

A LOOMING LEADERSHIP TALENT CRISIS

CAN YOU SOLVE THE
LEADERSHIP GAP?

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CAN YOU SOLVE THE LEADERSHIP GAP?

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INTRODUCTION

Healthcare has always presented unique leadership challenges. For decades, though, the industry largely ignored the need for a deliberate approach to leadership talent strategies. Today's healthcare leaders are facing unprecedented changes and as the challenges mount, the failure to find, develop, and retain effective leaders is going to catch up to many organizations. How can they remedy the situation? Identify the new skills required for success. Do a better job identifying candidates who can succeed. Implement a structured approach to development, and succession planning with an emphasis on the behavioral skills that matter.

LEADERS OF PAST DECADES

Each recent decade presented healthcare leaders with different challenges:

- The 80's brought the radical concept of inpatient DRG-based payment.
- The 90's saw the first references to healthcare "informatics" (What a seemingly quaint term, today?), managed care models, an experiment in hospitals buying physician practices, and the regulatory restrictions of the Stark Law.
- The 2000's saw initial forays into electronic medical records and the concepts of patient-centered care and evidence-based medicine, and more advanced decision-support systems.

Talented leaders navigated their respective challenges. Finding and developing effective

leaders, though, was not often by plan, and many could be successful with a relatively limited skill set. The challenges of the 80's, 90's and 2000's pale in comparison to the massive upheaval of the current decade. The pace and scope of change is unprecedented.

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NEW CHALLENGES

It's not just the number of challenges that have increased. It's the very nature and complexity of the issues:

- Population Health - The current system was built to treat episodes of illness. Now, systems are responsible for the wellness of the entire community.
- Integrated Health Systems - Systems are now in the business of providing care AND paying for it. Leaders need to understand and manage two complex lines of business.
- Performance-Based Payment - The new value-based payment methodologies make DRGs look rudimentary.
- Consolidation and Growth - Large systems continue to grow. Smaller systems merge. Even single hospitals often have insurance products and a network of employed physicians.



- Technology - The technological advances (and challenges) today would have been considered science fiction in the 1990's.
- The Physician-Hospital Relationship - In some ways, the medical staff and administration are more integrated than ever. In others, the relationship is in uncharted territory.
- Uncertainty - Systems are facing an almost unmanageable state of regulatory flux and uncertainty.

NEW LEADERSHIP SKILLS

There are several situations and behavioral skills, today, that weren't necessarily relevant in hiring or developing leaders of the past:

- Organizational Complexity. Beyond the hospital, there is a network of ambulatory services, physician networks, and departments and positions that didn't exist 20 years ago (Chief Information Officer, Chief Innovation Officer, Chief Experience Officer, etc.).
- Technology Strategies. Technology is no longer a suite of tools to support other initiatives. It's the platform for care delivery and financial performance. How it is deployed and leveraged may well decide success or failure.
- Business Acumen. The complexity of the business deals and shifting regulatory landscape make deep business acumen a prerequisite for success.
- Relationships and Behavioral Competencies. Leaders succeed or fail largely on their ability to manage a labyrinth of complex relationships - with their leadership team, with physicians, nursing, employees, and the community.

- Culture Change. The hierarchical nature of healthcare organizations makes complex collaboration and change management difficult. Leaders are trying to mold a new culture that overcomes decades of entrenched tradition.

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A LOOMING CRISIS

Other industries, facing competition and the need to perform or perish, have historically invested heavily in leadership selection and development. Healthcare is scrambling to catch up.

- Senior leader turnover has increased to nearly 20%. This has a stifling effect on strategic planning, and on physician and employee engagement. ⁱ
- Only 51% of senior leaders have worked with management to identify a successor. Only 29% have identified that successor. Only 17% say that successor is prepared to assume the role. ⁱⁱ
- Today's leaders are lacking in the very behavioral skills most important for success. ⁱⁱⁱ
- The behavioral skill deficiencies most likely to derail a leader? Too narrow a functional orientation; difficulty building and leading a team; and problems with interpersonal relationships. ^{iv}
- Across industries, nearly 40% of senior leaders fail in their first 18 months. Another 50% feel they are ineffective, but 60% receive little or no developmental support. ^v

ⁱ Industry Report: Looming Talent Shortages Require Attention, B.E.Smith/AMN Healthcare, 2016

