Workforce Trends:
Aligning HR Strategic Succession Planning to Business

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Providence Health & Services
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The Perfect Storm

The 5/40 Crisis…

Within the next 5 years
40% of management leadership are eligible to retire
Aging and retiring workforce – the math:

77 M Baby Boomer generation
43 M Gen-Ex generation
<34 M> Gap

The Millennial (Gen-Y) generation = 66M;
There are not enough workers to replace the population gap
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**Talent Gap...**
- Demographic volatility
- Increasing reliance on foreign talent
- Intense competition for top talent
- Retention issues
- Branding issues
- Passive candidate access
How Do You Meet the Need?

• **Buy** – Hire talent from external sources

• **Build** – Develop and groom internal talent to assume positions of shifting and/or expanded scope and/or complexity

• **Borrow** – Acquire services of third party consultants and/or staff augmentation services

• **Bind** – Retain key talent to ensure continuity of services
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**Leadership Gap…**

- Executive/management retirement
- Escalation of retirement under the Affordable Care Act?
- Mastery of leadership competencies
- Alignment - leadership strengths v. organizational needs
- Cultural assimilation
- Internal v. external candidate success ratios
Recent CLC Study showed wide-spread leadership gaps in:

1. Leading people
2. Strategic planning
3. Inspiring commitment
4. Managing change
5. Employee development
6. Balancing personal life and work
7. Decisiveness

“The Leadership Gap”, Jean B. Leslie, Center for Creative Leadership, 2009
The Perfect Storm

Skills Gap...

- Continuing, chaotic organizational change
- Increasing complexity of new jobs
- Gap between current v. future skills
- Limited access to development resources
- Confidence in managerial coaching capability
- Unemployed, under-employed, contingency workers
“Recent US Bureau of Labor Statistics data tell us that more than one-quarter of the most promising occupations for the future require considerable to extensive preparation.”

Deep Specialization

The Experts

Top Management

Senior Management

Middle Management

Senior Specialists

First-Line Management

Functional Specialists / Front-Line Employees

Back Office, Operational, Contingent

“High Performers”

“High Potentials”

Succession Planning
Increased, Deep Specialization

• Expertise drives new competitive advantage
• Specialization improves quality and reduces cost
• Migration to non-linear succession model
• “Deliberate practice” in new areas
• Broad, diverse range of developmental experiences

We need career development in all critical job roles

The Perfect Storm

Is HR ready to respond?
Succession Planning Definition

Succession planning is defined as:

“…The process of identifying one or more successors for key positions and preparing them for expanded organizational responsibilities through job assignments and other developmental activities…”

Quoted from Developing Leadership Talent, SHRM Foundation, 2007.
Succession Management
Building the Business Case

How does Succession Management create high-value business impact?

• Improve business results through leadership skills and behavior development
• Increase quality and bench strength of the company’s leadership pipeline
• Support performance-based culture
• Improve employee engagement and retention
• Accelerate change and business growth
• Improve overall business performance

Components of a Succession Management System

What are the steps?

• Capture baseline data
  – Vulnerability assessment
  – Gap analysis
• Obtain executive sponsorship
• Partner with leadership team on roles/responsibilities
• Identify critical/key positions
• Determine what skills/competencies are needed
Components of a Succession Management System

What are the steps?

- Identify succession plan strategy
- Establish talent review process
- Train HR and Reviewer teams
- Conduct talent reviews
- Obtain management commitment to Development Plans
- Develop workforce analytics capabilities
### Bersin & Associates Succession Management Maturity Model

**Succession Management Maturity Model:**

<table>
<thead>
<tr>
<th>Level</th>
<th>% Org’s</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Level 0 – No Succession Process</strong></td>
<td>21%</td>
</tr>
<tr>
<td><strong>Level 1 – Replacement Planning</strong></td>
<td>15%</td>
</tr>
<tr>
<td>– Informal process</td>
<td></td>
</tr>
<tr>
<td>– List of high potentials (A talent) created</td>
<td></td>
</tr>
</tbody>
</table>

*“High Impact Succession Management”, Kim Lamoureux, Bersin & Associates and Center for Creative Leadership, 2009*
Succession Management Maturity Model:

<table>
<thead>
<tr>
<th>Level</th>
<th>% Org’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 2 – Traditional Succession Planning</td>
<td>52%</td>
</tr>
</tbody>
</table>

