

**Human Resource Management
8204**

Succession Planning in the Health Sector

Geoff C. Williams
MER Program
Memorial University
(MUN # 8619181)

EXECUTIVE SUMMARY

The purpose of this paper is to conduct a review of the executive management positions within the six institutional health boards along with the Newfoundland and Labrador Health Boards Association (NLHBA), in order to outline the potential departures of executive managers due to normal retirement as well as early retirement. In completing this paper all forty-one executive managers received a survey requesting particular information with respect to years of service in the health sector and the length of time in the incumbent's current position. Pension records for all but one of the executive managers was reviewed in aggregate, unidentifiable format.

The findings indicated that fifty-four point five (54.5) percent of respondents have been in their current position for greater than five years while one hundred percent of respondents had greater than five years experience in the health system.

In reviewing the normal retirement age of each of the executive managers (this is defined as normal age of retirement which the incumbent will not have any reduction in his/her pension), approximately twenty-two percent of executive managers will retire within the next ten years. In considering those who have the option to retire early with a reduced pension, this number increases to fifty-four (54) percent of managers who will be eligible to retire within the next ten years of which twenty-eight percent can retire within the coming three years. Key factors were identified for consideration when developing succession plans such as the difficulty in recruiting executive managers to the health sector given compensation issues.

Secondly, there is a limited supply of middle managers within the health system who are willing to pursue advancement to the executive manager rank within the health system given limited additional compensation and increased accountability.

Factors specifically impacting on the difficulty in filling chief executive officer (CEO) positions were reviewed, such as the role the health institution plays within a community by perhaps being one of the largest employers. Secondly, the political influences which impact on the CEO as well as reduced compensation were considered.

In reviewing succession planning activity in health associations across the country there are a limited number of health employers who have engaged in succession planning. By way of response to a survey questionnaire those employers who had identified that they were engaged in succession planning may have been engaged in succession planning on a lower level. The succession plans, attached to the report as provided by those health organizations, do not include all required elements of a succession plan. The final section of the paper outlines several recommendations such as the NLHBA assuming a role of encouraging health boards to engage to commence developing succession plans. Part of this function should include collaborating with the Treasury Board Secretariat to ensure there is a shared understanding in the need for succession planning within the health system. The paper recommends that the institutional boards and NLHBA complete further reviews with an aim to developing a provincial succession plan.

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PURPOSE

This document will serve as a preliminary report to assess the number of executive managers who will be retiring from the health sector within the next ten years. It will specifically focus on those executive managers employed by the six NLHBA institutional health boards; namely,

Health Care Corporation of St. John's,
Avalon Health Care Institutions Board,
Peninsulas Health Care Corporation,
Central East Health Care Institutions Board,
Central West Health Corporation, and
Western Health Care Corporation

As well, the review will include the Newfoundland and Labrador Health Boards Association (NLHBA), which is a voluntary organization representing publicly funded health boards in the Province of Newfoundland. Upon completion of the review, we should have revealed a conclusion of whether the institutional boards should be concerned with the potential number of executive managers leaving the system, which may prompt further study of the larger health sector. As well, consideration will be given to external factors which impact on recruiting and retaining qualified executive management candidates. The paper will provide a brief overview of initiatives currently being undertaken by other health boards across the country with respect to succession planning. The last section of the paper will provide recommendations to those included in the review.

IDENTIFIED GROUP

As outlined, the intent of this paper is not to propose a succession plan, as the first step is to review the current situation with respect to executive managers leaving the health system. Based upon the results, there may be a need for further study, which could serve to propose a system-wide succession plan.

Executive managers refers to the incumbents who occupy positions classified as either Assistant Chief Executive Officer (ACEO), Vice President (VP), Senior Operating Officer (SOO) and Chief Executive Officer (CEO) positions. This group was selected because it represented a manageable number for the purposes of this review. Forty-one individuals were identified as occupying the above-noted positions within the six institutional health boards and the NLHBA. As well, executive managers represent the senior level of each organization, a level which is responsible and accountable for the overall operations of the institution. The findings flowing from this review may show the value of conducting a further review and “rolling out” this process to the entire health system.

In addition to information received from Pensions Division of the Government of Newfoundland and Labrador (this was provided in an aggregate fashion such that no individual could be identified) information was collected by means of a survey distributed to each of the forty-one executive managers. This survey is attached in Appendix A. There was a 53% response rate.

PROFILE OF EXECUTIVE MANAGEMENT GROUP

1. Length of Time in Management Position

TABLE 1

Length of Time in Management Position		
Timeframe	Count	%
1-3	5	22.73%
3-5	4	18.18%
6	1	4.55%
7	6	27.27%
8	2	9.09%
12	3	13.64%
20	1	4.55%
	22	100.00%

(Source: Williams' Survey, 2002)

As demonstrated in the results in the above noted table, 65% of respondents indicated that they had six years or greater experience in their current management position. Experienced people often cannot be replaced by simply hiring someone to replace them. Often organizations make the mistake of looking superficially at the situation and concluding that for example, if the VP of Finance leaves, we can easily get another accountant to come in and fill his/her position. However, with the increasing trend of knowledge management, whereby management decisions are being pushed further down the organization, instead of executive managers being involved with day-to-day decisions, they are more involved in strategic planning and coaching. Maintaining experienced executive managers often makes the difference between the organization reaching its goals or failing to reach its goals. There are two types of knowledge, explicit and tacit (McShane, 2001). Explicit knowledge is organized and easily communicated from one employee to another employee. It represents a procedural perspective on how to do things. For example, explicit knowledge could be transferred outlining how to complete a pay and benefits form. On the other hand, tacit knowledge represents the greatest volume of knowledge we have. This is subtle, complex and not easily communicated. It is acquired through direct experiences and observations. For example, a VP of Human Resources may have been taught through his/her studies how to communicate with employees; however, the tacit knowledge that he/she has acquired with respect to addressing concerns of employees in a manner that motivates employees to reach the organizational goals is something different. Once an individual leaves the organization, that wealth of tacit knowledge leaves with the individual.

