most important decision I’ll make. It occupies a considerable amount of thought almost every day.”

- Jack Welch

(Former CEO, General Electric; quoted 9 years before his retirement)



“The boss’s failure to groom an internal successor may point to a more difficult aspect of the problem. Some CEOs have a hard time acknowledging their dispensability (and their mortality) or are reluctant to have anyone near them who could eventually take their place. The board may have colluded in sustaining the perception of utter dependence on his presence. All of this does the organization a disservice and makes the CEO’s retirement bittersweet rather than a cause for celebration.”

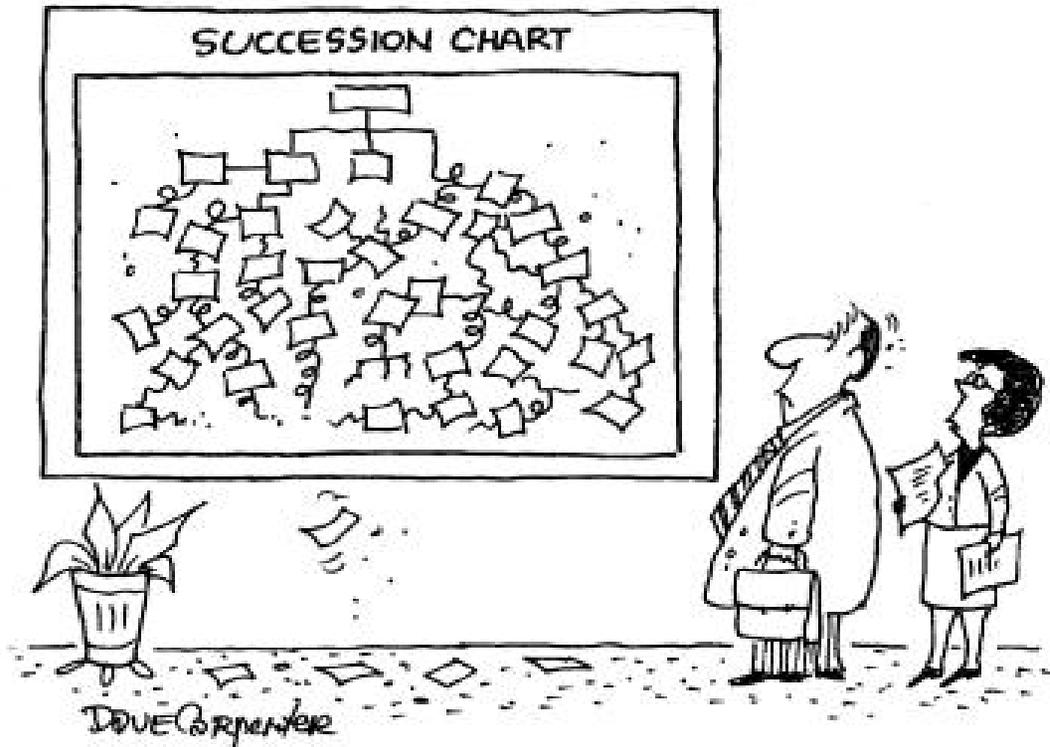
- Dr. Kerry J. Sulkowicz

Source: Sulkowicz, Dr. Kerry J. (2005, May). The Corporate Shrink Fast Company, 96



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“We’re presently entangled in a power struggle.”



Definition Of Succession Planning (Homegrown)

“A succession planning and management program is the organization’s deliberate and systematic effort to ensure leadership continuity in key positions, retain and develop intellectual and knowledge capital for the future, and to encourage individual advancement”

- *OPEN MINDS*, May 2005



Another Definition Of Succession Planning

“Succession Planning is a process whereby an organization ensures that employees are recruited and developed to fill each key role within the company. Through your succession planning process you recruit superior employees, develop their knowledge, skills, and abilities, and prepare them for advancement or promotion into ever more challenging roles.

Through your succession planning process, you also retain superior employees because they appreciate the time, attention, and development that you are investing in them...to do it effectively you must identify the organization’s long term goals...

You need to identify and understand the developmental needs of your employees. You must ensure that all key employees understand their career paths and the roles they are being developed to fill. You need to focus resources on key employee retention...and need to be aware of employee trends in your area to know the roles you will have difficulty filling externally.”

- Unknown Source



Why Is It Essential That A Written Plan Be In Place? (Internal, External, Planned, Sudden)

- It reassures the organization/stakeholders
- Minimizes surprises; stressful developments
- Makes changes feel “seamless”
- Board, staff understand the process, procedures, and roles
- Encourages career progression
- Fosters corporate culture of valuing human assets
- Ongoing auditing of talent pool needed based on strategic plan



The Board's Responsibility

- CEO hiring/firing/evaluation
- Strategic plan approval
- Budget approval
- Fiduciary responsibility to community
- Major policies/procedures



Internal Or External Succession Plan?