- Target critical, senior level positions
- Conduct talent reviews
- Create development plans

Bersin & Associates Succession Management Maturity Model

Succession Management Maturity Model:

<table>
<thead>
<tr>
<th>Level</th>
<th>% Org’s</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Level 3 – Traditional Succession Planning</strong></td>
<td>12%</td>
<td>Company-wide succession aligned with business strategy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Integration with other talent management processes</td>
</tr>
<tr>
<td><strong>Level 4 – Transparent Talent Mobility</strong></td>
<td>0%</td>
<td>Company’s talent decisions are driven by understanding of capability and potential of talent</td>
</tr>
</tbody>
</table>

Succession Planning Design

How do you define critical/key positions?

– Key leadership
– Hard to fill
– Strategic v. tactical
– Current v. future
– Other measurements?
Succession Planning Design

How do you measure outstanding job performance?

– Performance Assessment
– Competency Assessment
– Metrics Measurement
– Outcome based
– Other?
How do you align organizational competencies to design?

- Interview current former incumbents
- Job description review
- Interview stakeholders
- Review Organization mission, values
- Calibrate current/future development activities
- Others?
Succession Planning Design

Other Questions to Consider…

• What percentage of critical/key positions should be filled internally?

• What percentage of critical/key positions should have at least one successor identified?

• Is succession management linked to employee engagement?
Succession Planning Design

- How do you link core organizational values to core talent strategies?
- What linkage to strategic planning processes do you have, short v long range?
- What new capabilities will be needed?
Providence Health & Services

Case Study
# 2014-2016 Strategic Plan

## MISSION
As people of Providence, we reveal God’s love for all, especially the poor and vulnerable, through our compassionate service.

## VISION
Together, we answer the call of every person we serve: Know me, care for me, ease my way.®

## CORE VALUES
- Respect
- Compassion
- Justice
- Excellence
- Stewardship

## Core System Strategy
Creating healthier communities, together

## Strategies

<table>
<thead>
<tr>
<th>STRATEGIES</th>
<th>Build enduring relationships with consumers</th>
<th>Create alignment with clinicians &amp; care teams</th>
<th>Develop and thrive under new care delivery &amp; economic models</th>
<th>Grow by optimizing expert to expert capabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inspire and develop our people</td>
<td>Engage in consumer research to truly understand needs</td>
<td>Implement clinical leadership development program</td>
<td>Implement market based accountable care plans</td>
<td>Implement shared strategic &amp; management services</td>
</tr>
<tr>
<td>• Expand mission formation efforts</td>
<td>• Define and deliver consistent patient and consumer experience defined by our promise</td>
<td>• Design &amp; implement delivery system network</td>
<td>• Develop &amp; implement data &amp; digital strategy</td>
<td>• Commercialize competencies, including shared services</td>
</tr>
<tr>
<td>• Develop employees and leaders for the future</td>
<td>• Implement customer-centric digital health strategies</td>
<td>• Employed medical groups</td>
<td>• Optimize value of Providence Health Plan</td>
<td>• Expand Epic provisioning</td>
</tr>
<tr>
<td>• Focus on cultural diversity &amp; inclusion</td>
<td>• “Raise our voice” in our communities and nationally</td>
<td>• Private practice alignment</td>
<td>• Accelerate expert to expert clinical collaboration</td>
<td>• Build advocacy influence</td>
</tr>
<tr>
<td>• Improve communication with our employees</td>
<td>• Increase philanthropic support for ministries / programs / services in our communities</td>
<td>• Full continuum of care</td>
<td>• Quality Strategic Plan tactics TBD</td>
<td>• Identify innovative partnerships</td>
</tr>
<tr>
<td>• Continue commitment to employee health &amp; wellness</td>
<td></td>
<td>• Optimize the value of PMG in an integrated delivery system</td>
<td>• Implement / optimize unified Epic model</td>
<td>• Realize Medicare Advantage growth opportunities</td>
</tr>
</tbody>
</table>

## Systemwide Tactics

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<td>• Expand mission formation efforts</td>
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<td>• Continue commitment to employee health &amp; wellness</td>
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</table>

## Success Measures

<table>
<thead>
<tr>
<th>EXAMPLES</th>
<th></th>
</tr>
</thead>
</table>

Metrics to be finalized
Talent Review Definitions

Talent Reviews include the following:

- Performance
- Potential
- Risk of Loss
- Reason
- Successor nomination
## Defining Leadership Performance

### Determining Performance Rating:

The behavior below have been selected to help anchor all current performance ratings. It is recommended that you assign the overall performance rating based on the most recent performance review and your own observations and feedback received on each leader. Refer to the most recent performance rating the leader received and use the table below to cross-match the ratings into either “high, middle or low” for this process.