EXPERIENCE WITHIN THE HEALTH SYSTEM

One of the other survey questions asked incumbents how many years they have been employed in the health system. Table 2 summarizes those results.

TABLE 2

Years Employed in Health System		
Timeframe	Count	%
<5	6	27.27%
5-10	9	40.91%
11-15	3	13.64%
16-20	1	4.55%
>20	3	13.64%
	22	100.00%

(Source: Williams' Survey, 2002)

The results indicate that 70% of respondents had five or more years experience in the health system. When you combine the information contained in Table 1 and Table 2, you quickly develop a picture that the executive managers have a significant degree of knowledge with respect to their own position and have acquired a volume of tacit knowledge with respect to the workings of the health system. Despite what some may think, this knowledge cannot be easily replaced.

2. **Difficulty in Replacing**

It is not surprising that 70% of respondents felt that the organization would not have a difficult time in filling their positions as summarized in Table 3.

TABLE 3

Organization Difficulty for Replacement		
Response	Count	%
Yes	6	27.27%
No	15	68.18%
Unsure	1	4.55%
	22	100.00%

(Source: Williams' Survey, 2002)

From an organizational perspective, some positions will be easier to fill than others; however, if you can fill a position relatively quickly it is beneficial but the loss of an experienced incumbent familiar with both the

functions of his/her job and the organization is not easily replaced. Any new hire will experience a learning curve.

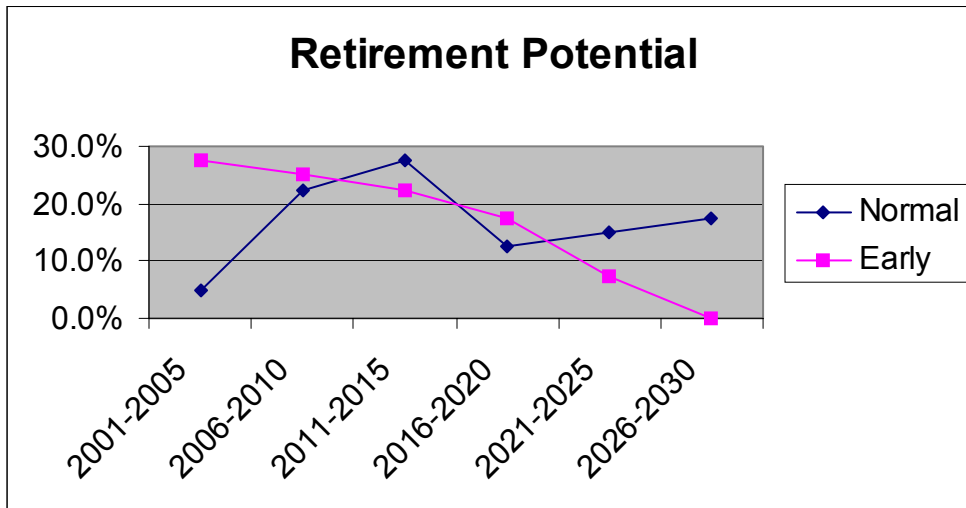
A large feeder group of managers may shorten the learning curve, however, as will be discussed later there is a limited number of managers within the institutional boards willing to seek promotion to executive management positions. This is due in part to the decreasing number of managers since regionalization commenced in 1994, as well as the lack of incentive for those managers in the system to assume a greater degree of responsibility for a relatively insignificant increase in benefits.

Another contributing factor is the reduction in education budgets. As organizations have faced greater pressures in delivery of services and fixed budget allocation from government, organizations have cut expenditures that are not focused on the delivery of health services and one of those has been education. Therefore, there has been little incentive for managers to increase their education levels.

Retirement

Under the Treasury Board Secretariat policies, public sector employees must retire at age 65. As well, age 65 has been defined as "normal" retirement age for the purpose of pension calculations. Early retirement age is tracked by the Pensions Division of the Department of Finance, whereby, based on a formula factoring the incumbent's age and length of service, an individual may retire prior to age 65 and commence receiving a pension. Often times those retiring early will receive a reduced pension. For the purposes of this paper, early retirement will be defined as the earliest date that an executive manager is eligible to retire from his/her position and receive a pension. Normal retirement date is the date on which an executive manager must retire from his/her position. Figure 1 below depicts graphically both the early and normal retirement dates for executive managers.

