The State of Talent Management in the Healthcare Industry

May 2009
Contents

Introduction .......................................................... 1
The Driving Need for Talent Management in the Healthcare Industry .............................. 2
Aging Workforce .................................................... 2
Planning for an Aging Workforce ............................. 3
Generational Differences in the Workforce ............ 4
Conclusions .......................................................... 11
About the Author .................................................. 13
Introduction

According to the U.S. Bureau of Labor Statistics (BLS), the Healthcare Industry is currently the largest employer in the U.S. with 13.6 million jobs. Healthcare is likely to remain the nation’s largest employer and may even extend its lead. Seven of the 20 fastest growing occupations in the country are in healthcare. In 2006, the BLS projected growth of three million net new wage and salary jobs in the industry through 2016, more than any other industry.¹ There are currently more than 545,000 different U.S. healthcare facilities, varying in size and scope with hospitals making up only two percent of the total. Yet, hospital facilities comprise 40 percent of the workforce working in the healthcare industry today.

The healthcare sector today offers a ray of light in a sea of bad economic news. The current recession is already almost eighteen months old, and there is no end in sight. From December 2007, when the recession officially began, the U.S. alone had already lost more than 5 million jobs by mid-April 2009.² The U.S. healthcare industry, on the other hand, created 1.7 million jobs between 2001-2005, the largest growth of any sector in that period. More impressive, healthcare continued to add jobs even as late as February, 2009 (the month from which the latest statistics are available), with a gain of 27,000, despite massive job losses throughout the U.S. economy. The healthcare industry saw employment gains averaging 30,000 per month in 2008 (U.S. Bureau of Labor Statistics). According to the Bureau of Labor Statistics, the healthcare labor market will grow by a rate of 49 percent over the next five years.

The Healthcare industry’s importance to the well-being of the populace and the Nation’s economic well-being cannot be overstated. The sector is perhaps the most important part of the economy today in size and momentum, especially where the workforce and employment are concerned. Yet there are dark clouds on the horizon for the healthcare industry and for the country. By 2017, one dollar out of every five spent in America will go toward healthcare costs, according to a 2008 report in Health Affairs.

Despite spending far more than any other country on healthcare – whether calculated by total spent or per capita – the U.S. healthcare system compares poorly with many others. According to a 2007 report of the Commonwealth Fund, compared with five other nations—Australia, Canada, Germany, New Zealand and the United Kingdom—the U.S. healthcare system ranks last or next-to-last on five dimensions of a high performance health system: quality, access, efficiency, equity and healthy lives. Moreover, a recent New England Journal of Medicine article stated that U.S. healthcare administrative overhead is twice that of the Canadian system. These researchers found that 31 percent of healthcare expenditures in the U.S. went for administrative costs.³

These and other indications strongly suggest that a large part of the solution in improving healthcare in the U.S. lies in managing the talent that drives the system and also accounts for most of its costs.

³ The New England Journal of Medicine, August 21, 2003 (http://content.nejm.org/cgi/content/abstract/349/8/768).
The Driving Need for Talent Management in the Healthcare Industry

According to a 2008 study by Deloitte Consulting entitled, Talent Management in Healthcare, “The aging of the Baby Boomers has not only slashed the supply of health-care workers, but also dramatically increased the number of older people – a group that typically needs more healthcare services.” Deloitte points to trends that may also serve to make the healthcare talent shortfall especially acute. According to Deloitte:

• New graduates from nursing, pharmacy and allied health education programs are insufficient to meet growing demand in the healthcare sector. (“Chart Book: Trends Affecting Hospitals and Health Systems,” American Hospital Association Study, July 2003.)
• Experienced nurses, mostly middle-aged women, are leaving the profession at an alarming pace. (“Nursing a Dream Job,” Business Line, May 3, 2004.)
• The Bureau of Health Professionals estimates that the shortage of RNs will climb to 800,000 by 2020.
• The U.S. Bureau of Labor Statistics predicted in 2006 that the radiological sciences would need to recruit 55,000 more workers by 2008 to keep up with the growing demand for their services. This did not occur.
• The aging of America is increasing the demand for prescriptions, but a growing number of pharmacists are choosing to work only part-time. (“Recruiting Strategies in the Pharmaceutical Industry,” Drug Information Journal, 2003.)