- Internal rationale
 - Provides for stability
 - Reduces learning curves
 - Cost effective
 - Recruitment and retention aid
 - Community perception of smooth transition
 - Encourages internal competition and growth
- External rationale
 - No talent identified
 - Marketplace requires new skills
 - Fresh ideas and new perspectives
 - Can “compare and contrast”



Timing Is Everything

- When is it best to announce?
- Ideal time for a transition
- How long between announcement and actual succession?
- How long an overlap between departing and new leader?



What Should Take Place During This Period From Announcement To Actual Departure?

- Work goes on as usual...no “lame duck” here
- Work “the plan” ...it was good then, and it is good now
- Accountability doesn’t change
- Communicate clearly and frequently
- Attend to internal and external stakeholders
- Understand there is a “grieving” process, with stages
- Understand that the focus will begin to change to “what about me?” (talk about it)
- The Board is more essential than ever



Where To Begin

- Organization commitment; Board and CEO
- Evaluate staffing needs – now and in the future
- Commitment to performance appraisal systems and evaluations
- Match staff strengths and potential to needs
- Institutionalize development plan for each participant
- Annual review of systems and processes...adjustments

Where To Begin (Continued)

- Career development understood as a two-way street
- Development of a specific outline of skill sets, experiences, and knowledge required for each leadership position
- Identification of employees who have the potential to move into such positions
- Shared organization/employee commitment to have this person participate in the succession planning process – without a guarantee of promotion
- Designation of a senior manager to manage the organizational processes and ensure annual reviews/revisions/evaluations take place (HR?)
- Remember: no guarantees, but important to seize the opportunity to grow and maximize one's potential



Defining The Actual Process Of Picking A Successor

- Who's involved?
- Step-by-step outline of an "ideal" search process and role of the Board
- How are interviews planned and scheduled?
- How many candidates should be considered?
- What critical discussions with candidates need to take place?
- Timetables for a process?
- Role of candidate's spouse/significant other?



How To Define The Profile Of An “Ideal” Successor

- Review organization’s strategic plan (know your local and national trends)
- Input from key internal/external stakeholders
- Put it in writing



What About The Transition Period?

- Best use of a transition period while current CEO remains in place
- The actual passing of the gavel – the importance of symbolism
- A celebration of the past and opportunities for the organization
- Is overlap a good thing? For how long? How managed?
- Honoring one's predecessor



The Importance Of Communication Throughout The Entire Process

- From the Board
- From the CEO
- From management
- Change = anxiety for staff, clients, and community
- Information circulated often and consistently will reduce anxiety
- Important that communication comes from the Board



Succession Planning – When Unexpected (“Stuff” Happens)

- What should be in place “just in case?”
- Critical role of the Board
- Selection of an interim leader
 - Process
 - Qualifications
 - Expectations
 - Authority
 - Role of the Board
- Defining a process to select a permanent successor



What Should Take Place During The Selection Stage – Internal Or External

- Needs analysis – developing the profile
- Critical role of stakeholders – internal and external
- “Culture assessment”
- Search strategy
- Research, sourcing, marketing
- Qualifying candidates (and spouses, significant others)
- Presentations: oral, written; behavioral interviews
- Testing (e.g. emotional intelligence, DiSC)
- References; validating track record
- Win-Win approach to offer
- Integration into organization and community



Minimizing Disruption; Assuring As Seamless A Transition As Possible

- Business needs to go on
- Dealing with the “walk on water” fantasy
- Control issues can be disruptive
- “Grieving” process is normal, and variable
- No one likes surprises...so begin with the end in mind



One More Time...

- The critical importance of communications throughout the process



When It Goes Wrong, It Goes Very, Very Wrong! A Few Examples & “If Only We Had...”