FIGURE 1



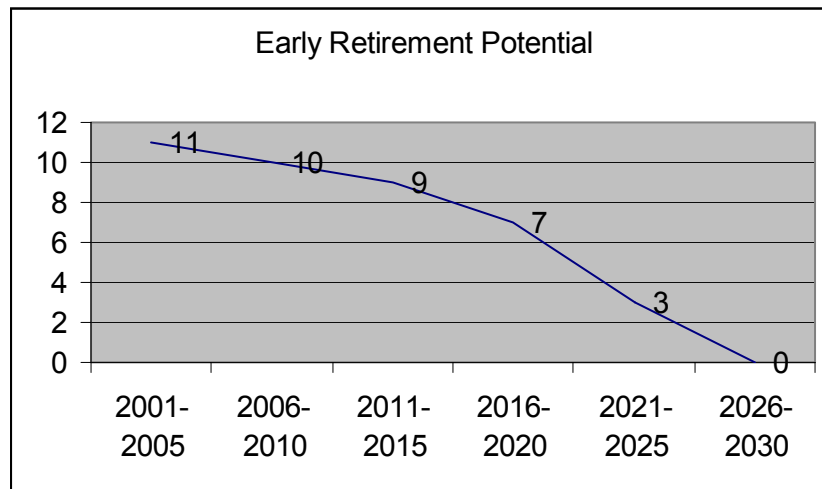
(Source: Department of Finance, Pensions Division, 2002)

The retirement situation can be framed as a best-case, worst-case scenario. Under the best-case scenario which references the normal retirement vacancies within the next five years, approximately 15% of executive managers will retire. Within the next ten years, approximately 28% will retire.

The worst-case scenario focuses on potential early retirees. Within the next three years, approximately 28% of executive managers can retire. Given that there are approximately six executive managers per institutional board this would mean that on average, two out of six could retire within the next three years.

In order to focus on the potential number of retirees, Figure 2 outlines the actual number of executive managers who are eligible for retirement.

FIGURE 2



(Source: Department of Finance, Pensions Division, 2001)

One of the survey questions asked respondents whether they expected to retire with an unreduced pension. Table 4 summarizes the results from the survey.

TABLE 4

Expectation to Retire Unreduced Pension		
Response	Count	%
Yes	11	50.00%
No	11	50.00%
Unsure	0	0.00%
	22	100.00%

(Source: Williams' Survey, 2002)

As well, one of the survey questions requested the expected age incumbents would retire. The results are summarized in Table 5.

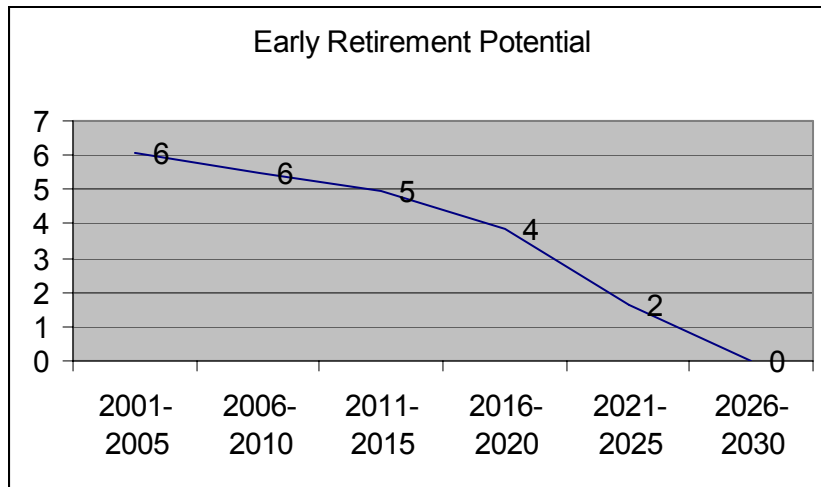
TABLE 5

Expected Age at Retirement		
Age	Count	%
55	10	45.45%
56	2	9.09%
59	1	4.55%
60	5	22.73%
60-65	1	4.55%
65	3	13.64%
	22	100.00%

(Source: Williams' Survey, 2002)

Survey results indicate that approximately 55% of respondents indicated that they did expect to retire with reduced pensions, thus indicating potential early retirement. While the sample surveyed is small, the results can be used to develop a more accurate number of those who may retire early. If we apply this same percentage to the potential early retirees, the number of potential early retirees is somewhat reduced, as twenty-nine (29) percent cumulatively within the next ten years as can be seen in Figure 3.

FIGURE 3



(Source: Department of Finance, Pensions Division, 2001)

Based on the survey results, it appears that the potential for early retirees within the next five years is significantly less than the initial numbers generated in Figure 1. While this may alleviate the concern somewhat, it does not mean that organizations should underscore the potential loss of experienced executive managers within the next ten years. The timeframe of ten years may seem a significant period; however, succession planning takes a considerable effort and commitment. As well, given the small number of executive managers in the sample, statistically it may be unreliable to decrease the potential number of early retirees and therefore, organizations should not develop a false sense of comfort that early retirements will not occur.

FACTORS TO CONSIDER IN SUCCESSION PLANNING

Any formal type of succession planning cannot be done in isolation of the environment in which the organization operates. For example, there would be limited benefit in formulating a succession plan and determining that the organization is unable to recruit employees.

1. Recruitment

One such external factor is recruitment. Executive management positions below the CEO level are paid on a HAY Plan (classification system). The HAY Plan provides for 33 incremental steps on a particular pay range; however, several years ago government imposed a mandatory cap whereby employees could not exceed step 25 of the scale. Employees can advance three steps annually on their respective scale. Employers have had a difficult time attracting applicants to fill executive management positions given the limited flexibility with respect to compensation. Each executive management position would have been previously rated and therefore, employers do not have the flexibility to increase the ratings unilaterally resulting in little flexibility with regard to the salary that can be offered for a position. Employers may have limited flexibility with respect to where the incumbent starts (i.e. whether step 1 or a higher step). The salary rate for public sector executive management positions is significantly lower than that of related

private sector positions. This was recently confirmed by an independent advisory commission, which the federal government had commissioned to review senior level retention and compensation (Advisory Committee on Senior Level Retention and Compensation, 2001). An informal survey of the institutional boards has verified the difficulty all boards have experienced in attracting candidates to executive management positions. One senior executive had indicated that during a recent recruitment initiative several applicants had indicated that they would not be interested in pursuing the position once they were advised of the duties and associated remuneration.