Aging Workforce

Much has been written about the aging workforce. The Bureau of Labor Statistics projects that the 55 to 64 age group will grow by more than seven million over the next five years and those 65 and older will increase nearly seven times as fast as the total labor force (see Exhibit 1, next page). The current recession is causing many would-be retirees to stay longer if they can, thus accounting for most of the increase in the over-65 workforce. Nevertheless, retirement can only be postponed, not avoided.

As dire as the demographic reality is for the entire U.S. workforce, it is worse for the healthcare sector. In June 2007, Karen Hart, an RN and researcher for Bernard Hodes Group in New York reminded us of the scope of the problem:

“In the healthcare arena, analysts have been cognizant of the aging RN workforce for many years; but there are other healthcare professional groups experiencing similar trends in terms of aging. Physicians, laboratory technicians and technologists, and respiratory therapists are in this category.

“The most recent national RN survey (Health Resources and Services Administration, 2006), completed in 2004 and released in March 2006, indicates the estimated average age of the registered nurse as 46.8, more than a year older than the estimated average age of 45.2 from the 2000 survey. In 2006, only 26.6 percent of the RN population was under 40; just 16.6 percent of RNs were under 30, and the largest group of RNs was aged 45 to 49. Although more recent forecasts (Auerbach, Buerhaus, & Staiger, 2007) put the average age of the full-time equivalent RN workforce in 2005 at 43.5 and estimate the average age to peak at 44.9 in 2016, even this forecast is worrisome, especially considering the significant physical and mental tolls nursing exacts, making the profession increasingly difficult to practice as one ages.”

“As the U.S. population ages, the labor force will grow more slowly during the next decade; the older labor force is projected to grow more than 5 times faster than the overall labor force, which will become ever more racially and ethnically diverse.”

**Planning for an Aging Workforce**

Hart also recommends sophisticated workforce planning in the healthcare context, including "... assessing internal age demographics by professional group, unit and shift. [And] after retrieving these data, plotting by five-year increments against various scenarios will provide a rough idea of where the vital workforce will be in 5, 10, 15 and 20 years." The best retirement planning, especially among critical and core talent, is done one-by-one, to understand each person's intentions and to assess the likelihood of convincing him/her to delay retirement and the methods (unique to each individual) that might make that possible. Healthcare organizations are well advised to remember the maxim: **Demography is Destiny**. An aging population will inevitably collide with an aging healthcare workforce — the results are not only predictable, they are preventable if healthcare organizations put plans and solutions in place starting now.
Of course, strategic workforce planning in healthcare is more than retirement planning. The scenario planning described above will enable organizations to know where their talent needs will be months or even years out as opposed to only knowing what today’s urgent needs are. With this knowledge, organizations will be better able to recruit proactively. Today’s prevailing reactive approach requires last-minute scrambling to find the resources the hospital or clinic (for example) needs right now. This often results in a poorer quality of hire and greater expense, either through contracting with staffing agencies to source talent and/or an over-reliance on contract personnel whose hourly rates are usually far in excess of full-time staff doing the same function.

The State of Washington, for example, calculates that contract nursing agencies are generally 40 percent more expensive than state nurses. Their contract nursing costs increased 67.5 percent from February 2006 to February 2008. The costs were driven by the high vacancy rate for RNs and LPNs. The vacancy rates for nurses in healthcare organizations across the country are due, in part, to a lack of strategic workforce planning. The consequences of poor or non-existent planning include the need to hire contract nurses to backfill shifts that would otherwise go un-staffed or would strain the limits of the existing full time staff through excessive overtime requirements.

Better talent management practices in the healthcare industry will, in general, result in a more efficient use of existing full time staff and reduce the dependence on contractors. Workforce planning and a talent management system are critical starting points in this endeavor.

**Generational Differences in the Workforce**

Hospitals and clinics may soon need a much more technologically literate workforce given President Obama’s plans to make a ten-billion-dollar-federal investment in healthcare information technology over the next five years. This looming requirement will intensify the battle for entry-level healthcare talent.

No generation of workers can be portrayed as uniform in its attitudes and preferences. Yet most agree that there is truth to the popular notion that each of the four generations in today’s workforce can be roughly classified into types. Generation Y, otherwise known as the “Millennial” Generation, can be characterized as seeking more work-life balance, flatter organizations, faster promotions and better bosses. They also take more naturally to technology — especially to network and communications technologies. Healthcare organizations should focus on training supervisors and managers in talent management skills so that they are better at motivating, coaching and developing the talent that reports to them; they should build clear and transparent career paths for new recruits, and they should offer flexibility in schedules, telecommuting (where possible) and menu-style benefits plans. Healthcare organizations that invest in modern technologies, both healthcare and human capital technologies, will benefit twice — first from improved efficiencies, and also by attracting young talent that expects to work with the latest tools.