- When it wasn't in writing at a time of crisis
- When there wasn't a designated interim who was equipped to step up
- When there was no consensus about future direction
- When internal struggles for influence prevail
- When Board and CEO aren't on the same page
- When external forces can impact a Board



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The Adaptive Model: Spectrum Healthcare

April Razo, LAMFT, Chief Executive Officer

Robert D. Cartia, M.B.A., M.A., LISAC, Mentor/Coach/Retiring CEO



- Spectrum BOD annually requested succession plan update
- Over the past ten years, CEO mentored two senior Executive Team members as possible successors
- June 2014 Spectrum Healthcare CEO negotiated final year employment contract (9/14 -8/15)
- Despite mentoring efforts Spectrum CEO and BOD not confident in the viability of any internal candidate
- The Board wanted to evaluate seasoned applicants



- The Board asked CEO to engage Stuart Meyers for a national candidate search
- Dr. Meyers conducted an initial on-site assessment
- Dr. Meyers asked CEO if "there was anyone internally we are missing"
- That query prompted a wider view of "possibilities" including a re-review of aforementioned mentored managers
- Examined individuals outside of the normal line of ascension



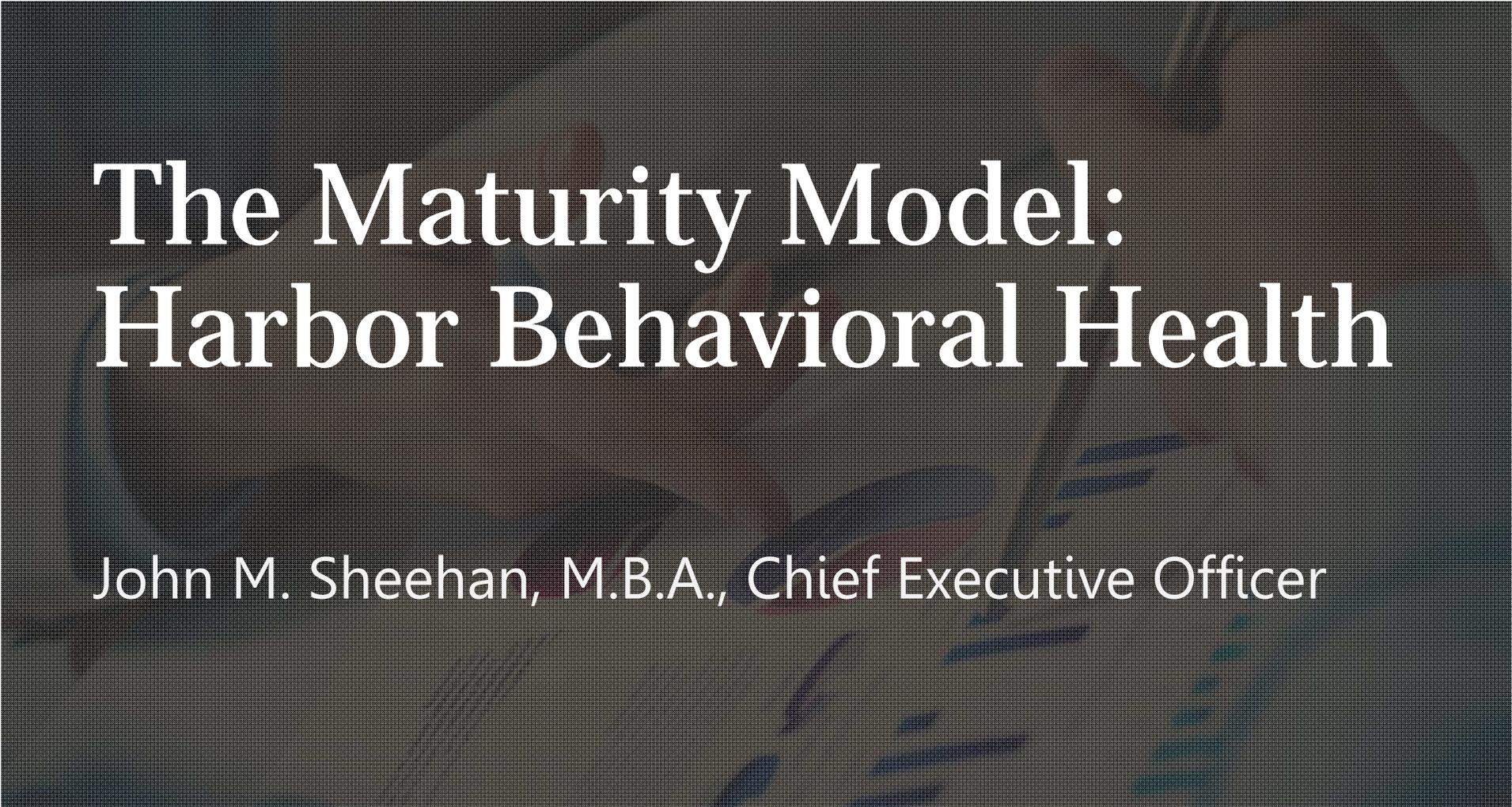
- Two people identified as long shots with April (Children's Program Director) one of the two
 - April was not well known to CEO, but stood out
 - Her skills, talents, and interest were explored
 - Note: At that time, had six members of an eight member E.T. that rose from the ranks
- April was introduced to Dr. Meyers
- Dr. Meyers and CEO discussed new option with the Board