If helpful, a listing of leadership competencies is also provided below as a useful way to think about and evaluate current performance.

<table>
<thead>
<tr>
<th>PERFORMANCE MANAGEMENT RATING</th>
<th>HIGH, MIDDLE OR LOW</th>
<th>PERFORMANCE MANAGEMENT DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-For Exceeds Expectations</td>
<td>High</td>
<td>Outstanding performance all or most of the time and takes the time to help and/or teach others. Is seen as a role model for this competency.</td>
</tr>
<tr>
<td>4-Occasionally Exceeds Expectations</td>
<td>Middle</td>
<td>Very high performance (high accuracy &amp; proficiency) all or most of the time. Demonstrates expertise in this competency and takes initiative to go above and beyond expectations.</td>
</tr>
<tr>
<td>3-Meeting Expectations</td>
<td></td>
<td>Solid performance on a consistent basis. Meets expectations most or all of the time and considered a valuable contributor at Providence.</td>
</tr>
<tr>
<td>2-Meets Some Expectations</td>
<td>Low</td>
<td>Inconsistent performance and marginal at times. Needs to make improvement in this competency.</td>
</tr>
<tr>
<td>1-Does Not Meet Expectations</td>
<td></td>
<td>Inadequate performance. Needs to make immediate improvement on this competency.</td>
</tr>
</tbody>
</table>
Leadership Potential definition,
Example

*Rate leadership potential level using the following:*

**High** – high levels in all three potential areas of agility, aspiration and engagement and likely to succeed above their current role and/or other functions.

**Middle** – at least moderate levels in all three potential areas of agility, aspiration and engagement.
- Could succeed above their current role but doesn’t have high levels in all three potential areas.

**Low** - low levels in one or all three potential areas of agility, aspiration and engagement.
Leadership Potential Definition, Example

**Determining Potential Rating:**
The behaviors below have been selected to best represent how future Providence leaders are defined. It is recommended that you assign potential ratings based on the behaviors below and your own observations and discussions with your direct reports being rated.

**Aspiration**
The extent to which an individual is interested in advancement, expanded responsibility, and additional learning and growth.

**Agility**
The extent to which an individual is able to learn quickly, think through problems, and get results in a new or changing situation.

**Engagement**
The extent to which an individual commits to something or someone in their organization, to the Mission & Core Values, how hard they work, and how long they plan on staying with the organization as a result of their commitment.

**Leadership Potential**
The combination of agility, aspiration, and engagement needed to succeed beyond a current role.
Rate the following fields using the descriptions below:

- Risk of Loss:
  - High - likely to leave current position within next 2 years;
  - Medium - might leave current position within next 5 years;
  - Low - not likely to leave current position within next 5 years
Risk of Loss - Reason, Example

Rate the following fields using the descriptions below:

Reason for Leaving:
- Select the best reason the employee may leave, e.g:
  - Retirement
  - Move to Another Internal Position
  - Recruited Away
  - Health/Family
  - Return to School

If not likely to leave within 5 years, select “Not Likely to Leave” option.
## Talent Review – 9 Box

### Performance-Potential 9 Box Matrix

<table>
<thead>
<tr>
<th>Leadership Performance</th>
<th>Low Potential</th>
<th>Middle Potential</th>
<th>High Potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Potential/Low Potential</td>
<td>2 employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High Performance/Middle Potential</td>
<td>1 employee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High Performance/High Potential</td>
<td>2 employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Middle Performance/Low Potential</td>
<td>1 employee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Middle Performance/Middle Potential</td>
<td>1 employee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Middle Performance/High Potential</td>
<td>2 employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low Performance/Low Potential</td>
<td>1 employee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low Performance/Middle Potential</td>
<td>1 employee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low Performance/High Potential</td>
<td>0 employees</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Legend
- NL: Not Likely to Leave
- R: Retirement
- RA: Recruited Away
- L: Limited Promotion Opportunities
- M: Move to Another Internal Position
- Re: Relocation
- H: Health/Family
- O: Other