1. **Talent Acquisition**

Healthcare talent shortages are projected to increase for at least the next 20 years. What will be the worst of the shortages has yet to be experienced. Despite the recession, an estimated 8.5 percent of nursing positions in the U.S. are unfilled — and some expect that number to triple by 2020. As the gap in labor supply and demand widens, it is imperative that HR professionals establish effective strategies to recruit and retain employees. A recruiting application as part of a larger integrated Talent Management system should be strongly considered. Recruiting to meet current and future workforce needs and selecting the right employees are the first steps toward building an effective, sustainable workforce. Healthcare is a physically and mentally demanding field, exacerbated by the shift work nature of many health care occupations and the risks associated with regular proximity to viruses and associated sickness — to say nothing of the threat of malpractice suits. Most agree that

---

*“Amid the nation’s recession, more than 200,000 nursing jobs are going unfilled. [The nursing shortage in the U.S. healthcare system] threatens the quality of patient care even as tens of thousands of people are turned away from nursing schools, according to experts.”*  
*Reuters*  
*March 8th, 2008*

---

post-recession it will become increasingly difficult to find people willing to work in a 24/7/365, high-risk environment unless concerted branding, awareness and workplace improvement efforts are made across the industry.

Workforce acquisition in today's healthcare talent market requires creative recruitment strategies and close collaboration and partnerships with others. Organizations should create forward-looking recruitment strategies and plans that leverage every tool possible. Employee referral programs, talent pool development and well-branded and information-rich career Web sites are but a few. Beyond what other industries do, healthcare organizations must go further. Partnerships with local schools, colleges, and universities to provide healthcare and mentoring programs for students can be a good approach. Many hospitals and hospital groups are today supplying part-time faculty to nursing colleges in an attempt to boost enrollment and gain first access to graduates. These partnerships can be an effective way to fill the workforce pipeline, while also providing career opportunities to students in local communities. Targeting second career individuals with work experience in other fields is also cited as an effective recruitment strategy as is making full use of the contract, part-time and contingent workforce.

In the current economic climate, healthcare is becoming an increasingly attractive option for people who are looking for a new career that offers good compensation, benefits and stability. Recruiting from within is an effective way to maintain and spread tribal knowledge. While the healthcare field has historically done a decent job of recruiting from within, succession-planning applications can help formalize the approach for improved results. At the same time, it is important to balance internal succession by bringing in candidates from the outside that offer different perspectives and best practices. Right now, while many Americans are willing to consider any career that offers reasonable pay and security, the healthcare industry must both hire and brand itself (internally and externally) for the future.

Finally, the healthcare industry should embrace the contract, contingent and temporary workforce as a resource to combat the talent shortages inherent across the industry. Costs must be controlled, but the industry will only add to its problems if it attempts to make life more difficult for that growing segment of the workforce that can be described as non-traditional. More than ever before, especially at the entry level and among aging baby boomers, the demand for work-life balance and flexible work conditions will propel the growth of contract and

---

**Case Study: Northwest Healthcare**

**Employee Referral Program**

Northwest Healthcare is comprised of two hospitals, one in Tucson and one in Oro Valley, which employ over 4,500 individuals. To meet the challenges of a dramatic nursing shortage and a growing population, Northwest Healthcare partnered with Hodes to develop a comprehensive staffing strategy that included an employee referral program (ERP) used to attract new employees ranging from nurses to allied health professionals. Northwest designed an Employee Referral Program that focused on the employees’ relationships outside of the work environment — in their very own backyards. Employees received $500 - $5,000 per referral that was hired (depending on the position) and a chance to win a new backyard barbeque entertainment center. The more people they referred, the stronger the chance to win the grand prize along with unlimited cash awards.

Northwest Healthcare received approximately 600 applications and hired about 200 professionals. Fifty percent of these hires were for nursing and hard-to-fill positions. The average cost-per-hire was a mere $150 (for promotional costs) and $1,925 when payouts were added. These figures were significantly lower than national averages, which range from $5,000 - $10,000. In just six months, Northwest Healthcare hired 82 more individuals through their ERP than they had the entire year before.