With respect to filling CEO positions, there has been an equally difficult time in recruiting individuals to accept the positions. Particularly, Western Health Care Corporation and Peninsulas Health Care Corporation have had difficult experiences recruiting CEOs during the most recent vacancies.

Although the data indicates that by the year 2015, some 27% of existing executive management employees may retire. This may not initially seem of great concern but the evidence of the difficulty employers have had in filling executive management positions speaks to the need for succession planning. Ideally, when an executive management position becomes vacant there should be a succession plan in place, which would have identified a potential replacement for the position.

2. Feeder Groups

When discussing succession planning, the question must be asked as to where the employees will come from to fill the vacancies in the executive management ranks. In the early 1990s, government introduced wage restraints, as well as, significant layoffs occurred in the health sector, which decreased the number of managers. Regionalization was subsequently implemented in the mid-1990s with a further decrease in the number of management employees and has only settled down within the past three or four years. Among a

significant number of managers this has produced a feeling of being overworked, not respected and underpaid. Treasury Board Secretariat compensation policy does provide for a wage differential whereby a manager must be paid higher than his/her subordinates; however, this is formulated on the basis of base salary. Taking into consideration overtime, shift differentials and various premiums, subordinates frequently earn more than the manager.

The wage differential is narrowing between middle management and executive management positions. A Treasury Board Advisory Commission recently reviewed this issue in the federal government sector and determined that there was little financial incentive for middle management employees to seek promotion given the minimal difference in salaries (Advisory Committee on Senior Level Retention and Compensation, 2001).

Another factor impacting on the availability of middle managers is the changing workforce. Other industries are competing with the health sector to attract the best talent and can generally offer a better compensation package. At one point in time, there may have been a mentality that employers did not have to actively attract individuals to executive management positions; however, given the trends, technology and globalization, an employee can work anywhere in the world without leaving his/her home. Industries outside of the public sector are “swallowing up” the best talent available.

3. Specific Issues Related to Filling CEO Positions

Several of the institutional boards have found it difficult in recruiting CEOs either from within the organization or externally. Several factors account for this difficulty and must be considered in terms of the timing required to fill such a vital position to the organization. One such factor is the role the institution plays within the community. The health facility is both a provider of health services, as well as perhaps the

largest employer in a particular community. This dual role tends to attract negative criticism from various stakeholders. Often municipal governments who have no responsibility for health care delivery assume responsibility for commenting on, and often times criticizing the health care organization yet, at the same time, do not want to see any reduction in services which could result in fewer jobs in the region (Retention of Chief Executive Officers, 2001).

Political influences as well are factors that impact on the role of CEO. One of the challenges facing CEOs, as identified in Elizabeth M. Davis' 2001 report, was the political use of the health care system by opposition parties who do not differentiate their criticism of government's management from their criticism of management at the institutional level.

A third factor contributing to the difficulty of recruiting CEOs is similar to that in other executive management positions namely, compensation. The compensation level for CEOs in this province in comparison to CEOs in other provinces operating similar size institutions indicates a significantly lower salary for CEOs in Newfoundland and Labrador. This relates to a previous point made in that individuals with skills have the ability to move to where the work environments are more attractive which, in part, includes the compensation package. For the period 1995 to 2001, the Western Health Care Corporation had seven CEOs. In one component of Elizabeth Davis' 2001 report, she outlined her personal reflections as to what a CEO could expect if entering that organization as follows:

1. have to work in a negative environment, possibly a hostile environment, certainly a high risk environment;
2. have to work without the aid of "champions" from the medical staff supporting in the leadership of the organization;
3. be personally attacked by some members of the House of Assembly, some municipal counselors and the media;

4. receive conflicting messages from government with respect to implementation of government policies;
5. be held accountable by physicians and staff for matters over which he/she has very little control;
6. be a member of a community in which his/her spouse and children can be expected to hear constant negative criticism;
7. be subjected, day in, day out, to criticism and negativism with very few visible signs of support and encouragement.

These perceptions paint a picture of a position which not too many people, regardless of compensation, are going to pursue. In fairness, in the latter part of the report, several recommendations were put forth to alleviate some of these concerns and make the situation more conducive to attracting qualified candidates for the position.

Another factor to be considered when developing a succession plan, particularly for the CEO position, is the process of hiring a CEO. When a vacancy for a CEO position occurs the respective board of directors will engage in a search for a replacement. Often times this is conducted with the assistance of an external search firm. When a "short list" of candidates is determined consultation will take place between the board of directors and a senior representative from the Department of Health and Community Services.

Interviews will generally be conducted with a senior representative from the Department of Health and Community Services attending and/or participating in the process. At some point, prior to any offers of employment being made the Department of Health and Community Services and the Treasury Board Secretariat will provide input to the board of directors with respect to the perceived suitability of the proposed candidate(s), as well as terms and conditions of employment inclusive of salary. This consultative process can extend the length of time required to fill the position (Interview, Peddle 2002).

