



NATIONAL CENTER FOR HEALTHCARE LEADERSHIP

*Best Practices in Health Leadership Talent Management
and Succession Planning:*

Case Studies



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Introduction

Strong leadership is likely the single most important driver of overall organizational performance, and well-constructed talent management and succession planning systems remain critical to developing and retaining a deep bench of strong leaders. Nowhere is the need for effective talent management and succession planning more pronounced than in the dynamic, complex healthcare industry, where leaders face unprecedented pressure to transform their organizations so as to meet growing demands for high quality, cost-effective care. In fact, to meet the ambitious expectations of health reform (to reduce costs and simultaneously assure high quality) and to meet the goals laid out by the Institute of Medicine—that is, to deliver safe, effective, patient-centered, timely, efficient, and equitable careⁱ—the industry needs to better prepare and retain men and women to manage the complex organizations that provide and finance care.ⁱⁱ

Most industry leaders understand the need to invest in talent management and succession planning. A 2007 survey of human resource managers in major corporations across multiple industries identified leadership development and succession planning as the most important priorities for improvement, with 36 percent of respondents rating them as their top areas of focus going forward.ⁱⁱⁱ Some major corporations dedicate very large sums of money to these tasks—General Electric (GE), for example, spends roughly \$1 billion a year on training, with leadership development representing one of three areas within GE Global Learning (GE’s “umbrella” approach to corporate learning.)^{iv} That said, a recent McKinsey survey suggests that even though corporate leaders understand the importance of talent management and succession planning, many do not adequately invest in them. For example, while respondents generally believe that leadership skills represent the single most important factor driving overall organizational performance, only 35 percent focus on developing such skills, and only 36 percent believe that their organization outperforms the competition in leadership development. In addition, while nearly 60 percent say that building organizational capabilities such as talent management represents a top-three priority, only a third of companies actually focus their training programs on building these capabilities.^v

The need for talent management and succession planning may be even greater in the healthcare industry, which faces shortages in all types of leaders (administrative, physician, and nursing), high turnover among leaders (driven in part by a large number of impending retirements) and front-line staff, and growing difficulties in attracting management talent from other industries.^{vi}

In fact, many healthcare organizations are experiencing a crisis in their leadership pipelines, with 18 percent turnover among chief executive officers in 2009 (up significantly from previous years)^{vii} and significant turnover among chief nursing officers (CNOs) as well. In fact, 25 percent of current CNOs have left a similar position in the past five years—and 62 percent plan to do so in the next five.^{viii} High CNO turnover may also be responsible for significant turnover among front-line nurses, with more than a quarter of new nurse graduates leaving their first job within two years.^{ix} High turnover causes significant cost and quality problems for an organization. For example, the financial cost of losing a nurse is roughly double the annual salary for that nurse.^x In addition, high levels of nurse turnover may have a negative impact on quality and the patient experience, as those new to the profession or a particular organization may be more prone to mistakes and/or otherwise not provide the same level of care as does a more experienced nurse.^{xi}

High turnover and an inadequate leadership pipeline stem in large part from the systematic failure of healthcare organizations to provide these leaders and those with the capabilities to replace them with the support needed to develop professionally and perform their jobs effectively. The National Center for Healthcare Leadership (NCHL) recently conducted a survey (the NCHL National Healthcare Leadership Index) and interviews on this topic, finding that not nearly enough attention is currently being paid to succession planning or talent management activities, particularly (but by no means exclusively) for nurse leaders. To address this issue, healthcare organizations need to put in place a series of best practices related to succession planning and talent management throughout the organization. NCHL-recommended best practices, taken from both inside and outside of healthcare, emphasize the following:^{xii}

- Clear communication that stresses the importance of succession planning and talent management as key organizational priorities and processes.
- Tight linkages between succession planning/talent management and the organization’s overall strategy, priorities, and projected needs.
- Extensive involvement of—and ownership of the program by—various levels of senior management, so as to help overcome organizational barriers to the career advancement of future leaders.
- Integrated use of a leadership competency model, with competencies tied to organizational strategies and priorities.

- Recruitment of new employees targeted at those who share the organization's values and have the potential to develop desired competencies.
- Rigorous and repeated assessment of those with strong leadership potential, combined with aggressive efforts to retain them.
- "Stretch" job assignments for high-potential individuals designed explicitly to create new skills and perspectives.
- Highly customized and flexible professional development plans emphasizing on-the-job experience, supplemented by other forms of development.
- Tight linkages between succession planning, candidate assessment, and development planning for future leaders.
- Ongoing measurement and evaluation of the outcomes derived from talent management and succession planning activities, with modifications based on what the organization learns so as to stimulate continuous improvement.

This report includes three case studies from healthcare organizations that have employed many of these best practices as part of an effort to improve talent management and succession planning processes. A very brief introduction to each appears below:

- North Shore-LIJ Health System (NSLIJ), the second-largest non-profit secular health-care provider in the nation and the largest integrated healthcare system in New York State, demonstrated how the best practices can improve employee satisfaction, significantly reduce turnover rates and associated costs, and improve overall financial performance. These efforts led to NSLIJ receiving the Taleo Customer Innovation Award in 2009 in recognition of the initiative's contribution to improved financial health.
- Virtua, a multi-hospital healthcare system headquartered in Marlton, NJ, developed a best practice talent management system that improves employee engagement and retention of top talent, creates a deep bench of potential leaders, achieves strong financial performance (moving from a negative operating margin to top-tier performance in the state), and attracts external recognition for high-quality care.
- Moses Cone Health System, a five-hospital system in North Carolina, employed best practices to improve performance on multiple outcomes related to nursing leadership, including filling such positions quickly with internal (rather than outside) talent, deepening the bench of talented nursing leaders, and virtually eliminating the loss of

nurses with strong leadership potential. Because of this success, the program has been expanded beyond nursing to incorporate all 600 clinical and administrative leaders at Moses Cone.

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Best Practices in Health Leadership Talent Management and Succession Planning – North Shore-LIJ Health System

WHO THEY ARE: BRIEF OVERVIEW

Founded in 1997, North Shore-LIJ Health System (NSLIJ) serves 7 million residents of Long Island, Manhattan, Staten Island, and Queens. With revenues of roughly \$6 billion and a workforce of more than 42,000 employees (making it the ninth largest employer in New York City), NSLIJ is the second-largest non-profit secular healthcare provider in the nation, the largest integrated healthcare system in New York State, and the largest healthcare provider in its region. With the support of more than 9,000 physicians, 10,000 nurses, over 1,200 medical students, and 1,400 medical residents and fellows, NSLIJ operates 15 hospitals (including four world-class tertiary hospitals and a nationally recognized children's hospital), a mental health facility, 17 long-term care facilities, rehabilitation programs, outpatient surgery centers, home care and hospice programs, and a world-renowned research institute. NSLIJ also maintains affiliations with several regional medical schools and will be opening its own school of medicine in 2011 in cooperation with Hofstra University.

NSLIJ is the product of a 1997 merger between two independent hospitals—North Shore University Hospital, which opened in 1953 with 185 beds, and Long Island Jewish Medical Center, which opened the following year with 215 beds. Following the merger, these two hospitals continued to operate their own “self-governing cultures” until Michael J. Dowling became the chief executive officer (CEO) of NSLIJ in 2002. Mr. Dowling immediately began to address the daunting task of integrating the two hospital systems and transforming their respective cultures, ultimately turning NSLIJ into one of the most successful healthcare systems in the nation.

In recognition of its exceptional organizational leadership and innovation to achieve national goals for quality, NSLIJ was the recipient of the National Quality Forum's 2010 Healthcare Quality Award. NSLIJ has also received numerous other awards, including the Joint Commission's Codman Award, which recognizes excellence in measurement to improve quality and organizational performance, and the Pinnacle Award from the Healthcare Association of New York State, which recognized NSLIJ's success in reducing hospital-acquired infections. NSLIJ has also been named one of the top integrated health networks in the state by SDI, a healthcare market insight and analytics

firm. In addition, individual hospitals and facilities within NSLIJ have been recognized by many respected organizations, including IPRO (New York's Medicare quality improvement organization), the Healthcare Association of New York, the Joint Commission, AARP's Modern Maturity magazine, U.S. News & World Report, JD Power & Associates, the American Nurses Credentialing Center, and the Centers for Medicare & Medicaid Services' Premier Hospital Alliance demonstration project.

HOW NSLIJ CAME TO FOCUS ON SUCCESSION PLANNING AND TALENT MANAGEMENT

NSLIJ's focus on succession planning and talent management is part of a much broader effort to significantly invest in workforce development that was launched by the current CEO. As Mr. Dowling noted after coming to NSLIJ, “we are committed to changing the way business is done within our health system and, most importantly, to investing deeply in our people to help them continuously grow and meet the challenges ahead. We know such changes will have large upfront costs, but believe they will quickly pay large dividends in terms of improving the quality of care and services we provide and lifting the morale of employees.”

In 2002, NSLIJ formed a relationship with Harvard University and General Electric (GE), which led to the creation of a corporate university for the health system that incorporates expertise from GE's Crotonville facility and from Harvard's advanced executive training courses for healthcare professionals. This \$3 million facility, known as the Center for Learning and Innovation (CLI), is located in Lake Success, NY, near both Long Island Jewish Medical Center and North Shore University Hospital. As of March 2010, The Center for Learning and Innovation operates out of 45,000 square feet of facilities, including 12 classrooms of various sizes, two computer labs, conference rooms, and a clinical simulation center known as the Patient Safety Institute. Viewed as the primary engine for driving organizational change, CLI is intended to transform NSLIJ into a world-class learning organization that links its vision and goals to the personal and professional development of its employees. To that end, CLI has been strategically positioned to:

- Foster and encourage continuous learning among employees at every level;
- Help employees develop the competencies necessary to support organization-wide business goals and strategies;
- Invest in a cadre of leaders at all levels;
- Nourish an environment of teamwork;
- Attract and retain outstanding talent by helping employees advance in their careers; and
- Build a competitive advantage over other healthcare facilities.