Excerpted from a Bernard Hodes Case Study (www.hodes.com)
temporary workers. On the other hand, hospitals must develop comprehensive workforce and recruitment plans so that they will not have to react to shortages by paying premiums for contractors in last-minute staffing emergencies.

2. **Onboarding**

Healthcare organizations should consider the depth and quality of their new employee onboarding programs. The Saratoga Institute and other research organizations’ conservative estimates of the cost of replacing skilled and professional employees is 150 percent of annual salary. Consider a hospital with a 20 percent turnover rate. If that hospital employs 600 nurses with annual salaries of $50,000 and 100 doctors with salaries of $150,000, it will spend over $13,000,000 replacing just doctors and nurses every year.

Retention is a challenge at all phases of an employee’s career but most particularly in the first year on the job. First year retention has been consistently tied to the quality of the onboarding experience. Aside from making sure that a new employee has all the tools and access he/she requires from day one, organizations should create a meaningful experience for an employee’s first weeks and months on the job. This might include the assignment of a “buddy” — pairing a new nurse with a peer who has been in the organization for at least a year, for example. Each new employee might also be paired with a mentor, normally a more senior and tenured person in the organization who can help guide his/her career and acculturation to the organization.

Organizations should do all they can to quickly “socialize” new employees as well. Research has shown that young talent in particular is more likely to leave due to feelings of isolation. A strong onboarding program facilitates fast assimilation of new hires and quickly makes them feel part of the team. Effective onboarding also accelerates productivity. The average new nurse or technician might take months to fit into his/her role if left to “sink or swim.” A concerted, well-planned and executed onboarding process can significantly shorten this time so that in addition to better retention, the organization benefits from faster productivity from new hires.

3. **Talent Retention & Engagement**

The March/April 2009 issue of the journal, *Nursing Economics*, reported that as much as five percent of a hospital's budget may go to paying for nursing turnover costs. In an industry that struggles mightily to find enough talent, preventable turnover among employees that the organization would like to keep is not only profoundly painful but potentially debilitating.

The study showed that satisfaction, organizational commitment, autonomy, contingencies for promotion and fewer outside job opportunities were related to intention to stay. The researchers also studied factors related to satisfaction and organizational commitment and found the following characteristics increased the likelihood that new registered nurses would be satisfied with their jobs and committed to the organization:

- Variety
- Autonomy
- Supervisory support
- Workgroup cohesion
- Procedural justice (rights are applied universally to all employees)
- Promotional opportunities
- Collegial nurse/doctor relations

The study, from the Robert Wood Johnson Foundation, involving 1,933 newly-licensed registered nurses, also found that high workload and organizational constraints decreased new registered nurses’ satisfaction with their jobs. Those variables, in addition to mandatory overtime, also decreased new nurses’ commitments to their organizations and hastened their departure.

Robert Powers RN is an emergency preparedness coordinator for the Emergency Services Institute in Raleigh, NC. Powers argues that a flexible work environment and self-scheduling are significant ways to increase healthcare worker satisfaction. These methods go beyond simply letting an employee pick the schedule that is best for him from existing options; “they allow employees to self-determine their schedule by providing the latitude to individually tailor their work hours.”
Case Study: Our Lady of the Lake Regional Medical Center

In Louisiana, the challenges posed by the nursing shortage were exacerbated by hurricanes Katrina and Rita in recent years. Seemingly overnight, the state lost 3,000 registered nurses, leaving Louisiana with 6,000 nursing vacancies. At Our Lady of the Lake Regional Medical Center (OLOL), Baton Rouge, La., that challenge is being addressed in an innovative manner with staff scheduling and workload management software.

“[The software] has helped us reduce contract labor and incentive pay, plus, we are able to increase our reach to all available, qualified nurses and increase the number of bids. The best part is that nurses have a better quality of life with increased scheduling flexibility — something that is key to people who work for a facility that operates 24/7.”

— Deborah Ford
Chief Nursing Officer
Our Lady of the Lake Regional Medical Center

Our Lady of the Lake treats approximately 35,000 patients, and serves about 350,000 outpatients with the support of more than 1,000 physicians and 4,000 team members. In the past, OLOL would create nursing schedules on paper and then enter them into scheduling software. But faced with a heightened nursing shortage — along with increasing competition and constant turnover challenges — OLOL realized it needed a solution to help alleviate scheduling challenges, gain access to real-time productivity reports, and tie salaries to its schedules. Moreover, OLOL wanted to decrease the amount of time managers spent on doing their schedules, regulating premium pay, and filling holes in the schedules with their own staff. Before OLOL started using the tools, managers would typically make last-minute phone calls to beg, borrow, or plead for someone to cover scheduling gaps. This not only contributed to manager and nurse stress levels, it added additional expense to OLOL’s payroll, especially when it used contract labor and incentives and premium pay to fill shifts.