SUCCESSION PLANNING IN HEALTH - A NATIONAL PERSPECTIVE

A detailed request was sent to all health associations across Canada requesting information on succession planning activities either on a provincial basis or a regional basis within the respective province. In cases where the health associations were not engaged in succession planning on a provincial basis requests were forwarded to the various regional health authorities. Not all provincial associations responded, therefore, the report does not comment on the activity with respect to succession planning in those particular regions. However, the following summarizes the results received.

1. Quebec Health Association

The Association has a detailed succession plan which applies to all health authorities, however, the plan was rather lengthy and the Association could not provide it in other than French. Given the length of the plan and time required for translation it was not practical to complete the translation for the purposes of this paper.

2. Nova Scotia

The Association did respond and indicated there was no provincial succession plan nor was there a formal succession plan in place with the regional health authorities.

3. British Columbia

There is no provincial succession plan in place and neither of the health authorities had succession plans in place, although several did respond that they were in the process of reviewing the issue with an aim to implementing a policy. No timeframes were provided with respect to anticipated implementation.

4. Alberta

The provincial association does not provide a service with respect to succession planning, however, the Association did forward our request to the 17 regional boards. Two such boards indicated in the affirmative that they have engaged in succession planning.

(i) Northern Lights Rehabilitation Services

This health authority is located in northeastern Alberta and its succession plan is provided in Appendix B. By way of brief summary, the succession plan is divided into three levels – replacement plan, assessment and career development of individuals and selected candidates. The replacement plan is a framework identifying viable candidates in order to replace existing incumbents if they were to leave unexpectedly. The assessment and career development aspect of the plan involves identifying skills and competencies required for key positions and then attempting to match individuals with those requirements. The development aspect comes into play whereby individuals identified as “potentials” will be provided the appropriate training and development in order to bring their skills and competencies in line with the requirements of the key positions. The selected candidates phase deals with measurements of individuals’ performance once they have been selected for the key positions.

This plan appears to be a good start, however, it is scant on the details such as what positions are impacted, what development and training are to be provided, how are “potentials” identified, whether recruitment will be internal or external. The plan is brief, less than five pages.

(ii) David Thompson Regional Health Authority

This health authority is located in central Alberta and operates 35 health facilities. The plan is included in Appendix C. Essentially, it outlines a short-term and long-term absence relief policy for the positions of CEO and President. It places the responsibility on the CEO and President to ensure senior management are kept apprised of issues or functions of both those positions. The policy then outlines, in advance, who will fill in for the CEO and President during short-term and long-term situations.

In reviewing the policy, this appears more to be a leave replacement policy rather than a succession planning policy.

5. New Brunswick

The Southeast Health Care Corporation (Moncton Hospital) indicated that it was in the process of developing a succession plan. A representative from the Corporation outlined that the culture has been to hold competitions for senior positions through engaging in external recruitment activities. Some of the points which were identified as being key components of the draft plan were as follows:

- identify critical positions;
- identifying possible successors;
- policies for funding for educational assistance and leaves of absences;
- implementing management training programs;
- funding several senior managers for masters degrees, certificates in health administration, etc.;

- employee development and succession planning included as part of the annual performance management process;
- pay for performance in place with significant achievements in education milestones as part of the decision criteria.

6. Newfoundland

Neither of the institutional health boards identified in this review have indicated that they have formal succession plans in place. One health board in the province indicated that it had a policy (not a succession plan), which required the CEO to ensure at least two senior staff were kept apprised of CEO issues and processes in the event that the CEO left unexpectedly.

This review has highlighted that given the significant number of organizations operating health facilities there is a relatively insignificant number of organizations that have active formal succession plans. From a practical perspective this is not shocking. Managing time and resources in the health sector has been challenging. The provincial government tends to blame the federal government for not providing adequate funding. The provincial government in turn then holds health boards accountable for living within an allocated budget which often does not cover basics such as the cost of inflation, increased drug costs, fuel costs, etc. Executive managers within the boards are dealing with day-to-day issues such as trying to operate in a fiscally responsible manner, while at the same time delivering health services to meet the needs of the public. Resources have not been placed on succession planning. This is not presented as an excuse for not having succession plans in place, rather this is a fact of operating organizations in the health system.

ARGUMENT FOR SUCCESSION PLANNING

If the potential early retirements all occurred under the worst-case scenario, would organizations be prepared? Based on the results of this review, it appears most health care organizations across the country would not be prepared. Organizations must be cognizant of the potential knowledge loss of executive managers leaving the system. As well, holding an executive management position in the health sector during the past five years has been a difficult challenge. Managers as a whole have faced increased pressures with respect to doing more with less, the salary differential between managers and bargaining unit subordinates has been narrowed whereby, in some cases, bargaining unit subordinates earn more than the managers when overtime, shift differential, etc., are factored in. As well, there is a limited "feeder" group to fill the void of vacating executive managers and those who are in the system are not, for the most part, inclined to pursue executive management positions. Other industries are providing attractive offers to executive managers to work other than in the health sector and other parts of the country.

The theory has been put forth within the past several years outlining a growing creative class. Executive managers would fit within this class description as outlined by Richard Florida in his book, "Rise of the Creative Class". One aspect of his creative class theory outlines that mobile, highly educated individuals will move to geographic areas where working conditions and the environment allow for greater creativity and flexibility. Given the traditional hierarchy structure in most institutional boards, they are unlikely to attract individuals from the creative class.

RECOMMENDATIONS

As indicated at the outset, the purpose of this paper is not to provide a succession plan but rather to identify the current situation with respect to projected retirements. One limitation is that there is limited data available to assist in predicting when people will leave the organization for other than retirement reasons.