In addition to creating CLI, Mr. Dowling also wanted to implement a supporting talent management system and process that would allow NSLIJ to promote talent from within the organization. To realize this vision, Mr. Dowling's first step was to promote Dr. Kathleen Gallo to the newly created position of senior vice president and chief learning officer (CLO). Dr. Gallo, a nurse with both a business and doctoral degree, previously served as vice president of emergency services at NSLIJ. Mr. Dowling and Dr. Gallo decided to focus initially on two primary issues related to NSLIJ's succession planning process: first, that too many open positions were being filled by external talent, and second, that local NSLIJ hospitals seemed to be hoarding their top talent. To better understand the changes needed to improve succession planning, Mr. Dowling and Dr. Gallo met with the heads of each of the hospitals to ask the following questions:

- Who are your top performers?
- Who are your middle performers?
- Who are your bottom performers?
- Who is your replacement?

During these meetings, Mr. Dowling and Dr. Gallo also began to instill in hospital leaders the basic principle that the CEO owns talent within the organization, not the individual facilities. Although this principle first met with resistance, growing and sharing talent has now become part of the health system's "cultural DNA" and a measure of overall success. In fact, NSLIJ facility leaders now understand that their own rewards and advancement depends upon their ability to develop and share their top performers.

After this initial exchange, Dr. Gallo and her team reviewed additional literature, investigated a variety of best practices, and developed a customized process and set of tools attuned to NSLIJ's culture and talent development philosophy. In addition, another leader, Joe Cabral, senior vice president and chief human resources officer, took charge of aligning the talent management process with overall organizational goals. Using the Baldrige framework, Mr. Cabral built an infrastructure that allows the organization to use its most valuable

resource—its employees—to achieve consistently effective performance by revamping work systems, training and development processes, and employee engagement efforts. Within five years, the organization has successfully hardwired software solutions to support innovative approaches for identifying, selecting, assessing, and developing talent, including the *High Potentials Program* to accelerate the development of potential leaders and to add to existing talent pools. With these changes in place, the organization's succession planning system, processes, and tools have continued to evolve and improve, with the current approach described in the sections that follow.

UNDERLYING PRINCIPLES OF SUCCESSION PLANNING AND TALENT MANAGEMENT AT NSLIJ

Before delving into the specific elements of the NSLIJ succession planning and talent management programs, it is important to understand the underlying principles that guide them. Many of these principles, outlined below, are consistent with best practices identified by the National Center for Healthcare Leadership (NCHL).

- **Heavy board involvement:** The NSLIJ board of directors, viewing talent management as a key business strategy, actively participates in the organization's succession planning process, and meets with the SVP of Human Resources and CEO at least once a year to review senior leaders within the organization. The Board also periodically participates in interviewing and recommending candidates for senior-level positions.
- **Senior leadership involvement and commitment:** Senior leaders actively engage in the talent development process to assist in overcoming organizational barriers and to promote the career development of future leaders.
- **Talent management as every manager's number-one priority:** Each manager within the organization is tasked with identifying and developing the future leaders of NSLIJ—in fact, this responsibility constitutes their number-one responsibility and single greatest challenge, and also represents the most important legacy they can leave behind.
- **Transparency:** The organization believes in transparency with regard to notifying employees as to whether they qualify for the High Potentials Program. (More information on this program appears in the next section.) NSLIJ leaders, including Dr. Gallo, reject the notion that public disclosure of who qualifies for this "elite group" might cause tension within the organization. As she notes, "Actually, we are not concerned—that is exactly what we are trying to do. Anybody can join the group, depending on their performance. What we are trying to

do is to motivate people to get to the next level of performance.” This commitment to transparency allows individuals to trust in the process.

- **Continuous evaluation of future talent requirements, gaps:** NSLIJ regularly evaluates its requirements for future leadership talent and assesses the degree to which the organization will be able to meet these needs internally. NSLIJ also conducts a regular analysis of the gaps between strategy and execution.
- **Emphasis on “on-the-job” learning experiences:** Accepted theories of adult learning suggest that individuals learn best through real-world experiences. Consequently, NSLIJ’s talent management and succession planning programs emphasize these types of on-the-job developmental experiences, with a focus on addressing competency gaps.
- **Alignment with organizational mission and business objectives:** NSLIJ development programs reinforce the organization’s core values and philosophy, and the organization prioritizes development needs based on an analysis of overall business strategy and objectives.
- **Rigorous evaluation against key metrics:** NSLIJ continually reviews program effectiveness versus established benchmarks, and then refines the process as needed based on this analysis.
- **Leveraging of technology:** NSLIJ has turned to technology to enhance its talent management and succession planning program. In 2008, the health system selected Taleo Performance™ software to support goal management, performance management, and succession planning processes. Part of the allure of this system is its ability to align talent management practices with business results. The system also provides high-performing individuals with a better view of development and advancement opportunities, which can help them to become more engaged in their jobs and ultimately increase the likelihood of their remaining with the organization.

KEY ELEMENTS OF SUCCESSION PLANNING/ TALENT DEVELOPMENT AT NSLIJ

NSLIJ’s succession planning/talent development programs involve a systematic, annual process that identifies, develops, and rewards those individuals most likely to meet the organization’s needs, and distinguishes them from those who will not likely produce the desired return on the organization’s investment. NSLIJ leaders consistently emphasize that the process has been set up to focus on performance (not compliance) and to align organizational goals with individual performance. Now

an integral part of NSLIJ’s learning and development strategy, succession planning is rigorous but not bureaucratic, structured yet still flexible.

Core Initiative: The *High Potentials Program*

The core of NSLIJ’s succession planning/talent development system lies in the *High Potentials Program*. This program seeks to identify high-potential individuals and provide them with broad exposure to various experiences and development opportunities. The overall process consists of the following four steps:

- Identification of program candidates by executive directors and human resources staff at various sites
- Selection of program participants using formal selection criteria
- Assessment of program participants using 360-degree feedback, utilization of target development tools, core management, and enrichment course enrollment
- Development of program participants through education, special internal projects, and various leadership programs at CLI and external opportunities

Each of these key steps is described in more detail below

Step #1: Identifying High Potential Candidates

The annual process of identifying high-potential candidates begins in December; at each facility, managers at the level of department head and above are encouraged to nominate individuals who have been with the organization for at least one year and meet the following criteria:

- Strong performance record
- Demonstration of exceptional performance with respect to service, quality, and operational/financial issues
- Excellent ratings with regard to NSLIJ’s six core organizational values: excellence, caring, innovation, teamwork, integrity, and patient experience
- Demonstration of potential through substantial contributions to the organization or facility

For candidates who meet these criteria, the nominator completes an application form that captures basic background information on the candidate, including number of years in current position, number of years with NSLIJ, recent performance appraisal rating, prior job titles, future areas of interest, and leadership level. Nominators must also justify the reasons for the nomination, citing the candidate’s work on specific tasks, projects, and/or teams, and providing outcomes on their contributions to the organization while implementing

substantial improvements in their sphere of responsibility, the impact on Press Ganey scores, financial performance, patient satisfaction, and the like.

Step #2: Selecting High Potential Candidates

Beginning in January, senior leadership at each facility reviews all applications to ensure accurate, complete information, and then decides whether to endorse the application and move it on to the next step. Endorsed applications go to human resources staff at the site to be verified, and are then submitted to the NSLIJ talent management team, known as the Corporate Talent Management Group. This group reviews all applications, judging whether the candidate has indeed been a driver of positive change and meets all criteria for acceptance to the program. For those that do, the CEO, chief human resources officer, and chief operating officer (COO) conduct a final review to sign off on acceptance to the program. Dubbed the “new leader dialogue,” this conversation goes beyond just reviewing a checklist, but rather involves serious vetting by the CEO and executive staff about the candidate’s potential. In February, participants receive notification of their status; those accepted also receive an invitation to a kick-off meeting with the CEO later in the month.

Step #3: Assessing High Potentials

Candidate assessment begins after the kick-off meeting. Assembled into mixed-level teams, all program participants learn about the assessment and developmental resources available to them, and receive exposure to the same strategic information shared at NSLIJ’s annual strategic leadership retreat. All selected members of the high-potential pool then participate in a comprehensive 360-degree assessment.

NSLIJ’s 360-degree performance review process consists of a multi-source assessment that taps into the collective experience of those individuals who have worked closely with the candidate, including his or her manager and at least three peers and three team members who report directly to the candidate. The 360-degree assessment includes questions that reflect the core values of the organization, along with questions recommended by NCHL based on empirical research. Candidates also may receive further assessments through use of the *Emotional Intelligence Inventory*, MBTI, and evaluation of other key performance metrics.