Today, nursing managers post their schedules and available shifts to the hospital’s intranet at least six weeks in advance. Nurses can log onto the site from any browser and bid on shifts. This way, they are able to establish their schedules in advance and know when their extra shifts will occur. As a result, OLOL has managed to decrease its contract labor and incentive pay. In one shift, incentive pay decreased from 24 to 48 hours to four to eight hours of pay per pay period. More importantly, staff morale has improved across the board, even to the point where many nurses are more willing to pick up extra shifts, especially now that they are able to plan for them weeks in advance as opposed to being forced to decide at the last minute.

OLOL has seen significant value from their investment in staff scheduling and workload management software. In addition to reductions in incentive pay, they expect to eliminate their entire contract labor spend soon. Attrition has also decreased as staff morale has improved. Nurses are now better able to “control their destiny” and plan in advance for extra shifts — and extra pay and this has made a tremendous difference in their ability to manage life and work. Finally, managers are able to post shifts six weeks in advance and spend less time “recruiting” nurses to fill shifts, making their lives easier and saving money for OLOL.

Excerpted from a Lawson Case Study
Indeed, giving healthcare workers — particularly those doing shift work — more control over their schedules is an important retention tool and the tools that facilitate shift swapping and bidding are today more accessible and affordable than ever. Return on Investment, moreover, is quickly realized through improved retention and by decreasing the amount of time managers spend on scheduling and filling gaps with overtime or with contractors (see Case Studies: Our Lady of the Lake Regional Medical Center pg. 7 and Thomas Jefferson University pg. 9).

Generation X and Y employees may be even more determined to find jobs that accommodate their family needs and personal activities. The American Hospital Association (AHA) urges its members to “minimize, if not eliminate, shift rotation and allow creative and flexible staffing arrangements that are tailored to meet staff needs. According to the AHA, “These innovative scheduling methods allow employees to adjust their work schedules to the rest of their lives, resulting in improved job satisfaction and job retention.”

Exhaustion and a stressful environment increase the possibility of nursing errors, poor patient outcomes and turnover. One study found “the ratio of total nurse staffing to patients was significantly related to in-hospital mortality.” In 2006, an NBC investigative team estimated that 98,000 Americans die needlessly in U.S. hospitals, in large part due to overworked and over-tired nurses. With concerns like these, the California state legislature has regulated appropriate nursing ratios for hospitals to maintain. Overworked nurses will gradually take more time off for illness and will eventually leave at higher rates.

Richard Huseman, a renowned executive coach, has stated that in working with healthcare executives he has found that people in the industry are very bright and caring individuals yet healthcare is one of the worst run businesses in the world. Managers, supervisors and leaders are at the root of this problem. In the healthcare industry, where most workers are highly-trained specialists and professionals, front-line leaders are often promoted to their positions because they were top performers in their discipline. Worse, once managers, they are explicitly or, at least, implicitly rewarded for their technical capabilities rather than their ability to lead. As a result, talent management skills are under-valued and remain under-developed. Yet all evidence suggests that nurses, technicians and many other healthcare workers leave their employers due to dysfunctional relationships with their direct supervisors more than anything else.

Healthcare organizations must invest in identifying and developing front-line supervisors and managers that can motivate, coach, recognize and develop those that report to them. Obviously pay also matters. In an environment where talent is in high demand, an employer who fails to offer competitive wages will find it increasingly difficult to attract and retain employees. In a way, this is the easiest challenge. Where budget exists, it is not a complex task to keep pay competitive. Organizations should maintain fair pay but focus their efforts on higher order influences that will allow them to retain and motivate the workforce without having to pay a premium just to get people to join and stay. An organization with a reputation as a great place to work can afford to pay on the lower side of competitive pay because it does the other things well.