- Opportunity of a lifetime – I was minding my own business and doing my job – “Hey! You want to be the CEO?”
- Early bird gets the worm – Stuart and Robert discussed the proposed timeline with the BOD – I would get to apply and be considered ahead of external applicants
- The path to the finish– Stuart and Robert laid out the process and timeline



- The Evaluation Process
 - Took place over 4 months
 - Interview with Stuart
 - Emotional IQ analysis and DiSC profile
- THE BIG DAY
 - All day interviews with the Executive Team and the BOD
 - A presentation to the BOD and E.T. discussing my perception of the challenges ahead for our agency and how I propose to tackle them
 - The BOD voted at the end of the day — SUCCESS!
- The Development Plan
 - Robert crafted a robust development plan to cover the transition time period – the purpose of the plan was to ensure that I had exposure to the various aspects of the CEO position while Robert was still the CEO
 - Progress on the plan was reported monthly at Board meetings
 - The plan was structured, yet allowed for flexibility on topics that did not need as much attention



The Maturity Model: Harbor Behavioral Health

John M. Sheehan, M.B.A., Chief Executive Officer

Succession: Planning for the Future

Presented By: John Sheehan,
President/CEO

Bersin & Associates and Center for Creative Leadership © April 2009



Why?



- ◆ Great organizations “grow their own” future leadership to reflect the culture and critical qualities they have defined for success.
- ◆ Succession planning prepares future leaders for their next position by focusing on improved attributes, competencies and goals – beneficial to overall performance.
- ◆ The criteria for internal talent development can be applied to outside recruitment.
- ◆ The “wisdom of the org” is preserved across professional generations.
- ◆ Boards have competent metrics and process for choosing new leadership

Essential Elements

- ◆ Responsible Stewardship
- ◆ In-depth analysis of future needs vs current
- ◆ Executive commitment and engagement
- ◆ Culture of mentoring, advancement and growth
- ◆ Transparent measurement

Figure 1: Bersin & Associates Succession Management Maturity Model®



Source: Bersin & Associates, 2009.

Organizational Development:
People Development Model

Deeper Insights



ProMedica's OD Assessment Center

Annual Employee Performance Management & Executive Performance Management Process(es)

ProMedica's Internal Assessment Center (MBTI, FIRO-B, CPI-260, Emotional Intelligence 2.0 etc.)
Development-Oriented

360-Assessments & Leadership Development (Denison, Leadership Challenge Academy) Feedback & Skill-Building

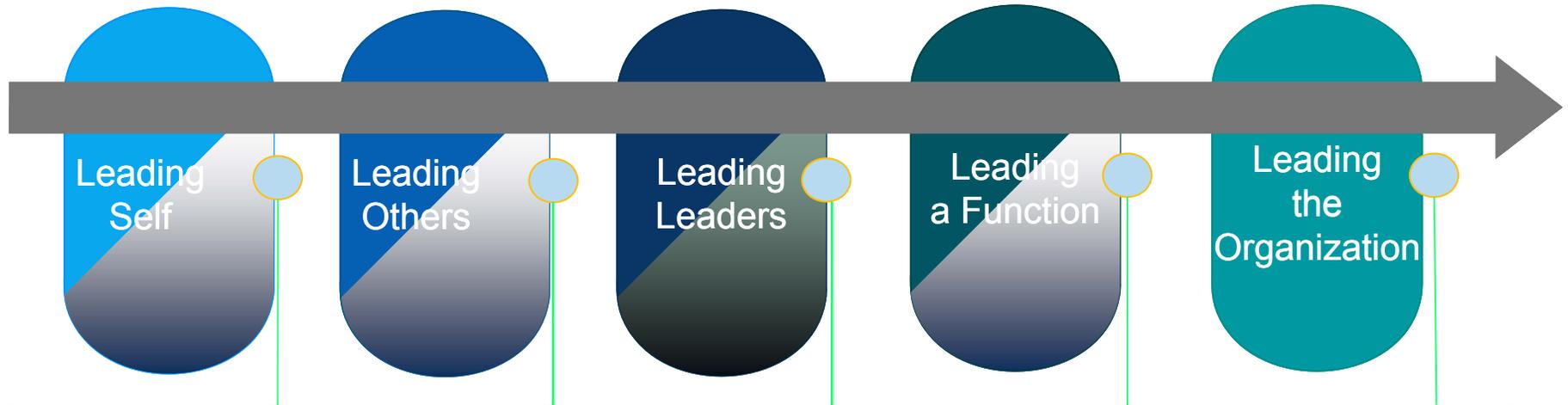
Tests, Inventories (for example: May include: Hogan Inventories, etc.)