Step #4: Developing High Potentials

Beginning in March, all program participants begin to take advantage of a wide array of resources intended to help them

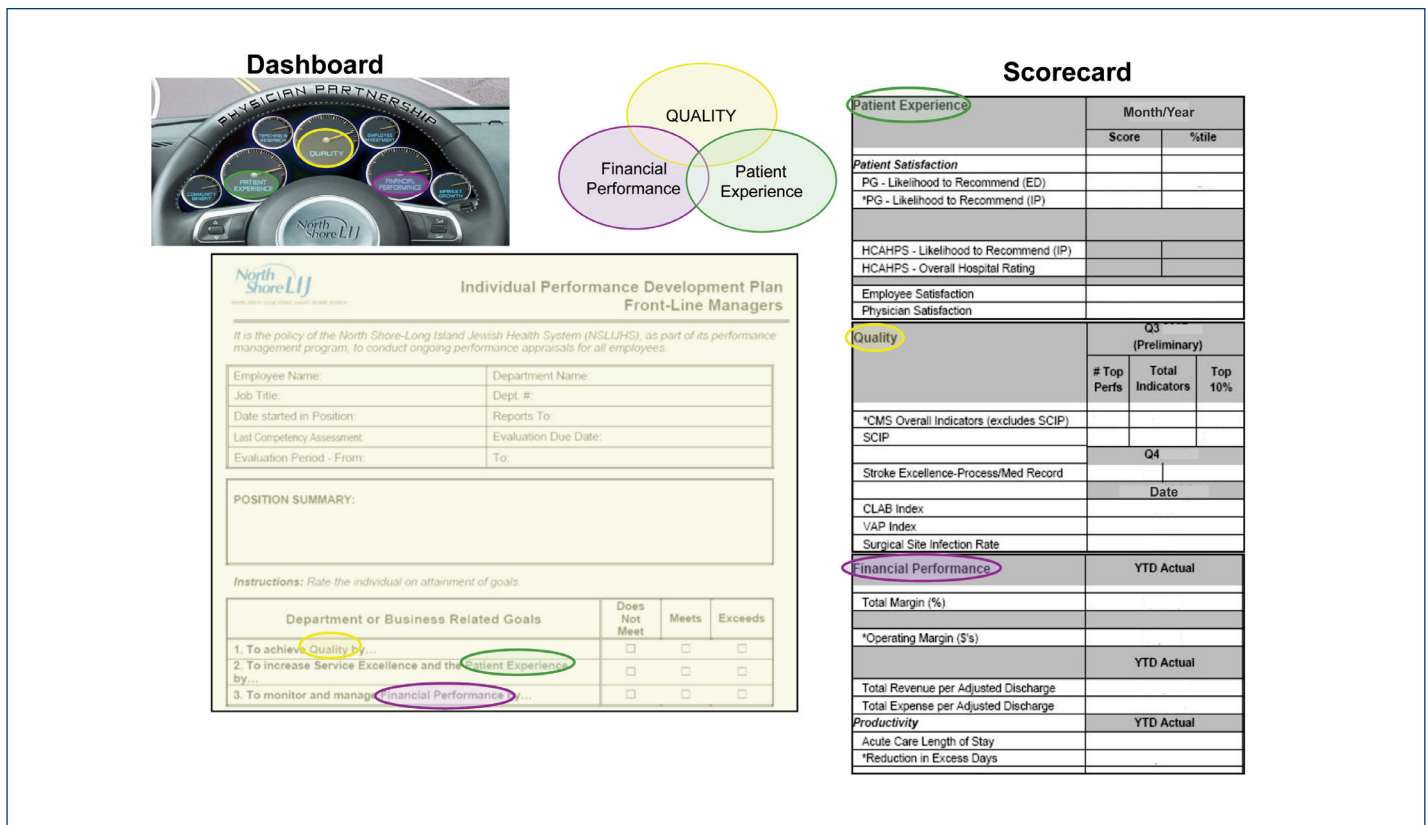


Figure 1. Snapshot of NSLIJ’s Individual Performance Development Plan

develop and advance their careers in alignment with organizational goals and values. Each candidate is assigned an internal peer coach to assist in the creation of individual development plans that support achievement of competencies in critical areas and in growing personally and professionally, while also promoting the achievement of organizational goals. (An example of an individual development plan appears in Figure 1.) Each high potential participant becomes a peer coach to practice the art and competency of coaching for success and to help their assigned participant clarify and target their development.

The plan also identifies classes at CLI and/or other venues that would be beneficial to the candidate's career development, along with specific on-the-job assignments and cross-functional projects to support their advancement and development. (This emphasis on "on-the-job" learning experiences is consistent with recommendations set forth in NCHL best practices and with most currently accepted theories on adult learning.) CLI developmental programs available to participants include a variety of course offerings; participants can choose up to four courses from a menu that includes six core courses for teams along with various elective courses aligned with the organization's leadership levels. Outside developmental programs available to participants include various offerings from NCHL, the Harvard School of Public Health, Cornell University's e-Cornell initiative, Hofstra University, Linkage, Inc., and the AONE (American Organization of Nurse Executives) Institute.

In April, program participants begin implementing their individual development plans, which are directly linked to performance reviews and to the challenges revealed in their 360-degree feedback reports. Over the next nine months, program participants receive regular, ongoing support, including meetings with their coaches (to review progress versus established goals) and with their peers to share experiences and lessons learned. Participants are required to submit their target development plans on a quarterly basis to the Corporate Talent Management Group. These development plans are then uploaded to a new High Potential Executive Portal in an effort to connect health system's senior leaders to their respective high potentials and assist in their development.

Additional Talent Management/Succession Planning Initiatives

As a complement to the High Potentials Program, NSLIJ offers a variety of initiatives designed to develop talent and enhance succession planning, including the following:

- **Rigorous, repeated assessments:** In addition to High Potentials, all directors (including the CEO and executive staff) undergo the 360-degree assessment process

outlined earlier. Managers receive this feedback every other year while executives receive it every year. This rigorous, regular assessment process is consistent with best practices identified and recommended by NCHL.

- **Creation and nurturing of multiple talent pools at various levels of the organization:** NSLIJ develops and nurtures multiple talent pools at various levels of the organization from which to draw candidates when a new position becomes available. Rather than targeting employees as "back-ups" for specific positions (except for roles that require special credentials, such as chief financial officer, chief medical officer, and chief nursing officer), the organization makes it possible for employees to advance through multiple avenues. At present, NSLIJ draws from the following talent pools:

Executive Director pool: Managed separately from the high-potential pool, these strategic leaders receive system-wide developmental assignments.

Associate Director pool: Managed by the executive directors, this group includes those in the *High Potentials Program* and other potential future leaders.

Black Belt pool: Nominated by an executive or associate director, these individuals are expected to work on various departmental or cross-functional improvement projects.

High Potential pool: Those in the *High Potentials Program* are divided into four groups when being considered for vacant positions (although most fall into one of the first three categories). Theoretically, program participants also feed into the other talent pools. The four groups are described briefly below:

Emerging Leaders: These individuals will eventually become leaders, but are not yet in formal leadership positions. Members of this group may be charged with leading teams or special projects.

Team Leaders: These leaders spend a great deal of time coaching, training, developing, and influencing small groups and individuals. Primarily tasked with day-to-day tactical activities, this group acts as the medium through which the organization communicates to its employees.

Operational Leaders: Leaders who manage managers, these individuals are responsible for optimizing processes and performance within their unit.

Strategic Leaders: These leaders drive execution by connecting the dots between strategy, organizational

capabilities, and culture. In the past year, a handful of participants in the *High Potentials Program* have taken on strategic leadership roles.

- **Cross-functional/organizational assignments:** A key component of the talent development strategy involves assigning members of all talent pools to improvement projects that cross department and functional boundaries, and/or to new roles in a different hospital or functional area. Consistent with NCHL-identified best practices, these on-the-job experiences serve to further develop skills, broaden perspectives and knowledge, and prepare individuals for larger roles within the organization. As the CEO notes, “to survive and succeed in today’s rapidly changing, highly competitive economy, organizations of every kind need to inspire employees to commit to the success of their institution, which means the continuous pursuit of improvement at every level. To do that, they must be given the opportunities to develop beyond their comfort zones, finding talents they may not even recognize in themselves. They must be rewarded for their efforts by having their contributions seen as meaningful to the whole.”
- **Coaching and mentoring:** Along with the coaching and mentoring offered to members of the High Potentials Program, those employees transitioning to a new role or larger assignment receive ongoing coaching and mentoring as a key element of their leadership development process.

IMPACT TO DATE

NSLIJ talent management and succession planning programs have increased the number of leaders ready to take on critical positions while reducing the costs associated with the external hiring of executives and with high turnover rates that occur when outsiders fail to adapt successfully to the culture and expectations of the organization. Following are key statistics that demonstrate these improvements:

- **High employee satisfaction:** Better goal management, performance reviews, and other talent management practices have led to high levels of employee satisfaction. Satisfaction levels have reached as high as 85 percent at some NSLIJ facilities, well above the industry norm of 59 percent. Satisfaction rates related to employee engagement and focus average 98 percent or higher at NSLIJ, again above the 88 percent industry average. These high levels of engagement are due largely to the focus on internal promotions, since employees become more

engaged when they believe they have the opportunity to advance within the organization.

- **Lower turnover, associated cost savings:** Improved talent acquisition and performance management processes have saved NSLIJ roughly \$7.7 million—equivalent to the operating margin of one of its small hospitals. Much of that savings has been due to lower nurse recruiting costs, which has been driven by declines in nurse turnover rates. In fact, the turnover rate for new nurses has fallen from 65 percent to 13 percent due to better hiring, development, and performance practices. In addition, within the executive ranks, the ability to make major promotions out of the high-potential talent pool saved NSLIJ more than \$500,000 in 2009, with the savings being driven by reductions in the use of external search firms and lower costs associated with acclimating new talent to the organization.
- **A driver of improvement in overall financial performance:** NSLIJ’s efficient, comprehensive talent management program has helped to improve the overall financial health of the organization, contributing to a \$25 million improvement in overall operating margin.
- **External recognition:** NSLIJ received the Taleo Customer Innovation Award in 2009 in recognition of the talent management initiative’s contribution to the organization’s improved financial health. Past winners include highly innovative organizations such as Deloitte, Dell, and Toyota. NSLIJ leaders have also been invited to present the program as a “best practice” to organizations throughout the nation and have hosted best-practice sessions that describe the program to other executives within and outside the healthcare industry.

