Healthcare CEOs and the Need for Better Succession Planning

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For many healthcare CEOs, retirement is not far off. They have had full careers, reached the pinnacle of their profession and have embraced the idea of spending more time with their families, travelling, consulting or teaching. Yet while they look forward to this next chapter in their lives, few have planned adequately, especially from a professional perspective, says a new Witt/Kieffer survey of 200 healthcare CEOs age 55 and above. Fewer than half of those surveyed have worked with their boards or senior management to develop a formal succession planning process. Meanwhile, a large majority indicate that they have many goals to achieve before exiting the C-suite. Thus, while retirement looms, few CEOs in fact seem ready for it.

“Sixty has become the new 50,” says Elaina Genser, Witt/Kieffer senior vice president and western region managing director. Healthcare CEOs want or need to extend their careers beyond traditional retirement age. But this desire has implications for their organizations. “While it’s encouraging that so many want to see through the challenges healthcare faces,” Genser says, “these CEOs will transition out of their role at some point, and the need for succession planning in healthcare organizations is clear.”

This isn’t to say that these same CEOs are not believers in the importance of proper succession planning or that they don’t appreciate the task at hand. In fact, more than 90 percent say they want to “ensure leadership continuity and a seamless transition when I step down.”

Succession planning accomplishes multiple other goals as well: to assess the competencies of potential successors; to identify new leaders within the organization; and to prepare for the unexpected (e.g., the CEO’s sudden resignation). The challenge for the CEO and organization is to get the ball rolling. “Succession planning is not on my radar yet, although I know it should be,” says one 56-year-old respondent. A 59-year-old with plans to retire in 4 to 5 years states, “There is no discussion of succession planning. Corporate will make the decision.”

It’s easy to postpone succession planning or pass the buck, notes Genser, but “planning today will make the transition smoother for the CEO, board and entire organization when retirement becomes a reality.”

A look at the data: healthcare CEOs are putting off retirement

Conducted in May 2012, Witt/Kieffer’s confidential, nationwide survey of healthcare CEOs over the age of 55 aimed to learn about these leaders’ future plans for retirement, how they envision transitioning out of the C-suite and the challenges they face as they make these plans. The survey received exactly 200 responses, with a response rate of just under 20 percent of those contacted.

A majority of respondents, 73 percent, are between the ages of 55 and 62, while about one-quarter (24 percent) are age 63 and over.

Respondents include executives from both public and private institutions. Forty (40) percent are from freestanding hospitals, 34 percent from hospitals owned by

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a healthcare system, 14 percent work at system headquarters and 8 percent are from academic medical centers.

Like their counterparts in many industries, healthcare CEOs are postponing retirement to their later years. Of those surveyed, just one-quarter (24 percent) are planning to retire within four to five years; 14 percent will retire within two to three years; and just eight percent plan to retire within one year. More than half (54 percent) of respondents are more than five years away from retirement or say they have no plans to retire any time soon. However, of those in the 55-59 age group, 71 percent have no current retirement plans or will retire in more than five years.

Often, there are extenuating circumstances that are preventing succession planning from taking place. Reasons include:

- “We are being acquired soon and the acquirer will appoint a successor when appropriate.”
- “Corporate has said that they will make the decision.”
- “We are undergoing a board reorganization.”
- “Our hospital is contract-managed.”
- “I am brand new. This is not a priority in my first year.”

Still work to be done

For most of these CEOs—nine out of 10 in fact—there is still much work to be done before retirement. They feel that they have not yet achieved everything they want to in their roles. (It should be noted, nonetheless, that 59% indicate that, when looking back at their careers, they have accomplished what they set out to do.) There is no shortage of on-the-job challenges to be addressed, from advancing the organization strategically to leaving a permanent mark on its culture.

For many, staying on is a matter of professional responsibility. “The board doesn’t want me to retire,” suggest 73 percent, while roughly half say that there is no one within their organization ready to step into the CEO position. Others express that more work to identify, mentor and prepare successors needs to be done, especially in such challenging times. “I want to help navigate my current free-standing organization into an integrated health system better positioned to manage health populations,” says one. “It’s at least a five-year process.”
While in the minority, some CEOs and their organizations have done the necessary preparations for succession. “We have a formal mentoring program over a five-year period—we’re ready!” says one. Another respondent notes that he or she sits down with the board annually to review, discuss and update the interim and permanent CEO succession plan.

The next chapter: no such thing as “retirement”?

From a personal perspective, even older CEOs seem to have difficulty coming to grips with the idea of stepping aside. Sixty-three percent of those surveyed feel that they are too young to retire, while the same percentage say, “I enjoy my job too much to retire.” A mere 11 percent suggest that they are no longer satisfied with their job.

Others say that they are postponing their retirement due to the “unstable economy” or the need to build their nest egg. Only 36 percent believe that their savings are sufficient for them to retire comfortably. In one instance, ironically, it is an issue with family healthcare that is deferring a healthcare executive’s retirement—a male CEO notes that his wife has a preexisting illness that makes her uninsurable for individual coverage, and thus he continues working to keep his family insurance plan.

This isn’t to say that most of the 200 survey respondents haven’t thought long and hard about what they’ll do in the next stage of their lives. Some say they are ready for the promise of rest and relaxation. “I just want to relax and adjust to not being responsible for everybody and everything,” says one. That said, this same individual has rather ambitious goals for retirement that include volunteering, taking university classes, spending more time with his wife and parents and improving his guitar playing.

Indeed, most healthcare CEOs view retirement as a chance to do more in their lives. Approximately one-quarter indicate that they will pursue completely new careers once they leave their CEO posts. “There needs to be a plan for retirement,” said one. “No one should run away from anything, but instead run toward the next opportunity to contribute.”
A significant number of survey respondents included volunteering and helping others as a cornerstone of their retirement years. Other popular opportunities: teaching, coaching and consulting. Here are some comments that exemplify the individual challenges and conflicts involved:

- “I will retire in two or three years, perhaps with some kind of phase-out or decreased time.”
- “I’m concerned about what I’ll do with myself but I also know I cannot continue to work at this intensity.”
- “I need to find the right balance between ‘every day will be Saturday’ and continuing my commitment to help others.”

The need for help in succession planning

As the survey indicates, CEOs at today’s healthcare organizations are faced with multiple professional and personal challenges as retirement nears. While a select few have embraced these challenges and have worked with their organizations to develop and maintain comprehensive succession plans, most of the CEOs surveyed have not.

Clearly, many CEOs could use help in formulating a personal plan for their retirement years. “I am looking for coaching to more effectively process the transition,” says one. This same need holds true for their organizations—no matter how far off a CEO’s retirement may seem. As Witt/Kieffer’s Genser says, “The time is now for CEOs to work with their boards and senior management teams to identify and mentor potential successors and develop a succession plan.”

Most CEO succession plans have several key elements in common:

- An action plan detailing the task and key players involved
- A profile of skills and responsibilities of the future CEO
- A strategy for communicating the plan to internal and external audiences
- A mechanism for feedback regarding the draft plan from interested parties
- A means of compensating both the outgoing and incoming CEOs for executing the succession plan properly

Succession planning is a process. The earlier it gets started, the better the CEO and organization can prepare for the inevitable. For more information, please contact Elaina Spitaels Genser at 510-420-1370.

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