Mid-Level to Executive:
Leader Ready (L3)
DDI Leader Readiness Assessment

Executive to Sr. Executive/Chief Officers:
Acceleration Assessment Center
DDI Leader Simulation Assessment

Highlighted box indicate collaboration with DDI.

ProMedica Leadership Pipeline



WHO	Individual Contributors: Professional Staff & Emerging Leaders	Leaders of Individual Contributors	Experienced Leaders who Lead other Managers or Sr. Professional Staff	Senior Leaders of Organizational Functions or Divisions	Top Executives of the Organization Leading the Integrated System
DEVELOPMENT PROGRAM	Introduces fundamentals of effective leadership for greater success at ProMedica	Prepares front-line managers to achieve lasting results through people	Experienced leaders who lead other leaders or matrixed functions	Senior Leaders & Physician Executives who lead ProMedica Business or Service Units (generally VP- and above)	Senior Executives & Presidents (including Chief Officers)
	PMU: PP-100 Series	PMU: PL – 200 Series	PMU: PL – 300 Series Leadership Development Programs	Denison High-Performing Leadership 360- Development Program (Contextual Intelligence)	Denison High-Performing Leadership 360- Development Program (Contextual Intelligence)
	Error Prevention	ProMedica’s Blanchard Certified	Leadership Challenge Academy - 360 Inventory (Contextual Intelligence)	Peer Level Executive Coaching	Executive Coaching
	Crucial Conversations	Crucial Confrontations	Crucial Accountability	PMU: PL – 300 & IMS	IMS
	HealthStream Assigned Content	Leadership Methods / Error Prevention	Leadership Methods / Error Prevention	Emotional Intelligence (2.0 – UT)	Formal Executive Education (eMBA Program) and or Certificate Programs
	<i>ProMedica’s Assessment Center</i> is available to all levels of leaders to understand leadership traits, skills and attributes (mapped back to FYI Competencies)				Crucial Accountability

ProMedica Leadership Development Framework

EXPERIENCES	LEARNING FROM OTHERS	FORMAL LEARNING PROGRAMS
On-the-Job Experiences (within one's area – or outside one's area)	ProMedica University (PMU)	ACHE & ACPE Endorsed Programs
Special Projects (related to critical business imperatives)	Annual President/CEO Colloquium on Leadership Studies (emerging and seasoned leaders)	ProMedica Sponsored eMBA Programs (UT, BGSU) and top-tier programs for Sr. Execs.
Community Experiences (related to community advocacy)	Blanchard Leadership	Institute for Management Studies (IMS)
Internships, Post-Graduate Healthcare Administration Fellowship & Summer Youth Employment Programs	Leadership Challenge Academy (transformational leadership model, contextual intelligence)	Emotional Intelligence (2.0) – partnership with UT
	Crucial Skills (Vital Smarts) Learning Management System (HealthStream – online learning)	Other Healthcare Industry-Specific Conference Education

Key Findings

- ◆ Great organizations in the health care sector have evolved talent acquisition, development and management strategies to a science with benchmarks.
- ◆ Effective leadership development is a unique, multi-faceted process, that may include personal/professional attribute assessment, training, experiential learning, ongoing evaluation, mentoring and ranking.
- ◆ Effective leadership requires more than talent and correlates directly to organizational success.
- ◆ External recruitment is a popular but limited approach.

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“... and pray I live to see at least one of my recommendations actually implemented.”

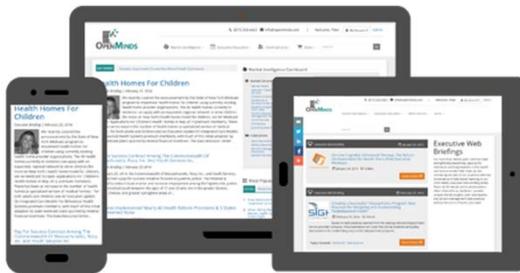
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Questions & Discussion

Turning market intelligence into business advantage

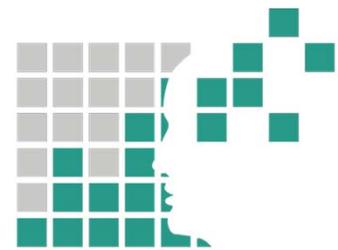
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