LESSONS LEARNED

NSLIJ leaders cite the following lessons learned related to the talent management and succession planning program:

- **Engage the CEO:** At NSLIJ, the vision of the CEO served as the driving force behind the creation of the talent management system.
- **Engage senior leaders:** Invite executive leadership to be integrated into the process through communication, involvement in giving feedback, and participation in progress reports and related events.
- **Be transparent:** Publicly identify those who meet the criteria for the *High Potentials Program* and share information openly on the various competencies and criteria required for acceptance into the program.

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- **Encourage sharing of experiences and lessons learned:** Leverage those in the High Potential pool by allowing them to share experiences from their developmental assignments with peers.
 - **Align program with established competencies:** Best practices inside and outside of the healthcare industry, including those recommended by NCHL, emphasize the need to establish core competencies at each leadership level (e.g., Emerging, Team, Operational, Strategic).
 - **Align program with organizational mission:** Continuous learning models need to reinforce the organization's mission and values, thus allowing leaders to promote the achievement of organizational goals even as they participate in individual developmental experiences.
 - **Design program based on proven methods:** Aligning management practices with methods that have been proven through research serves to unify leaders while strengthening the bond between management and employees.
 - **Leverage multiple talent pools:** The creation of diverse pools of talent allows for individual thought, innovation, and decision making that can further contribute to the success of the organization.
 - **Continually review and adapt the program as needed:** No program can be perfect, so leaders should never be satisfied with it. To that end, NSLIJ talent management and succession planning programs continue to evolve to meet the changing demands of the healthcare business.

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NCHL wishes to thank the following individuals that contributed to the development of this case study:

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Best Practices in Health Leadership Talent Management and Succession Planning – Virtua

WHO THEY ARE: BRIEF OVERVIEW

A multi-hospital healthcare system headquartered in Marlton, NJ, Virtua includes four hospitals (Virtua Memorial, Virtua Berlin, Marlton, and Voorhees), a comprehensive outpatient health center (in Camden), two outpatient surgery centers (in Mt Holly and Voorhees), a home care service, rehabilitation and nursing centers (in Mt. Holly and Berlin), and the William G. Rohrer Center for Health Fitness (in Voorhees). The system's mission is to deliver a world-class patient experience through its programs in women's health, children's health, cancer/ oncology, cardiovascular health, neurosciences, orthopedics, surgery, and wellness.

A nonprofit organization with 8,400 clinical and administrative employees and 1,800 physicians as medical staff members, Virtua has always been on the cutting edge of patient care. For example, the system was one of the first in the industry to use the Six Sigma approach to quality improvement. It also became an early adopter of clinical and digital technologies, and forged innovative partnerships with nationally renowned organizations in early 2004 to redefine patient care. In recent years, Virtua has received a number of awards, including the *New Jersey Governor's Award for Performance Excellence* in both 2005 (bronze award) and 2006 (silver award), the 2009-2010 Consumer Choice Award from National Research Corporation, six leadership awards from Voluntary Hospitals of America in 2007 (for clinical excellence in heart failure outcomes and prevention of surgical infections), and the 2007 *Outstanding Achievement Award for Excellence in Cancer Care* from the American College of Surgeons. Virtua's wellness program received *CEO Cancer Gold Standard* accreditation from the CEO Roundtable in 2008, and in the same year its home care program received a top-100 national ranking from Home Health Line, the industry's leading news publication. Finally, in 2009, Virtua was named the best place to work in the Delaware Valley by the *Philadelphia Business Journal* and entered into the publication's Hall of Fame for receiving this recognition four years in a row.

HOW VIRTUA CAME TO FOCUS ON TALENT MANAGEMENT AND SUCCESSION PLANNING

In 2003, Virtua's overall performance was considered average with negative operating margin and sub-optimal performance indicators. Richard P. Miller, president and CEO of Virtua, recog-

nized the need for a culture of accountability to improve performance and the importance of investment in the talent of people. After conducting research and exploring several options, senior leadership decided to adopt an integrated leadership and talent management system and an accompanying set of practices and tools. Known as Virtua's *Leadership and Management System*, this system seeks to ensure that each patient's experience is outstanding by focusing on five strategic organizational imperatives (known as "STAR" points): service excellence, a caring culture, best people, clinical quality and patient safety, and resource stewardship. Of the five imperatives, the most important to senior leadership is best people (Figure 1).



Figure 1: Virtua STAR

Virtua's operations, including its talent management system, revolve around these five STAR points. In January of each year, senior leadership launches the *Strategic STAR Imperatives* for the year. The organization's more than 500 managers begin a process of cascading, aligning, and translating these imperatives into clear goals and SMART (specific, measurable, attainable, realistic, and timely) objectives that relate specifically to each of the five STAR points. This approach helps to drive accountability; tie organizational goals to individual expectations; clarify goals, measures, and timing; communicate alignment; and provide objectivity with respect to year-end evaluations.

Simultaneous with the roll-out of the strategic imperatives, Virtua begins its annual Best People Review (BPR), a systematic talent management process intended to:

- Differentiate and reward individuals based on consistent measurement of values and performance.
- Ensure that Virtua has the right people in the right jobs at the right time.
- Retain top performers.
- Provide clarity and direction to those needing improvement.

The BPR process for Virtua's 500+ managers starts with supervisors but includes those at all organizational levels, including senior leadership, nurse managers, administrative managers, and physician managers employed by the organization. Virtua also has a similar process for individual contributors (i.e., non-managers).

UNDERLYING PRINCIPLES OF SUCCESSION PLANNING AND TALENT MANAGEMENT AT VIRTUA

Several basic beliefs and principles underlie Virtua's Leadership and Management System, as outlined below:

1. Transparency

Virtua's leadership believes in letting employees know how they rate from a performance perspective, including what those in more senior roles believe to be their strengths, weaknesses, and opportunities for further development. This belief in openness and honesty overrides any concerns that the sharing of such information could cause, such as an increase in turnover among valued employees who are not rated as highly as they might have expected.

2. Core values and expectations

Virtua has developed a clear set of values and behavioral expectations for all managers, along with accompanying assessment tools to evaluate the potential of every employee.

3. Reliance on cross-functional projects

Virtua leaders believe in providing employees with opportunities to work on cross-functional organizational improvement projects. In fact, they expect all those at the level of assistant vice president (AVP) and above to work on these kinds of projects.

4. Six Sigma as a method of quality enhancement

Virtua leaders believe in the power of the Six Sigma quality improvement methodology. All leaders must have at least a yellow belt, which indicates achievement of a basic understanding of Six Sigma methodologies, and most are expected to pursue a green belt or higher.

VIRTUA'S SUCCESSION PLANNING AND TALENT MANAGEMENT KEY PRINCIPLES

1. Transparency
2. Core values and expectations
3. Reliance on cross-functional projects
4. Six Sigma as a method of quality enhancement
5. Focus on adaptability and knowledge transfer
6. Coaching and mentoring
7. Board support of initiatives

5. Focus on adaptability and knowledge transfer

In an effort to broaden knowledge and skills and prepare leaders for larger roles, every black belt at Virtua works on projects outside of their areas of expertise. For example, a human resources manager with a black belt was promoted to a key AVP role within the Cardiac Program of Excellence, and currently serves as vice president (VP) and chief operating officer of Virtua's medical group.

6. Coaching and mentoring

Virtua leaders believe that coaching and mentoring help to engage and retain high performers, to foster a mindset of continuous improvement, and to drive performance by keeping talent focused on and accountable for addressing their individual development needs. To that end, Virtua coaches support the individual's career progression by offering support whenever someone works to upgrade his or her skill set or transitions into a new role.

7. Board support of initiatives

Board members have varying backgrounds within the business sector and the community at large and bring knowledge to the board, including best practices. The board takes part in succession planning and talent management with several distinct functions. First, the human resources (HR) committee of the board reviews the results of the BPR process, salaries, and key talent management metrics, including retention rates, the percent of top talent stretched or promoted, and the progression of those rated as needing improvement. Second, the Board chair and the vice chair of the board HR committee participate in hiring decisions for top positions, working in conjunction with the head of HR and senior leadership, who have final say.

KEY ELEMENTS OF SUCCESSION PLANNING / TALENT DEVELOPMENT AT VIRTUA

There are two key components to Virtua’s *Leadership and Management System*—the aforementioned BPR process and a series of developmental programs intended to help those who go through this process gain and/or develop requisite skills and competencies.

Element #1: BPR Process

The cornerstone of Virtua’s succession planning and talent management program lies in the BPR, a seven-step process that occurs each year (Figure 2). Initially, each of more than 500 leaders within Virtua went through the BPR process. Beginning in 2008, the process was extended to cover all employees, regardless of level. The seven steps are outlined below

Step #1: Self-Assessment

Each employee within Virtua completes a *Best People Review Form* that documents his or her accomplishments over the past year (see Figure 3). The form asks for basic demographic information and for the individual’s assessment of whether he or she has met the stated goals and objectives for the previous year within each of the five STAR areas. Color-coding is used to indicate whether goals have been met—green means they have, red means they have not, with no middle ground offered. The form also asks the employee to document any significant accomplishments in the last year and what, if anything, he or she has done that goes above and beyond the expected role (e.g., participation in cross-functional organizational improvement projects). Employees also assess their own strengths and weaknesses, highlight any self-development progress made, and document any educational programs completed and/or certifications received.

Step #2: Manager Assessment

The managers of those who complete a self-assessment form then evaluate their direct reports by completing four evaluation tools:

The Virtua Values Guideline Assessment: Virtua has identified six core values or competency areas—integrity, respect, caring, excellence, teamwork, and commitment. Each manager evaluates his or her direct reports on each of these core values/competencies, using a color-coded system to indicate the extent to

which the manager has demonstrated the value or competency. Red indicates the failure to consistently demonstrate the value/competency; green indicates consistent, reliable demonstration of the value/competency; and blue indicates exceeding the standard of consistent, reliable demonstration of the value/competency. Behavioral indicators within each rating category help the manager with the assessment rating.