4. Training & Development

Among the most powerful tools in talent attraction, engagement and retention is training and development. Despite the shortages of some healthcare workers, and despite the fact that many facilities are understaffed, organizations must find ways to invest in the development of their critical employees. Tuition reimbursement, time off for training, investments in on-the-job training and stretch assignments, coaches, mentors and action learning are proven methods that work as well in healthcare as they do in every other industry.
Case Study: Thomas Jefferson University Hospitals

Thomas Jefferson University Hospitals (Jefferson), located in Philadelphia, Pennsylvania, is an academic medical center that firmly believes hospital nurse staffing has an important relationship with patient safety and quality of care. But with a scheduling system that was manual, labor intensive, inaccurate and lacked the ability to identify staffing needs system wide, it sought a solution that would improve employee satisfaction with work schedules – and ultimately provide better patient care.

Jefferson faces similar challenges to other healthcare organizations, such as finding an effective way to match skills and qualifications of clinicians to patient needs. Also, Jefferson has three sites and needed to improve scheduling for staff that provide care 24 hours a day, seven days a week. All of these challenges needed to be addressed in a cost-effective manner while staying focused on high-quality, safe patient care.

In the past, Jefferson faced the following scheduling challenges:

• No centralized process to provide accurate, real-time views of staffing ratios skill mix.
• Inability to effectively monitor the number of shifts and hours staff were working, to comply with patient safety guidelines.
• No way to efficiently manage open shifts with a unit and utilize available staff for coverage across a six-week scheduling cycle.

To resolve these challenges, Jefferson wanted a system that would provide a tool for making effective staffing decisions related to budget and census. Jefferson also wanted to improve the accuracy of charge-backs to departments for the number of hours nursing staff worked. Ultimately, Jefferson chose a solution that enabled them to accomplish the following benefits:

• Reduced costs and enhanced ability to deliver quality patient care
• Proactive insight into staffing decisions, showing effects on labor rules, cost and employee preferences
• Staff scheduling autonomy and a confirmed schedule six weeks in advance, with nurses able to communicate electronically if their needs change
• Shift templates that are based on each unit’s needs with built-in flexibility for modifications.
• Ability to create additional shifts if the need arises
• Managers can float staff for entire or partial shifts depending on needs, and staff can float based on competencies and unit needs
• Flexible nursing pool staff can view and accept shift openings on-line, giving managers the ability to centrally deploy staff
• Reporting capabilities that help monitor staffing compliance to internal and Joint Commission-recommended shift lengths, helping improve employee and patient safety
• Ability to view staffing variance reports via on-line dashboards
• Managers are able to more easily monitor historical data surrounding holidays worked, sick time, indirect time and conferences attended
• On-call scheduling that allows staff to self-schedule and manage time.

The solution has improved satisfaction levels from nurses who are now better able to control their schedules. “I have a staff of 30-plus employees that would never want to go back to paper,” according to Kathy Jaffe, a Clinical Charge Nurse at Jefferson. “Nurses can do their schedules from home at their leisure. We’re gaining a greater understanding of what the system can do for us, which has increased managers’ enthusiasm for using the system.”

Excerpted from a Lawson Case Study
5. Leadership & Succession Planning

As important as talent management is, hospitals and health systems in general, have devoted too little time to creating a legacy of leadership. Many have no formal plans to identify and develop individuals for future roles nor do they have a transition strategy should leaders make a planned or unplanned departure.

According to a recent Witt/Kieffer survey in conjunction with the Ohio State University School of Public Health, more than 60 percent of healthcare CEO respondents reported that their organizations have no formal program to develop current or future executives. Another two-thirds reported that their organizations fail to conduct formal CEO succession planning.

In the January/February issue of the Association for Medical Imaging Management (AHRA) Journal, Sandra K. Collins and Kevin S. Collins wrote:

“Although finding and retaining the next tier of qualified healthcare leaders is a critical key to organizational success, the efforts are futile if the development of these leaders is ignored and they are inadequately prepared for their new roles. Neglecting the resolution of skill gaps can disrupt the leadership transition for even the most aspiring management candidate.

To avoid these issues, it is imperative that healthcare managers appropriately survey their talent roster and plan for continuity of their leadership. Scanning the environment for the next generation of leaders is prudent for any organization, and developing an effective succession program is a key to corporate longevity. However, with the current war for talent and the looming shortage of healthcare workers, it is more than just practical for healthcare organizations; it is an issue of survival.”