Factors identified earlier such as attractiveness of other industries, mobility of qualified individuals and public criticism directed at management in health services delivery contribute to executive managers leaving organizations.

The following recommendations are put forth in an attempt to assist the institutional boards and the NLHBA in laying the foundation for succession planning:

1. The six institutional boards need to determine whether they will pursue developing succession plans. Information contained in this paper presents an overview of the current situation. The author is of the view that CEOs, boards and government should be concerned with the potential loss of executive managers in the health system. Government has been inserted here given the natural link, which cannot be minimized, with the Department of Health and Community Services (the Department), Treasury Board and each of the institutional boards. The Department acts as a funding agent relying on the institutional boards to delivery health services and therefore, should be concerned with the potential loss of executive managers.

One would think the answer would be automatic, that employers wish to engage in succession planning for executive management positions; however, the nation wide survey conducted as part of this paper indicates this is not the practice. This has been evidenced locally in the province of Newfoundland and Labrador whereby in recent years some of the institutional boards covered by this review have had difficulty recruiting executive management positions particularly CEO positions, requiring a considerable allocation of resources and time to ultimately fill these positions. This represents a loss to the organization in day to day operations as well as "short changing" the organization whereby the "big picture" perspective is not prevalent when the organization is functioning without a CEO and/or key members of the executive management team.

2. Collaboration must be fostered with the Treasury Board Secretariat and the Department. Treasury Board, being responsible for employee benefits and funding of labour agreements must be sold on the need to engage in succession planning. As mentioned in the first recommendation, the Department as well has a key role given the responsibility placed on the institutional boards for delivering health services within the province. In fairness, government does appear committed to reviewing the issue of succession planning through the work of a Human Resource Planning Committee. This group is currently engaged in reviewing all management positions in health to develop a picture similar to the one which is presented in this paper, albeit on a much larger scale. A preliminary review of the research in this area indicates that succession planning is not required for all levels of management within the organization. When I say government does appear committed to this undertaking, which has been through the Human Resource Planning Committee, funding for this committee is uncertain as of April, 2003. On this note, the NLHBA, on behalf of the health sector in general, should engage in lobbying government to ensure funding is continued for the Human Resource Planning Committee with respect to this particular project.

Some of the factors which should be noted in any discussion on collaboration involve:

- (i) there has to be a focus on improving benefits inclusive of salary at the executive management level in order to be competitive with other industries.
- (ii) improving benefits and working conditions would be beneficial with respect to increasing the number of qualified managers joining the institutional health boards which in turn would translate into a greater number of "feeder groups" to fill the executive management positions.
- (iii) not only is it important to focus on attracting additional qualified managers to the organization, but an emphasis must clearly be placed on retaining those individuals who

add value today to the organization. Being able to identify such individuals is one of the key roles of the CEO and board of the organization. An increase and improvement in benefits and working conditions could assist with making executive management positions more attractive for those managers currently at the middle management level within the organizations who, up to this point, have declined the opportunity to pursue promotion given the perceived lack of benefit improvement in obtaining such positions.

- (iv) consideration must be given to the working environment not just the compensation plan. Essentially, the parties (government, health boards, and the community) must work to ensure that the institutional boards become an employer of choice. By engaging in succession planning, this may assist the institutional boards with respect to demonstrating accountability to government, as well as, the community and its employees. If an organization elects to develop a succession plan, one of the key components must be management development. This is not meant to suggest that an organization should always hire from within when replacing executive management positions. The decision of whether to hire external or internal is largely dependent upon the environment facing the organization at the time a vacancy has to be filled. Succession planning, however, would serve to identify competencies and skills required for the executive management positions. This in turn, would assist organizations in identifying those who may be deemed as "potentials" for a promotion. Once the key competencies and potential replacements have been identified the function of management development would assist the organization in providing the potential replacements with the necessary skills and competencies in order that they would be qualified to assume executive management positions upon promotion.
- (v) another factor with respect to management development is that employees no longer view a job as a commitment for life. As discussed by Richard Florida in his book, the Creative

Class, he theorizes that there is a creative class of employees who work for a limited period for a sense of fulfillment and/or to obtain a different set of competencies. This may cause some organizations to resist investing in management development given the view that some of those individuals deemed as potential replacements will ultimately leave the organization with the new competencies and skills that the organization provided. Essentially, its seen as training an individual for someone else.

Prior to allocating additional resources to management development, the organization must be committed to a succession planning process which as a minimum identifies potential replacements within the organization, recognizing that the decision to hire executive managers from outside the organization versus internal recruitment sends different messages to the potential replacements. In recent years within the health sector in Newfoundland and Labrador numerous employers have filled executive management positions from outside the organization. Perhaps this was the best choice given the direction the board of directors had wanted the organization to pursue at that time. The board of directors of an organization must be cognizant of the message that external recruitment sends to internal candidates seeking promotion. In speaking with candidates who have been denied executive management positions within the health sector to external candidates, the individuals have indicated they felt it no longer mattered what they did with respect to increasing educational qualifications such as pursuing masters degrees at their own expense only to have an external candidate parachuted into an executive management position. These employees felt a distinct loss of trust and perception of value by the organization and as a result subsequently left the organization or actively sought other job opportunities within a short period of the external candidate being hired.