Best People Review Form: Each manager reviews the form completed by their direct reports and completes his or her own performance rating in preparation for the cluster review meetings, during which the manager must justify his or her ratings by sharing specific examples. (More details on these meetings appear in the next step).

Talent Matrix: This nine-box matrix (see Figure 4) combines the performance rating with the values rating. Managers determine where each direct report falls within the matrix. For example, an employee who meets expectations with respect to performance (“middle performer”) and consistently and reliably demonstrates Virtua’s six core values would be placed in the middle block (“coach performance and values”). A high performer who does not consistently demonstrate Virtua values would be placed in the upper right block (“values improvement needed”).

Vitality Curve: Each manager rates his or her direct reports on the Virtua “vitality curve,” which has three rating categories: top talent, valued contributor, or needs improvement. Virtua guidelines do not allow more than 30 percent of individuals to be designated “top talent” and suggest that between 5 and 10 percent be designated as “needs improvement.” The remainder are designated “valued contributors.” The manager should be prepared to discuss these ratings at the cluster review meeting (see Step #3), after which all talent being reviewed must be given final ratings that meet the guidelines.

As noted, the BPR process now covers both the 500+ leaders within Virtua as well as front-line staff. The process for front-line staff mirrors that for the leaders, using a *Staff Values Grid* (similar to the *Virtua Values Guideline Assessment*) and the same *Vitality Curve*.

Step #3: Cluster Review Meetings

These two-hour talent review meetings bring together managers to discuss and calibrate ratings of their direct



Figure 2. Best People Review Process

Figure 3. Snapshot of Virtua’s Best People Review Form

Participant’s Name					
Values Grid-Use Colors					
<i>Virtua Blue is Exceeds Standard/Role Model; Green is Reliably Demonstrates Virtua Values; Red is Not Consistently living Virtua’s Values/Needs Improvement – USE COLORS</i>					
<u>Integrity</u>	<u>Respect</u>	<u>Caring</u>	<u>Excellence</u>	<u>Commitment</u>	<u>Teamwork</u>
Examples of Virtua Blue Values and Red Values in Practice:					

Previous BP Rating		Current BP Rating	
TT	<input type="checkbox"/>	TT	<input type="checkbox"/>
VC	<input type="checkbox"/>	VC	<input type="checkbox"/>
NI	<input type="checkbox"/>	NI	<input type="checkbox"/>
TT = Top Talent VC = Valued Contributor NI = Needs Improvement			

TALENT MATRIX	Exceeds Standard/ Role Model	Reliably Demonstrates Virtua Values	Does Not Consistently Demonstrate the Virtua Values
High Performer (Exceeds Expectations)	Promote/Expand <input type="checkbox"/>	Coach/Values <input type="checkbox"/>	Values Improvement Needed <input type="checkbox"/>
Middle Performer (Meets Expectations)	Coach-Performance <input type="checkbox"/>	Coach Performance & Values <input type="checkbox"/>	Values Improvement Needed-Coach Performance <input type="checkbox"/>
Low Performer (Does not meet Expectations)	Performance Improvement Needed <input type="checkbox"/>	Performance Improvement Needed - Coach Values <input type="checkbox"/>	Fails to Meet Performance & Values <input type="checkbox"/>

Next Logical Position (BPR Participant)

Next Logical Position(BPR Participant’s Manager)

To be completed by the manager:

What developmental experiences or competencies would this individual need to prepare for the next logical position?

Anticipated timeline (in years) for readiness:

Figure 4. Virtua's Nine-Box Matrix

Talent Matrix	Exceeds Standards / Role Model	Reliably Demonstrates Virtua Values	Not Consistently Living the Virtua Vales
High Performer	Promote / Expand	Coach / Values	Values Improvement Needed
Middle Performer (Meets Expectations)	Coach Performance	Coach Performance and Values	Values Improvement Needed – Coach Performance
Low Performer (Does Not Meet Expectations)	Performance Improvement Needed	Performance Improvement Needed – Coach Values	Fails to Meet Performance and Values

reports. Each meeting covers roughly 20 to 25 individuals, who are grouped according to grade levels to ensure comparisons of people in equivalent roles. Managers who have staff at multiple grade levels attend multiple cluster meetings.

Each meeting requires significant preparation. Before the meeting, a *BPR Scorecard* is completed for each individual being reviewed. This scorecard, which is displayed on the wall for each person being reviewed, includes a summary of goals achieved at year end, value ratings, and other performance data, including satisfaction scores from their direct reports and supervisory considerations (a dimension of the employee opinion survey that measures how well employees feel they have been coached and evaluated by their manager).

To help facilitate the meeting, a blank *Vitality Curve* and *Talent Matrix* are posted on the wall as well. Using the evaluations conducted in the previous step, each attendee places the names of his or her direct reports in the appropriate place on the curve and matrix. Other attendees are encouraged to challenge these ratings by drawing a heart around the individual's name (indicating the rating gives them "heartburn"). This process helps the facilitators (HR staff) to identify challenges and encourages dissenting opinions to be surfaced.

During the cluster meetings, managers provide specific performance information on each direct report, including how the person has demonstrated Virtua values and competencies and met year-end goals and objectives. The manager also reviews key accomplishments and development needs going forward. Facilitators encourage attendees to focus the majority of the meeting on those rated as "top talent" or "needs improvement."

Discussion continues until consensus is reached and the ratings conform to the distribution guidelines outlined earlier (i.e., no more than 30 percent rated "top talent" and between 5 and 10 percent rated "needs improvement"). Information discussed during the cluster meeting can later be used to inform the creation of individual development plans (IDPs) and be used during individual coaching meetings.

DRIVING PERFORMANCE: THE VIRTUA VITALITY CURVE

When the program was first rolled out, of the 7,000 employees at Virtua, only a few were identified as "needs improvement." The Vitality Curve is bell-shaped, and Virtua initially determined that a minimum of 10 percent of employees should fall into the "needs improvement" category, whereas no more than 20 percent should be considered as Top Talent. The talent management team worked with managers to identify those that do not meet expectations. Over the years, as accountability became part of the culture and the performance bar was raised, the forced distribution has become less stringent. The vitality curve is an important component of the process as it requires staff to stop, think, and differentiate performance.

Step #4: Executive-Level Talent Review Meeting by Business Unit

Based on the cluster review meeting, each division, business line, and corporate area prepares final vitality curves. Separate system-wide curves are also completed for those currently at the level of AVP and above (e.g., VPs and chiefs). In March, the output from all cluster meetings for top leaders is reviewed with senior management (the CEO, the COO, and the CMO) during a two-day meeting that focuses on those designated “top talent” and “needs improvement,” along with those on the cusp of these rating categories. At the end of this meeting, final agreement has been reached on the ratings for each of the more than 500 Virtua leaders included in this process.

A parallel talent review process occurs for front-line staff—however, instead of the review occurring with senior management, staff-level reviews are completed locally at the VP level for each facility/business unit.

Step #5: Communicating Ratings to Employees, Developing IDPs

Managers share the ratings, any qualitative feedback, and relevant comments from the cluster and executive meetings with each individual. Those being reviewed use this information to create an IDP that incorporates feedback from the review process, development goals set by the supervisor, and employee-developed goals related to future career plans. The IDPs help to identify learning trends, create accountability for the coaching process, and serve as a guide to what educational resources and offerings the employee might benefit from through Virtua’s developmental programs, including coaches who assist employees in following their IDP (see element #2 below for more on coaching and other developmental programs).

Step #6: Rewards and Recognition

Virtua’s BPR process feeds into the organization’s compensation and merit pay system. Those at the AVP level and above designated as “top talent” receive a performance bonus over and above the organization’s standard incentive compensation plan for managers (known as the Management Incentive Compensation Plan or MICP). They also qualify for enhanced tuition benefits, a donation made to a charity of their choice, participation in high profile organizational initiatives, and recognition in an internal and external marketing campaign.

Step #7: Follow-up Review Meeting

The annual process concludes with a follow-up review meeting that takes place in September or October of each year, roughly six months after completion of the final ratings. This meeting summarizes the progress of those in the “top talent” and

“needs improvement” categories and highlights stretch assignments and developmental accomplishments that have occurred to help these individuals advance.

Element #2: Developmental Programs

Virtua offers a wide variety of programs designed to help those who go through the BPR process continue to develop, learning the skills and competencies needed to advance within the organization. Virtua created a Center for Learning that offers simulation labs and other opportunities to develop critical competencies needed for effective leadership. Results from the talent review meetings serve as inputs for new program offerings by the Center. Virtua also partners with various universities to provide leaders with opportunities for continuous development, including the Massachusetts Institute of Technology, Rutgers University, University of the Sciences, and Villanova University. Under the auspices of the Center for Learning, Virtua offers a full array of leadership training courses for those at various levels of the organization and those operating at different levels of performance. In addition, those designated as “top talent” can participate in accelerated Masters in Business Administration programs and external training and education programs, all offered free of charge.

In addition, every manager who goes through the BPR process, regardless of their rating, can receive six months of coaching focused on their individual strengths and developmental needs. Several HR leaders at the AVP level have been certified as coaches by the International Coaching Federation; additional managers at the next level are in the process of being certified. These coaches, who are deployed to various client groups and business units, work with their business partners to coach those in all three categories of the *Vitality Curve*, although many focus their efforts on helping “top talent” to accelerate their development and those deemed “valued contributors” pursue further career development. Going forward, Virtua plans to formalize and expand these programs, including the new Center for Learning, which will be “branded” much like GE has branded its Crotonville facility.