### Risk of Loss
- L: Low
- M: Medium
- H: High
## Talent Review - Results

### Performance-Potential 9Box Matrix

<table>
<thead>
<tr>
<th>Leadership Potential</th>
<th>High Performance/Low Potential</th>
<th>High Performance/Middle Potential</th>
<th>High Performance/High Potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>3 employees</td>
<td>0 employees</td>
<td>0 employees</td>
</tr>
<tr>
<td></td>
<td>9 High Risk of Loss</td>
<td>4 High Risk of Loss</td>
<td>4 High Risk of Loss</td>
</tr>
<tr>
<td></td>
<td>1 Medium Risk of Loss</td>
<td>2 Medium Risk of Loss</td>
<td>2 Medium Risk of Loss</td>
</tr>
<tr>
<td></td>
<td>2 Low Risk of Loss</td>
<td>2 Low Risk of Loss</td>
<td>2 Low Risk of Loss</td>
</tr>
<tr>
<td>Middle</td>
<td>6 employees</td>
<td>5 employees</td>
<td>1 employee</td>
</tr>
<tr>
<td></td>
<td>9 High Risk of Loss</td>
<td>1 High Risk of Loss</td>
<td>1 High Risk of Loss</td>
</tr>
<tr>
<td></td>
<td>2 Medium Risk of Loss</td>
<td>2 Medium Risk of Loss</td>
<td>0 Medium Risk of Loss</td>
</tr>
<tr>
<td></td>
<td>4 Low Risk of Loss</td>
<td>2 Low Risk of Loss</td>
<td>0 Low Risk of Loss</td>
</tr>
<tr>
<td>Low</td>
<td>0 employees</td>
<td>0 employees</td>
<td>0 employees</td>
</tr>
<tr>
<td></td>
<td>2 High Risk of Loss</td>
<td>2 Medium Risk of Loss</td>
<td>2 Medium Risk of Loss</td>
</tr>
<tr>
<td></td>
<td>2 Low Risk of Loss</td>
<td>2 Low Risk of Loss</td>
<td>2 Low Risk of Loss</td>
</tr>
<tr>
<td></td>
<td>Low Leadership Potential</td>
<td>Middle Leadership Potential</td>
<td>High Leadership Potential</td>
</tr>
</tbody>
</table>
Development Plans

Experientially based...

- Annual, written plan, jointly owned by line management/employee
- On-going work experience
- Stretch assignments, initiatives
- Break hierarchical reporting lines
- Aligned to specific competency development
- Employee accountable for making progress
Leadership Development

70/20/10 Rule…

• 70% - Learn by doing
• 20% - Learn from others
• 10% - Events/classes/programs
High Potential Program

Questions to consider…

• How transparent will the program be?
• How do you define “high potential?”
• What additional resources will be provided?
• How do you assess readiness?
• How do you measure ROI?
Workforce Planning & Analytics

What are the right metrics for your company?

• Identify what should be measured and why
• Integrate multiple sources of data to achieve reliability
• Create the capability to deep dive
• Information delivery
• Tell a story with the data – weave together multiple sources
• Best/worst-case scenarios
Human Capital Metrics, Examples

• Employee turnover
• Internal/external hiring ratio – Leadership positions
• % of key leadership roles with minimum of 2 “Ready Now” candidates
• % of key leadership roles with minimum of 2 identified successors
• Leadership gender diversity
• Leadership ethnicity diversity
• Success rate of high potentials in new internal roles
• Employee engagement scores
Next Steps

Recommendations…

• Audit to identify critical talent vulnerabilities and/or gaps
• Elevate the business case to top management and board to achieve buy-in
• Assess the composition, format, and frequency of talent review methodologies
• Determine level of transparency with the high potential designation process
Next Steps

Recommendations…

• Align workforce diversity initiatives
• Determine how competency modeling will be integrated to overall process
• Design leadership development program infrastructure
• Identify and assign high potentials to strategic, system-wide initiatives
• Capture and utilize workforce metrics
Questions?