SUMMARY

As a result of this review, leaders of the institutional health boards, as well as the NLHBA, should be concerned with the potential loss of a significant set of competencies and experience through retirements within the next three to ten years among executive managers. Such a departure within this timeframe could significantly impact on the overall effectiveness of the institutional boards and the NLHBA in obtaining their goals, such as delivery of quality health services within allocated budgets. There does not appear to be a rational alternative to not engage in succession planning other than to do nothing at all and deal with each vacancy as it arises. This is not a sound business strategy. There does not appear to be a coordinated approach to succession planning within the Newfoundland and Labrador provincial health system. This represents an opportunity for the NLHBA to champion a coordinated succession plan within the Newfoundland and Labrador health system. Despite there being a significant degree of work remaining with respect to this issue, the author submits the end result will be worth it. Each of the institutional health boards, along with other regional boards, will benefit from such a plan, while the NLHBA could broker a succession plan to other provincial health associations.

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APPENDIX A

EXECUTIVE MANAGER SURVEY

1. How long have you been working in your current management position?

- < 1 year
- 1-3 years
- 3-5 years
- 5 years (please specify number of years) _____

2. How many years in total have you been employed in the Health system (Management AND non management)?

- < 5 years
- 5-10 years
- 11-15 years
- 16-20 years
- > 20 years

3. In your opinion, if you had to leave your position tomorrow, would your organization have difficulty replacing you with a qualified individual?

- Yes
- No
- Unsure

4. Approximate future date of retirement.

- < 5 years
- 5-10 years
- 11-15 years
- 16-20 years
- > 20 years

5. How old will you be on your expected retirement date? _____

6. Do you expect to retire with an unreduced pension?

- Yes
- No

Please do not indicate your name to this form and fax your reply to (709) 364-6460, attention Geoff Williams

APPENDIX B

Northern Lights Rehabilitation Services Succession Plan

SUCCESSION PLANNING

A MODEL FOR DESIGN AND IMPLEMENTATION

Introduction:

Succession planning as a process is a means of developing and earmarking individuals for mentorship and personal development, to prepare them to take on key roles identified in your organization. Roles critical to an organizations' success, regardless of level, are often the focus of intense succession planning work.

“Integrated Leadership Strategies” identifies three clear levels of succession planning:

- Replacement Plan – in effect a risk management tool identifying all viable candidates to replace existing incumbents should they leave unexpectedly
- Assessment & Career Development of Individuals – key skills for key roles need to be identified and candidates matched next those criteria. In turn development plans to bring skills up to mar are designed and put into place. (normally candidates are aware of their selection as “potentials” and partner in the planning and execution of their career development).
- Selected candidates for noted positions participate in personal development activities and are measured on their achievement of success in coming up to criteria standards. (Managers and Candidates jointly prepare, agree on and monitor progress in such plans).

Successful Succession Planning:

Key objectives for successful succession planning must consider:

- Organization culture and values and workplace limitations
- Identified success competencies for key positions
- An understanding of current incumbents and future earmarked candidates' strengths, weaknesses and succession readiness
- Plans for improving capabilities of all potential incumbents.

[MICA] highlights the following factors which are critical to successful implementation and operation of any succession planning process:

1. Visible CEO and Senior Management support
2. Line management ownership of the plan (for affected positions)
3. Tailor it to your organization, i.e. size, structure, culture, growth rate, etc.
4. Link the succession plan clearly to the business plan, with built in flexibility
5. Maintain a valid and centralized review process of the human resource talent involved (i.e. a committee structure or assigned role)
6. Base it on valid/reliable competencies and objective assessment of individuals (job descriptions, performance appraisals, 360 reviews)
7. Incorporate employee input as appropriate, utilizing existing opportunities for evaluation and dialogue, i.e. performance appraisals.
8. Succession planning is only one part of a broader management development plan, i.e. you may have a map but have you built skills to prepare them to get there?
9. Include developmental job rotations, through special assignments, job rotation, committee/taskforce membership or leadership
10. Integrate this in tandem with other organizational planning models or processes in place in your organization; i.e. business planning, overall workforce planning, performance management (appraisals), recruitment/retention initiatives and career planning.
11. Assign accountability and follow through (most critical factor to success). Time frames, responsibility and sense of urgency for accomplishing personal/professional development of subordinates. This is a key role for all leaders, i.e. the effective development of their subordinates to succeed them as a future leader.

Stages of Implementation

Ethan Winning, in his article “Succession Planning” recommends the following considerations in implementation of this dynamic and ongoing process. In designing a planning model, either individuals or groups must be assigned certain roles to oversee the activities:

- Who chooses the key positions to be prepped for
- Who chooses and what are the key skills/abilities for each position
- Who will assess the positions by the following criteria:
 1. Whose positions are sole incumbent, i.e. The only one who knows how to do that job
 2. What are the skills associated with that position
 3. How many people are involved in doing a task
 4. Do we have staff able to do those tasks
 5. Do we have the staff to meet present and then future needs
 6. Can staff be developed internally for current/future needs
 7. Do we have to go outside of the organization

Recommended Planning Process

Step	Responsibility/Timing
Identify key positions	Management committee – annually or as new needs arise
Review/confirm key competencies from job descriptions	Individual Directors & Management committee consensus (initially and ongoing as position responsibilities change or vacancies occur)
Replacement Plan for each position: <ul style="list-style-type: none"> • Identify existing candidates by: aptitude, ability and interest/desire • Involve candidates as appropriate (i.e. assess interest) 	Individual Directors (during annual planning using appraisal process) Management Committee consensus
Forecast promotability <ul style="list-style-type: none"> • Confirm/reject candidates • Determine internal or external availability • Finalize list of immediately and potentially qualified • Evaluate voids • Prepare individual position and action plans 	Individual Directors (during appraisal process) Management committee consensus
Evaluate training/development needs: <ul style="list-style-type: none"> • Develop training format for individuals/groups 	Individual Directors Management Committee consensus
Review/revise and update plan regularly	Management committee, quarterly at offsites and annual with business plan