Indeed, with Sarbanes-Oxley and other legislation aimed at making privately-held companies more accountable and transparent, board members in some of the nation’s largest companies are focusing more of their efforts on guaranteeing “continuity” in the organizations they advise. Any privately-held company today that does not have a succession plan in place for key executives risks being found negligent by their shareholders. It should be no different in the healthcare sector. Collins & Collins go on to say:

“When making long- and short-term goals, healthcare organizations must carefully calculate who will champion their initiatives. Selecting the best and most appropriate talent for leadership positions is paramount to organizational success. Erroneously placing the wrong person in a leadership role can result in devastating problems, which are subject to strong public scrutiny. These problems can range from lack of employee morale to financial destruction.” At the very least, poor decisions in this regard are likely to lead to high turnover and low productivity.

The authors argue that despite the recession, the demand for qualified and skilled leaders far outweighs the supply in almost every industry creating a mobile workforce that can find positions across industries. “This mobility can make it even more challenging to retain talented leaders in healthcare. However, despite the challenge, the effort must be made in order for healthcare organizations to succeed in this consumer-driven market. By combining sound succession planning procedures and effective leadership development activities, healthcare facilities can create a long-term process that will provide them with a leadership pipeline for the future. This strategic initiative is necessary to diminish the ill effects of a shrinking workforce.”

Again, the good news is that affordable, web-based solutions exist for succession management and planning. These applications allow healthcare organizations to easily access succession candidates and view a gap analysis of talent profiles. As a result, organizations not only gain the ability to recognize performers and source candidates like them, but also to graphically see how the process is working for the organization.
Case Study: Moses Cone Health Systems

Moses Cone Health System (MCHS) is a premier healthcare institution in North Carolina consisting of five hospitals, with $1 billion in revenue and 8,000 employees. In 2003, MCHS named a new CEO, who was promoted from within. MCHS’s Board of Trustees, which includes directors from outside the healthcare industry, expressed concern that the new CEO had no structured succession plan in place for critical functional areas. As a result, the need to ensure a pipeline of leaders was incorporated into the organization’s strategic plan. Initial efforts were made to find other healthcare organizations to benchmark against, but the search yielded limited results. It became clear that MCHS would need to chart its own course to create an effective succession planning process to ensure the long-term viability of leadership within MCHS.

The project team surveyed all nursing leaders (113 in total) and asked them about short- and long-term career goals and developmental needs. This helped to identify where the gaps in leadership roles would occur over the next three to five years. The next step the team tackled was to craft the talent review process, which would identify high potentials. More than 100 talent review meetings occurred in which each leader’s past performance was assessed using performance on key organizational metrics. Future potential was considered, and each nursing leader was placed in a nine-box performance and potential matrix. Nineteen high potentials were identified; 16 accepted the invitation to enter the formal “succession group.”

After identifying high potentials, the team worked to put process and programs in place to ensure that high potentials were being prepared for the next level of leadership. MCHS did this through action learning, project assignment and individual and team coaching.

Individuals’ development plans outlined each leader’s goals and action steps, which prepared them to be ready for a promotion when the opportunity came. A key decision that was made in the design process was to determine how transparent MCHS should be about the high-potential program and follow through on the decision – for example, should individuals be told that they had been selected? Would others know?

MCHS decided on complete transparency. As Evans stated, “We decided on total transparency: We communicate [about the high potentials in nursing and across our organization], and we celebrate.”

Moses Cone’s Return on Investment

Table 1.10 shows the Return on Investment for the Succession Planning efforts undertaken by MCHS.

<table>
<thead>
<tr>
<th>Measurements Taken</th>
<th>2005 Result</th>
<th>2008 Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nursing leadership role openings filled from within MCHS</td>
<td>57%</td>
<td>74%</td>
</tr>
<tr>
<td>Time to fill a role in nursing leadership</td>
<td>7.4 mos.</td>
<td>4 mos.</td>
</tr>
<tr>
<td>Recruitment costs for nursing leadership</td>
<td>$300,000</td>
<td>$68,000</td>
</tr>
<tr>
<td>High potentials identified</td>
<td>0</td>
<td>16 (3 promoted in 2008)</td>
</tr>
<tr>
<td>Number of individuals in the high-potential pool for each of 5 levels of nursing leadership</td>
<td>0</td>
<td>At least 2</td>
</tr>
</tbody>
</table>

Excerpted from a Linkage case study (www.linkage.com)
Conclusions

With billions of economic stimulus dollars flowing to healthcare, American workers can expect a burst of job creation in the industry in 2009 and beyond, including new positions for clinicians and professionals in key support areas. The numbers are impressive: More than 200,000 clinical and non-clinical jobs could be created by healthcare stimulus spending according to government estimates. All this in an industry that continued to increase hiring through 2008, a year of recession: Just over 5.6 million healthcare and social-assistance hires were made in 2008, more than in any other year this decade, according to the Bureau of Labor Statistics.