ⁱⁱ Witt/Kieffer survey of 200 system CEOs over 55

ⁱⁱⁱ Addressing the Leadership Gap in Healthcare, Center for Creative Leadership, June, 2011 (Leadership effectiveness data from 35,000 healthcare leaders, using 360 degree feedback survey)

^{iv} Ten Fatal Flaws that Derail Leaders, Zenger and Folkman, 2009 Harvard Business Review

^v Executive Integration - Equipping Transitioning Leaders for Success, Center for Creative Leadership, 2016



Leaders don't fail because any specific knowledge gap or technical deficiency. They fail because they don't learn from mistakes, can't think strategically, lack clear vision, lack enthusiasm, don't collaborate, fail to develop others, resist change, and lack interpersonal skills.

RECOMMENDATIONS

More organizations are finally turning to their leadership gaps - looking for the type of expertise and tools used by leading companies in other industries. In our experience, here are the most common initiatives:

- Building an effective and concise leadership competency model.
- Creating an effective and efficient candidate selection process.
- Implementing an effective methodology to understand behavioral skill strengths and challenges.
- Prioritizing succession planning and finding an effective approach.

Define the Skills. Healthcare infrastructure has been built, to a large degree, around physicians and nurses, often in academic settings. There's been an emphasis on clinical and technical skills, academic accomplishment, and organizational politics. Behavioral skills were often ignored even though leaders fail because of behavioral skill deficiencies - often weaknesses that they aren't even aware of. Most organizations are looking for a similar skill set, but each has its own unique situations and challenges.

Take the time to define the competencies that matter, and prioritize them. One or two may be critically important. If you fail to adequately evaluate the competencies that matter, you may choose an otherwise highly qualified candidate who is destined to fail.

The Selection Process. Most organizations have refined the recruiting and selection process for nursing, physicians, and front line staff but many still treat leadership vacancies as ad

hoc situations. They don't map a process that sufficiently evaluates the competencies that matter. The candidate experience is less than ideal and they lose good candidates.

Implement a process that is efficient, consistent, candidate-friendly, and effectively evaluates candidates' skills, background, and behavioral competencies. Make candidate evaluation as objective as possible.

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Understanding Behavioral Strengths and Challenges. The same organizations that use an effective, structured behavioral interview for every nurse, rely on senior leaders (notoriously bad interviewers with too much faith in their instinct) using unstructured interviews to evaluate leadership candidates. They use a nursing-specific behavioral assessment for hiring but leave leader selection to unreliable instinct.

Build a leadership interviewing program. Integrate proven behavioral assessments to evaluate a candidate's potential. At this level, you need a customizable process, incorporating multiple tools and experts in the area of evaluating executive behavioral traits and performance - NOT some off-the-shelf, generic personality test.

You increase your odds of success by combining: Solid interviewing data; Past performance data gleaned from the resume and references; and a proven executive-level behavioral assessment. The same is true of incumbents. Having as much knowledge and data as possible in these areas allows you to create powerful, tailored, and effective developmental plans.



SUCCESSION PLANNING

Choosing and developing leaders for today is important. No less important is identifying and preparing the next generation. Many healthcare organizations recognize the need for succession planning, but struggle to make it happen. It may not be a priority for current leaders. Certainly, they have plenty of challenges on their plate. Accordingly, they find it hard to make time for it. When organizations make the effort, it often is less than effective. Organizations that do it well have a few things in common:

- The executive team is accountable for succession planning.
- The CEO and Board are integrally involved.
- There are regular (at least annual) leadership talent reviews.
- Succession planning does not occur in isolation. It is aligned with the business strategy, including planning for the behavioral competencies important for tomorrow.
- Succession planning is not an event, but a process.

Many organizations are doing innovative, effective work to overcome the leadership gap – the lack of talented leaders, and a deficiency of the behavioral competencies required for success. Most, though, are struggling to keep up. Dealing with limited resources and the avalanche of day-to-day challenges makes it hard to commit time and energy to a better approach to leadership talent.

The current situation, however, creates a looming crisis that cannot be ignored. The current direction of the industry means that some organizations will succeed, and others will fail. A failure to solve the leadership gap increases the odds that an organization will end up in the latter group but there is much that can be done, relatively quickly and inexpensively, to improve the leadership talent trajectory.