Conclusion:

As an organization we have formalized and invested significant resources in effective business planning. Eighty-five percent of our resources are invested in people to achieve our goals. A handful of six hundred employees are vested with significant responsibility to lead our organization in achieving results. Without effective succession planning as a conscious workforce planning initiative, organizations are doomed to reactive strategies to meet and address critical organizational roles as they become vacant. How can we have leading organizations, without mentoring and growing our leaders of tomorrow?

SUCCESSION PLANNING

- WHY?
- To develop and earmark individuals for mentorship & personal development

Three Levels of Planning

- Replacement – identify viable candidates for existing incumbents
- Assess & career develop individuals
- Candidate selection for personal development plans

Succession plan must consider

- Organization culture
- Workplace limitations
- Current incumbent strengths & weaknesses
- Potential candidates strengths & weaknesses
- Improvement plans

Factors for Success

- CEO support
- Line management ownership
- Tailor made
- Link to business plan
- Valid & centralized review process
- Valid and reliable competencies

Stages of Implementation

- Decide who chooses positions to prep for
- Who chooses key skills for each position
- Who will assess positions to criteria

Criteria for Position Assessment

- Sole incumbent positions
- Key skills
- How many people do a task
- Are staff available for the task?
- Staff to meet present and future needs
- Can staff develop internally?
- Do we have to go outside?

Planning Process

- Identify key positions
- Confirm key competencies
- Replacement plan by position
- Forecast promotability
- Evaluate training needs
- Update plan

APPENDIX C

David Thompson Regional Health Authority Succession Plan



POLICY

SCOPE: AUTHORITY/PRESIDENT AND CEO SERVICE: THOMPSON REGIONAL HEALTH SECTION: PRESIDENT AND CEO SUBJECT: AND CEO SUCCESSION PLAN	GOVERNING DAVID AUTHORITY AUTHORITY- RELATIONSHIP PRESIDENT	Page: 1 of 2 EFFECTIV DATE: 2001/10/12 ISSUED BY: Authority
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POLICY STATEMENT

The President and CEO shall maintain a succession plan for short and long-term absences.

1.0 GUIDING PRINCIPALS

1.1 Senior Management Role

The President and CEO shall ensure that the Senior Management team is aware of functions, issues and processes of the President and CEO. This will be accomplished on an ongoing basis through:

- Bi-weekly Senior Management meetings,
- Senior Management participation at monthly Committee of the Whole meetings
- Senior Management participation at selected Authority Committee meetings
- An annual retreat of Senior Management to discuss strategy on selected issues,
- Senior management development of the DTHR annual budget whereby new initiatives are discussed,
- Senior Management representation of the DTHR at external meetings (community, Alberta Health and Wellness, Provincial Health Authority of Alberta, etc.),
- Senior Management representation of the President and CEO at the council of CE’s meeting when the President and CEO is unable to attend,

- Circulation of minutes to Senior Management of the council of Chairs and Council of CEO's meetings and
- Circulation of relevant letters, documents, etc. that arrive through the Office of the President and CEO

1.2 President and CEO Short-Term Absences

Short-term absences for the purposes of this Succession Plan are deemed to be absences of 90 days or less.

The Senior Vice President, Client Care Operations shall act as President and CEO during short-term absences of the President and CEO. In this capacity, the Senior Vice President, Client Care Operations shall have all responsibilities and authority of the President and CEO, including ensuring that the Senior Management team is aware of functions, issues and processes of the President and CEO as described in “Senior Management Role” above. The Senior Vice President, Client Care Operations shall designate another member of the Senior Management team to act as President and CEO during planned absences. In the event the Senior Vice President, Client Care Operations has an unplanned period of being absent, the Authority shall designate another member of the Senior Management team to act in the capacity of President and CEO.

All members of the Senior Management team shall maintain their responsibilities and accountabilities in the short-term absence of the President and CEO.

1.3 President and CEO Long-Term Absences

Long-term absences for the purposes of this Succession Plan occur when the President and CEO departs the DTHR or is absent for more than 90 days.

The Senior Vice President, Client Care Operations shall act as President and CEO during long-term absences of the President and CEO. In this capacity, the Senior Vice President, Client Care Operations shall have all responsibilities and authority of the President and CEO. Including ensuring that the Senior Management team is aware of functions, issues and processes of the President and CEO as described in “Senior Management Role: above. The Senior Vice President, client Care Operations shall designate another member of the Senior Management team to act as President and CEO during any planned absences. In the event the Senior Vice President, Client Care Operations has an unplanned period of being absent, the Authority shall designate another person to act in the capacity of President and CEO.

The Acting President and CEO shall have a focus on the implementation of the short-term succession plan and shall assist the Chair and authority as requested in the recruitment of a new President and CEO. The Acting President and CEO shall coordinate any strategic planning activities engaging the accepted planning processes of the DTHR. The Acting President and CEO shall ensure that financial controls for the DTHR are maintained and are to the satisfaction of the Chair.

All members of the Senior Management team shall maintain their responsibilities and accountabilities in the long-term absence of the President and CEO.