However, the median profit margin of U.S. hospitals has fallen to zero percent, according to a Thomson Reuters analysis of hospital finances published March 2, 2009. Hospitals are facing unprecedented economic stress, and many of the indicators suggest that things will get worse before they get better. While operating margins are generally holding steady, non-operating margins have all but disappeared from hospital balance sheets. That makes it difficult for hospitals to secure financing for new equipment and to fund expansion efforts. It also compounds the difficulty of managing talent – from planning through acquisition, development, retention and performance management.

Healthcare and the broad medical industry currently represent almost 13 percent of all jobs posted on job sites. According to HealthcareJobsite.com, some of the healthcare positions that experienced the largest percentage increases in vacancies included admissions clerks (9.03 percent), medical assistants (8.66 percent) and medical records assistants (8.14 percent).

Research has shown the recession may even be an underlying cause of job growth in the healthcare industry due to increased stress, depression and mental illness. The aging population, increased obesity rates and technology advancements are also causing significant growth in the healthcare industry. Indeed, the growth in healthcare employment compared to other industries in this economy is startling. According to a recent report by Hudson, the Healthcare & Life Sciences sector has by far the highest number of respondents, at 38 percent, who plan to increase headcount in the current economic situation (Figure 2). In 2009, the healthcare industry is expected to continue to evolve and welcome new advances in medical technology. It is likely there will be an increase in demand for technologically literate medical assistants and nursing aids to help reduce hiring costs and keep hospitals and medical organizations running efficiently, especially in light of the current nursing and physician shortage.

Figure 2: Hackett Research, projected employment growth by industry
The healthcare industry may be unique in the enormity of the talent challenges that confront it. If there ever were a “Perfect Storm” related to talent management, it is most acute in healthcare. While it is true that the aging population restricts talent for all industries, it is only in healthcare and life sciences that it so profoundly impacts demand at the same time. To prepare, healthcare organizations must:

1. Build and maintain a strong employer brand and cooperate to build a strong brand for the industry;
2. Practice strategic and ongoing workforce planning;
3. Create strategic recruitment plans and use all the tools at their disposal to attract talent;
4. Build effective onboarding processes;
5. Create “great places to work” so that talent will remain with healthcare organizations;
6. Identify and develop leaders at all levels. Choose and develop leaders for their talent management skills;
7. Communicate the plan of action to employees, and
8. Reward talent with strategic employee recognition.

Each of the above can and should be accomplished with the assistance of talent management technologies. An integrated talent management suite can benefit healthcare organizations by assisting human resource departments in managing and maintaining core aspects of ever-changing global and contingent workforces. Healthcare talent acquisition, for example, should be aimed at helping beat the competition to top talent in the industry. This is next to impossible without the use of recruiting tools that can help attract, source, select, hire and onboard talent.

With technology in place to evaluate and measure workforce performance, healthcare organizations can better recognize, retain, and reward top performers while reducing attrition and flight risk. In order to retain quality talent, organizations must maintain pay levels that current, prospective, and contingent employees expect, while simultaneously managing payroll costs. Again, in complex organizations, this task is very difficult and time-consuming where technologies are not leveraged.

In essence, successfully run healthcare organizations use integrated talent management suites to establish organizational workforce plans and techniques to backfill vacancies, manage schedules, deploy talent optimally, identify leaders, manage pay and performance and reduce attrition. Any organization that fails to leverage workforce technologies puts itself at a disadvantage in the persistent war for talent in healthcare.

Leaders in the healthcare industry have little choice but to rise to the occasion and undertake the transitions and transformations necessary to bring the healthcare industry on par with talent management leaders in the professional services, IT and other industries. Many hospitals, clinics and other organizations in the industry are making great strides, as evidenced by the case studies in this report. Their progress is encouraging and points the way for the entire industry.
About the Author

**Allan Schweyer**, Executive Director and Senior Vice President-Research of the Human Capital Institute, is an internationally respected analyst and speaker on the topic of transformational human capital management for individuals, organizations, regions and nations. Trained as a labor market economist, Schweyer’s contributions include the development of award-winning talent management programs and platforms in North America, Latin America and Europe for public and private organizations including Cahners Business Information, Disney, Industry Canada, ARDEC, The U.S. Army and the World Bank.