IMPACT TO DATE

The *Virtua Leadership and Management System* has had a positive impact on the organization, as demonstrated by the following improvements:

Raising the performance bar: The system continues to raise the bar as “top talent draws top talent.” Those who are in this category also help the ones in the middle acquire additional skills. Continuous improvements of the system have been demonstrated over the years.

Of the 574 participants in leadership review in 2009, top talent and “needs improvement” represent 21 and 7 percents respectively. The rest are valued contributors. Of all the top talent that year, 15 percent were promoted or “stretched”, whereas 53 percent in the “needs improvement” category left the organization, either on their own or by request.

Better people, better performance: Virtua achieved top performance on operating margin in the state of New Jersey in 2008. It applied for the Malcolm Baldrige National Quality Award and was granted a site visit in 2009. The organization continues to progress, and it attributes its success to the talent it has and its talent management efforts.

A deep bench for succession planning: Succession planning is an integral part of Virtua’s talent management system. Skill sets required for the critical positions are identified. Two to three potential candidates can be identified to move into each of those positions. For some of the top talent that might be ready in the next years, they are given stretch assignments and asked to take leadership development courses to develop the required skill sets.

Improved retention of best people: The turnover rate for Top Talent in management roles has declined from 9.1 percent in 2007 to 1.3 percent in 2009. Valued Contributor turnover rate has declined from 18 percent in 2007 to 5.6 percent in 2009.

More engaged employees: In 2009, Virtua was ranked #1 in employee engagement, employee focus on patient care, and overall job satisfaction for large healthcare systems by HR Solutions International, Inc. The employee engagement levels continued to improve as shown in Figure 5.

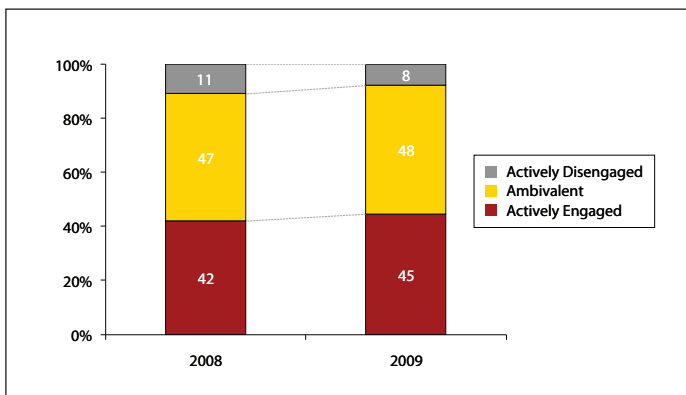


Figure 5. Virtua’s Employee Engagement Levels

KEY TAKEAWAYS

Key takeaways from *Virtua’s Leadership and Management System* include the following:

Initiated and supported by top management: As NCHL emphasizes, executive support is critical to the success of whole-house talent management programs. At Virtua, the involvement of the senior leadership team—the CEO, the COO, and the CMO—in the development of the process and the continuous encouragement they offer to the top talent help made the program a success.

Set and cascade goals: The executives set the goals of the organization each year, which are cascaded down to the different facilities, departments, and staff members. This is critical as it pertains to the talent management review, as individual development goals are aligned with the organizational goals.

Emphasize the need to monitor performance metrics: Goals are set for Virtua’s key indicators. The System came into place when it became part of an organization-wide performance improvement initiative. Being able to benchmark its progress is a key to the System’s success.

Establish accountability: Managers are held accountable to differentiate performance of their staff. The vitality curve continues to serve as a framework to help identify staff that needs improvement—with normal distribution of a bell-shaped curve, organizations, in general, have 10 percent of people exceeding expectations, and 10 percent that do not meet expectations. The Talent Management team at Virtua works closely with managers to determine development actions for those who need improvement.

Roll out slowly and systematically: The system was rolled out gradually beginning with managers, then staff and employed physicians. The process took four years to complete. The process is embraced by the clinical staff as they see how the process helped improve and turnaround the organization.

Provide leadership development opportunities: Systematic leadership development opportunities are given to those in the top talent pool, and they include 1) stretch assignments to develop new skill sets; 2) learning programs and continuing education opportunities including the offerings through Virtua’s own Center for Learning and Leadership; and 3) a coaching program to incorporate four different levels, similar to that offered to six-sigma “black belts.”

Continually revamp the review process: Virtua leaders continually refine the BPR process to meet the changing organizational needs. For example, in 2009 Virtua refined the calibration of goals and objectives across the organization to ensure that similar positions have similar types of goals. To further retain some managers deemed “valued contributors,” the leaders are trying to increase opportunities for these individuals to develop and move up within the organization.

The performance bar is raised continually to move the organization forward.

CONTRIBUTORS

NCHL wishes to thank the following individuals that contributed to the development of this case study:

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Best Practices in Talent Management and Succession Planning: A Focus on Nursing Leadership – Moses Cone Health System

WHO THEY ARE: BRIEF OVERVIEW

Founded in 1911 as a trust established by Bertha Lindau Cone, Moses Cone Health System (MCHS) consists of five hospitals, numerous freestanding outpatient facilities, the Penn Nursing Center, and LeBauer HealthCare, a multispecialty practice. One of the premier healthcare institutions in North Carolina, the system serves residents of the city of Kernersville and Guilford, Randolph, Rockingham, and Alamance counties. With more than 7,600 employees, MCHS offers a wide range of services, including maternity and neonatal care, cancer care, bypass surgery, stroke rehabilitation, and geriatric care. MCHS also operates a large teaching hospital for students and residents in internal medicine, family practice, obstetrics, gynecology, and pediatrics.

The organization's mission is to serve the community by preventing illness, restoring health, and providing comfort through exceptional people who deliver exceptional care. To that end, the organization's key values include outstanding service, a caring spirit, an innovative climate, integrity, and financial viability. The organization has lived up to these values, as evidenced by the numerous instances where its programs and services have been recognized by outside organizations, including the Accreditation Council for Graduate Medical Education (ACGME), the Joint Commission, National Research Corporation, VHA, and others.

HOW MCHS CAME TO FOCUS ON SUCCESSION PLANNING AND TALENT MANAGEMENT

In 2005, MCHS conducted a robust, thorough strategic planning process driven by its board of directors. Eight key strategies came out of this process, one of which was called the "people" strategy. Succession planning represented one of six key tactics within the people strategy; it had emerged as a key issue at MCHS a few years earlier, and the strategic planning process served to validate its importance as a near-term priority for the organization.

In 2006, MCHS formed an interdisciplinary task force made up of employees from across the system and all levels of the organization. Charged with developing a set of recommendations on the basic structure and architecture of the MCHS succession planning process, the task force worked for approximately one

year, considering multiple variables, including MCHS' strategic direction, external environment, and internal operational requirements, along with best practices from the National Center for Healthcare Leadership (NCHL) and other external organizations in succession planning, talent development, and competency modeling.

Consistent with NCHL-identified best practices that emphasize the importance of understanding future-oriented leadership requirements,ⁱⁱ the task force began by surveying key leaders to determine the magnitude of expected "leadership gaps" over the next three to five years. Known as the *Talent Inventory*, this questionnaire asked leaders the following kinds of questions:

- "How long do you anticipate staying in your current role?"
- "What job role do you aspire to in the next one or two years? Three to five years?"
- "What development support do you need to reach your career goals?"

Initially, task force members administered the questionnaire to approximately 100 nursing leaders. This internal and external analysis led to a set of recommendations that were carefully vetted with key stakeholders, and ultimately approved in 2007 by the MCHS senior leadership team. These recommendations specified the basic structure and processes, key leadership competencies, and essential assessment and development tools that would make up the succession planning/talent management process for managers and "high-potential" employees. The analysis also allowed the task force to quantify the expected benefits and costs of the program, and to develop specific metrics to monitor and evaluate the program's impact.

Recognizing that resources were limited, the task force recommended that MCHS begin by targeting the program on a subset of its managers—the 103 nursing leaders within the organization, ranging from the front-line assistant director to the chief nursing officer. The task force chose to start with nurses because the *Talent Inventory* identified a large, imminent leadership gap within nursing at MCHS, primarily due to the aging of the nursing workforce. In fact, one-quarter of nursing directors (15 out of 60) indicated that they planned to retire in the next five to seven years. Given the difficulties associated with finding nursing directors and the high costs of

recruiting them (e.g., the system spends roughly one-quarter of a million dollars recruiting nurse managers each year), task force members felt that focusing first on nursing made the most sense. The program launched in 2007, then was revised in 2008 based on nurse input and rolled out to all 600+ managers throughout the system, including medical and administrative leaders. To aid with this roll-out, the task force administered the *Talent Inventory* to the other managers and leaders throughout the organization, a process that served to identify several additional at-risk groups facing a large potential leadership gap in the coming years. Despite resource limitations, MCHS senior leaders strongly supported the 2008 expansion, as they did not want to limit the careers of high-potential individuals within other functional areas and departments.

UNDERLYING PRINCIPLES OF SUCCESSION PLANNING AND TALENT MANAGEMENT AT MCHS

Before delving into the specific elements of the MCHS succession planning and talent management process, it is important to understand the underlying principles and philosophies that guide it. Many of these principles, outlined below, are consistent with best practices identified by NCHL.

1. Employees are responsible for own development

MCHS leaders regularly encourage all individuals who aspire to move up within the organization to apply to the MP3 (*Maximizing Purpose, Performance, and Potential*) program and to engage in an ongoing dialogue with their supervisor about their career goals. (Details about the MP3 program, a cornerstone of the MCHS talent management and succession planning program, appear in the next several sections of this case study.) In other words, any manager can “raise his hand” and say, “I want to become a high-potential employee...I want to advance in my career.” As Joan Evans, chief learning officer and director of organizational development (OD) at MCHS, notes, “If you want to become the chief executive officer (CEO) one day, and we believe you have the past performance and potential to do the job, we will do everything to support you in achieving that goal.” This approach puts the responsibility for career advancement directly on the shoulders of each manager, encouraging them to share their interests and aspirations, and empowering and motivating them to take charge and make it happen. This emphasis on individual choice and personal responsibility is consistent with current theories of adult learning and career development.

2. Transparency will guide the process

The senior leadership team believes strongly in transparency, and hence communicates openly with all managers about the application and assessment process for MP3, who has achieved

MCHS SUCCESSION PLANNING KEY PRINCIPLES

1. Employees are responsible for own development
2. Transparency will guide the process
3. Multiple talent pools will be cultivated
4. A leadership competency model will guide the effort
5. Candid, evidence-based developmental feedback is documented and shared
6. Losing unqualified candidates is expected
7. The board of directors remains actively involved
8. Specific metrics guide evaluation of the process

high-potential status, and available development opportunities for those at various competency levels and degrees of readiness for advancement. As a part of this transparency, every employee who applies for and/or who is nominated to apply to MP3 receives verbatim feedback on what senior leaders believe about their strengths and weaknesses, and about where they place within MCHS’ nine-box performance and potential matrix. (See Figure 1).

3. Multiple talent pools will be cultivated

MCHS has identified and developed pools of high-potential individuals within each level of its nursing organization, and is now doing the same across other key units of the organization. The goal is to help high-potential managers develop the skills, experiences, and relationships they need to take on leadership roles that go beyond their technical areas of expertise. For example, a nursing director may not move up within nursing, but rather become a hospital administrator or a service line vice president. In fact, moving up within MCHS is less about functional or technical skills than it is about leadership.

4. A leadership competency model will guide the effort

MCHS uses a leadership competency model as a basis for all its talent development efforts. MCHS’ customized model serves as the cornerstone of the assessment process throughout the organization. Developed by an internal task force in 2007 that wanted a simple, memorable approach based on established best practices, this competency model is based on three fundamental beliefs—i.e., that leaders need to manage themselves, lead and engage others, and lead the business of healthcare. The model calls for the assessment of individuals in following eight areas of competence: managerial competence, relationship management, effective decision making, innovative leadership,

Figure 1. MCHS Performance and Potential Matrix

		LEVEL OF PERFORMANCE				
		Not Yet at Full Performance	Full Performance	Exceptional Performance		
LEVEL OF CONTRIBUTION	7	<ul style="list-style-type: none"> • Is newly identified as potential for promotion and is just beginning to develop competencies for the next level. • Has developed an Individualized Development Plan and is working on key development actions. • Typically ready for promotion in 3-5 years. 	8	<ul style="list-style-type: none"> • Has fully developed most of the competencies required for the next level. • Continues to focus on 1-2 areas of development in preparation for the next level position. Or may need opportunities to apply competencies to bigger projects or work assignments. • Typically ready for promotion in 1-2 years. 	9	<ul style="list-style-type: none"> • Has fully developed competencies needed for the next level and can consistently apply these competencies in a variety of work assignments and job rotations. • Typically ready for promotion in ~12 months.
	4	<ul style="list-style-type: none"> • Demonstrates all competencies of current role and is beginning to apply these skills to broader areas. • Many need significant coaching and support to apply skills outside current role. 	5	<ul style="list-style-type: none"> • Demonstrates all competencies of current role and is able to apply these skills to broader areas. • Is confident when working outside own job and is able to apply skills with minimum coaching and support. 	6	<ul style="list-style-type: none"> • Demonstrates all competencies of current role and is able to apply these skills to broader areas. • Can consistently deliver exceptional results outside their current department and can lead organizational initiatives using their current skills.
	1	<ul style="list-style-type: none"> • Needs to work on developing competency in current role. • May be new to the role or having performance challenges if seasoned employee. 	2	<ul style="list-style-type: none"> • Competent in all aspects of current role. • Able to perform job assignments competently within current job role. 	3	<ul style="list-style-type: none"> • Demonstrates all competencies of current role AND serves as a role model and resource for others. • Demonstrates high level of performance consistently (minimum 1 year).

talent development, clinical excellence, financial acumen, and strategic catalyst. Task force members also identified a set of behaviors to accompany each competency for each of the five managerial levels—assistant director, department director, service director, vice president, and EVP. These behaviors specify expectations for managers within each competency at each level. The OD department then uses these behaviors to customize a unique 360-degree assessment for each level (more details on this assessment appear in the next section).

5. Candid, evidence-based developmental feedback is documented and shared

The entire program has been structured to capture and share evidence-based data and feedback on current performance and future potential from a variety of sources, including multiple individuals who have worked with each manager. As is discussed in more detail in the next section, all MP3 applicants are reviewed by a panel of senior leaders who know the individual’s work; these individuals thoroughly discuss the applicant’s strengths, weaknesses, and potential. In addition, each manager shares first-hand examples to support any comments, positive or negative, that they may have about the individual being discussed. These comments and examples, which are documented and shared freely with each employee, serve as deep, rich, and honest feedback. This type of feedback extends to those individuals who may want to move up in the organization, but who senior leaders feel do not have the skills and talent necessary to do so.

6. Losing unqualified candidates is expected

Consistent with the desire for transparency and honest feedback, MCHS leaders make it clear that not all who apply to the MP3 program will qualify, and that in some instances the application process may conclude that an individual lacks the potential to advance within the organization. Leaders also make it clear that no one is guaranteed a promotion, and hence accept the fact that efforts may be made to develop people—including highly valued individuals—who ultimately

choose to leave the organization. Such losses are viewed as the natural result of being transparent and open with employees.

7. The board of directors remains actively involved

The MCHS board of directors plays multiple roles related to talent management and succession planning. As noted earlier, the board identified “people” as one of six key strategies for the organization, with succession planning being an integral tactic within that strategy. In addition, the human resources (HR) subcommittee of the board conducts quarterly reviews of the HR scorecard, which includes key metrics related to talent management and succession planning. Board members also periodically engage in in-depth, candid discussions about talent and talent development with senior leaders, regularly participate in selection interviews for EVP-level positions, and drive the succession planning process for the chief executive officer.

8. Specific metrics guide evaluation of the process

MCHS has developed a wide array of specific metrics to gauge the impact of talent management and succession planning activities (see the Impact to Date section for additional information on these metrics).

KEY ELEMENTS OF SUCCESSION PLANNING AND TALENT DEVELOPMENT AT MCHS

The MCHS succession planning and development program revolves around the aforementioned MP3 program, a program that identifies and provides high-potential employees with the experiences they need to develop into effective leaders. Those who apply but do not get accepted into the MP3 program still receive significant support designed to further their development and allow them to ultimately qualify for it.

The goals of this effort include the following:

- To identify two or three people within each functional area and leadership level who are ready (i.e., both competent and

Element #1: Highly Selective Application and Screening Process	Element #2: Ongoing, Customized Support for All Applicants	Element #3: MP3 Program for Tier 3 Individuals
<p>Step 1 – Application</p> <p>Step 2 – Screening and placement into three tiers</p> <p>Step 3– Talent review meeting</p> <p>Step 4 – Talent review follow-up meeting</p>	<ul style="list-style-type: none"> • 360-degree, competency-based assessments • Coaching and mentoring • Ongoing talent development from all leaders 	<ul style="list-style-type: none"> • Ongoing coaching • Ongoing learning cohorts • Individual learning plan • Initial two-day retreat and quarterly off-site training meetings

Figure 2. Summary of Key Elements

qualified) to move to the next level when the opportunity presents itself;

- To reduce the amount of time it takes to fill managerial positions;
- To increase the percentage of management / leadership positions filled through internal promotion;
- To reduce recruiting costs; and
- To reduce the number of “regrettable losses” (i.e., highly valued people who leave the organization).

The remainder of this section lays out the key elements of the MP3 program and other succession planning and talent development activities at MCHS.

Element #1: Highly selective application and screening process

The MP3 program is open to a select group of employees who demonstrate significant potential for leadership. To qualify, a candidate must have been in his or her current role for one year, be in good standing with the organization and not involved in any type of disciplinary action, and be rated at least a “level 3” (“meets expectations”) on his or her three previous year-end performance appraisals. Interested employees can nominate themselves for the program, or be nominated by their supervisor. The process includes managers at multiple levels of the organization and involves a rigorous, repetitive assessment of candidates, especially with regard to their character, values, and leadership style. A brief overview of the application and selection process follows:

Step 1—Application

Each April, interested employees and their managers begin a rigorous, detailed application process that includes the completion of multiple forms, as outlined below:

Employee profile: This standard form, completed by the applicant, provides basic information about the employee’s current position (e.g., title, hire date, time in role, number of employees supervised) and a review of all positions held for the past 10 years, including key responsibilities and accomplishments for each position, with a focus on four areas: patient satisfaction, employee and physician satisfaction, clinical quality, and financial viability. The form urges applicants to “sell themselves” by describing why they want to participate in the program and what leads them to believe they can function at a higher level within the organization.

Performance and potential matrix: Applicants indicate where they would place themselves in MCHS’ nine-box, three-tier performance and potential matrix (Figure 1). Separately, the

applicant’s immediate supervisor indicates where they would place the employee on the same matrix.

Competency assessment: Applicants complete a self-assessment of where they stand with respect to achieving competence in each of the eight competency areas, and add comments to document their rationale for each rating. On a separate form, the immediate supervisor also rates the competency of the manager in the same eight areas.

Talent development supervisory questionnaire: The applicant’s supervisor fills out this questionnaire, which captures the following information: key aspects of any previous conversations the supervisor may have had with the applicant about his or her career aspirations; why the supervisor supports this individual’s application; the applicant’s key strengths, growth opportunities, and accomplishments to date; any factors that could limit advancement; and how committed the supervisor is to advocating for this person.

Letter of recommendation: Each application must be accompanied by a letter of recommendation from someone other than the direct supervisor. This letter must come from a leader who is at a level above the applicant within the organization, and who has supervised or recently worked with the applicant on a committee or organizational project. The letter provides details as to why the supervisor supports the individual’s application, including comments on key strengths and growth opportunities.

Step 2—Screening and placement into three tiers

After the May 15 deadline, MCHS leaders review the applications, placing each applicant into one of three tiers on the performance and potential matrix, as outlined below:

Tier 1: Applicants placed in Tier 1 are competent in most aspects of their current role, but still need to demonstrate that they can apply their skills more broadly outside of their department, or in another functional area.

Tier 2: Applicants placed in Tier 2 are fully competent and have consistently demonstrated the ability to work across functions to drive success on key organization-wide initiatives and/or projects. These individuals are deemed to have “emerging potential.”

Tier 3: Applicants placed in Tier 3 are the only ones admitted to the MP3 program, as they have clearly and repeatedly demonstrated that they can produce far superior outcomes than others at their level, and that they have the skills needed to function at the next level of the organization.

Step 3—Talent review meeting

Both Tier 2 and Tier 3 applicants have a talent review meeting in July or August. (Tier 1 individuals do not receive a full talent review assessment, but instead meet with their manager and an OD department representative to review the assessment and identify what they need to do to advance to Tier 2; they can reapply for MP3 the following year by updating their application.) Applicants do not attend the initial talent review meeting, but instead work with OD staff to determine who should participate in this meeting (in addition to their immediate supervisor and six to eight other senior executives who regularly participate).

Each applicant must have at least one EVP in attendance to represent them; this individual should know the applicant well and have worked with him or her recently, and thus be able to speak from firsthand experience about the individual's leadership capabilities. During this session, the senior leaders use the eight competencies and specific role-based behaviors for the candidate's position to frame and drive the talent review discussion. They point out specific examples where the individual is competent or has room for improvement. An OD staff member facilitates the discussion, takes detailed notes, and, most importantly, helps ensure that all leaders provide specific, evidence-based examples to support their comments and observations. By the end of the meeting, the group reaches a consensus on the following: the individual's competency strengths and developmental opportunities, appropriate placement of the individual on the performance and potential matrix, and what the individual needs to work on in order to advance within the organization.

Step 4—Talent review follow-up meeting

After the 45-to 60-minute talent review meeting, the OD staff member in attendance summarizes his or her meeting notes and drafts a report for submission to the individual's supervisor within two to three business days. The report details the employee's strengths and opportunities for improvement (including specific examples to illustrate each identified strength and opportunity), and offers recommendations to help the employee advance. The supervisor edits the report as he or she sees fit, and then meets with the employee and OD staff member within two weeks to review its findings. At this point, the individual learns what Tier he or she has been placed in (2 or 3).

Tier 3 individuals receive a formal invitation to participate in the MP3 program. Tier 2 individuals are invited to reapply the following year by updating their application. The OD department keeps a list of all Tier 2 individuals and looks for appropriate cross-functional or cross-organizational assignments or projects

for them to participate in during the upcoming year. In 2008, the first year of this process, MCHS chose 16 nursing leaders to participate in the MP3 program. In 2009, they chose 20 additional leaders from across the entire organization to participate, meaning that 36 leaders now participate in MP3.

Element #2: Ongoing, customized support for all applicants

As the aforementioned review and screening process suggests, everyone who applies to the MP3 program receives customized support designed to improve the skills and leadership/management potential, including ongoing mentoring and coaching from managers. In addition to the aforementioned support provided to Tier 1 and Tier 2 candidates during the talent review follow-up meeting, ongoing support offered to all MP3 applicants includes the following:

360-degree, competency-based assessments: Competency-based assessments, customized to each managerial level, remain a key component of the MCHS succession and talent development process. Two types of assessments are used. The first is a two-way assessment between the employee and supervisor that is administered during the MP3 application process (described previously). The second assessment involves use of one of five customized, position-level 360-degree leadership competency surveys. Any leader can ask to have this assessment and a debriefing meeting with a representative from the OD department. MCHS contracts with an external firm to deploy all of its 360-degree assessments and feedback reports.

Coaching and mentoring: Coaching and mentoring serve as an integral part of the talent development process at MCHS. Everyone who participates in the 360-degree competency assessment receives brief coaching support. Those enrolled in MP3 receive more in-depth coaching, as described in the next section.

Ongoing talent development from all leaders: MCHS expects all managers to constantly be striving to develop talent on a daily basis as a normal part of their responsibilities. Managers routinely give employees feedback on their performance through coaching and counseling, and support professional development by allowing their staff to attend training courses and by offering challenging assignments that help promote development of additional competencies and career advancement. To encourage managers to focus on talent development, MCHS leaders have made the development of direct reports an integral part of the evaluation process for all supervisors.

Element #3: MP3 program for Tier 3 individuals

Those accepted into the MP3 program receive a wide variety of additional support and developmental opportunities, as outlined below:

Ongoing coaching: Those enrolled in MP3 regularly review their progress with their managers and also meet monthly with a development coach from the OD department. The coach helps them to assess their progress and overcome any barriers to their development. Currently, the OD department coaches all 16 high potentials from the 2008 class, along with the 20 new MP3 enrollees from the 2009 class.

Ongoing learning cohorts: MP3 enrollees participate in learning cohorts that have been developed within each calendar-year class. These cohorts, which include high-potential individuals from all managerial levels, help to build relationships and foster a great deal of informal mentoring and coaching between and among cohort members (who all find themselves on the same journey). During cohort meetings, participants also have the opportunity to interact and develop relationships with senior leaders who attend these sessions.

Individual learning plan: MP3 participants use the 360-degree assessment and talent review feedback as a basis for putting together an individual learning plan. This plan specifies development goals (including time-lines for meeting each goal), and describes how the individual will do the following: learn what he or she needs to know, implement what is learned, and gauge his or her progress in achieving the goal. Consistent with NCHL best practices (which emphasize the value of real-world learning development opportunities), MCHS leaders encourage MP3 participants to engage in on-the-job developmental opportunities (rather than attending formal training programs), including rotational assignments, cross-functional/cross-organizational projects, and action-learning assignments.

Initial two-day retreat and quarterly offsite training meetings: Each learning cohort attends a two-day, overnight retreat that focuses on emotional intelligence, individual development planning, and various activities to help participants reflect on their career. MP3 participants also attend one-day meetings each quarter that focus on key leadership topics, such as strategic planning, healthcare finance, healthcare reform, and market analysis. Topic selection is based on the individual learning plans of cohort members, discussions with participants, and learning priorities identified by senior leadership. Participants also have an opportunity during these meetings to continue working on their individual learning plan.

IMPACT TO DATE

MCHS talent management and succession planning activities have clearly had a positive impact on the organization thus far. A review of key metrics tracked as part of a performance scorecard show the following improvements since the program began:

More internal promotions: The percentage of nurse management positions filled by internal promotion rose from 54 percent at program implementation to 72 percent a year later. Across the entire organization, the internal promotion rate increased from 60 to 65 percent over the same time period; the ultimate goal is to reach 80 percent.

Less time to fill nurse leadership positions: The time required to fill the average nurse leadership position fell from 7.4 months in 2005 to 4 months in 2009.

A deep bench: All levels of nursing leadership have at least two individuals who have achieved Tier 3 and qualified for MP3. In addition, the number of high-potential individuals being developed grew from zero at program inception to 16 after year one and to 36 currently. All high-potential individuals have already completed a high-quality development plan and been given developmental assignments, and they all currently receive regular coaching. Current estimates suggest that 41 percent of them will be ready to move up within the organization within one or two years (up from 35 percent a year ago), with the remainder being ready in three to five years. Three-quarters of high-potential individuals are currently being considered for multiple critical positions (rather than for just one position), with seven having been promoted to critical positions within the last year. At present, only one critical position remains unfilled within the leadership/management ranks of MCHS.

Many promotions, few losses of high-potential individuals: In 2009, 45 percent of Tier 3 employees were promoted to the next level, up from 33 percent the year before. Since the program began, only one high-potential individual has left MCHS, equivalent to an annual attrition rate of just 0.5 percent.

KEY TAKEAWAYS

MCHS leaders cite the following key takeaways related to the talent management and succession planning program:

Get the CEO and board involved: As NCHL emphasizes, ongoing board and CEO support remain critical to long-term program success. The MCHS CEO owns the process, and has made the internal promotion rate one of only 10 metrics included on the overall organizational performance scorecard.

Start small, and then expand: As noted, MCHS started with one functional area (nursing) and then rolled it out over time to all 600+ managers within the organization.

Charge someone with overseeing program operations: Developing and implementing the program proved to be challenging. Early on, MCHS created a new position—

manager of talent development—within the OD department; this individual takes responsibility for overseeing all operational aspects of the MP3 program.

Train leaders in the 360-degree assessment process: MCHS leaders needed significant training on the 360-degree assessment process. For example, the OD group had to reassure employees that the report would: remain confidential, not be linked to performance appraisal, and focus on development. Employees also needed assurance that they would be able to have at least one debriefing session with a coach to go over feedback from the assessment. In addition, leaders required significant training on how to select their raters.

Consider having HR representative attend talent reviews: Early on, the quality of the feedback given to employees at talent review meetings was not always as constructive, developmentally-focused, and effective as it could have been. In response, MCHS has decided to have an HR representative attend all talent review follow-up meetings.

Train leaders on development: Leaders needed extensive training on how to create an effective individual development plan and how to develop themselves most effectively.

Communicate, communicate, communicate: As noted, open, honest, direct, and candid feedback should guide the entire process, even if this approach results in the loss of some valued employees.

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