

**PR::XIMITY**

# Proximity Picks

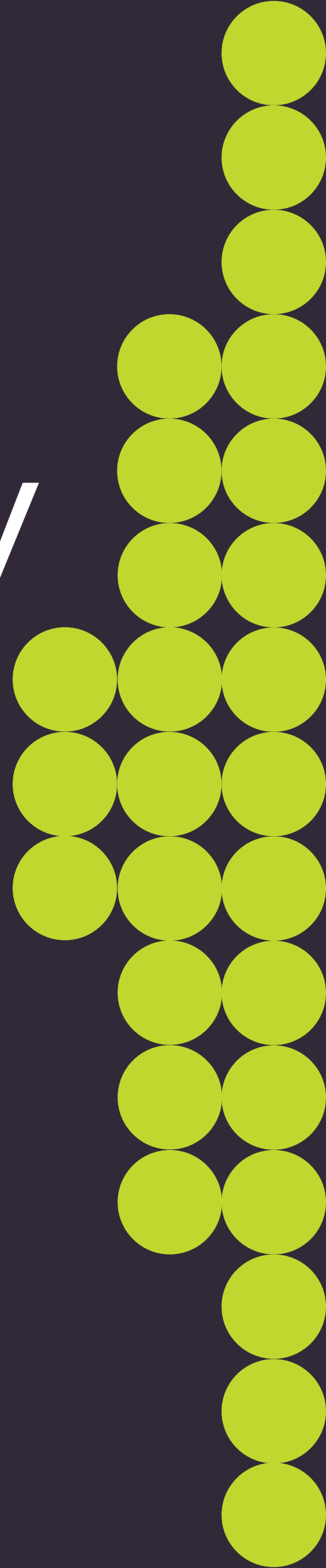
**Curated Readings on CEO  
Succession and Talent Readiness**

**Curated by**

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Thomas Flynn  
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**With support from**

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# Preface

**DR. ANDY SMITH, THOMAS FLYNN, ANNIE TOBIAS**

**NOVEMBER 2022**

This curated collection of articles about CEO succession practices is assembled for Ontario hospital CEOs and their respective boards. The articles are a call to action for thoughtful and prepared CEO succession planning and high potential talent readiness as the reshaping of Ontario's health care sector unfolds over the coming years.

An observation might correctly be made that this collection of articles largely reflects studies drawn from the corporate world. The learnings, we have found, are in most instances universal and carry worthwhile relevance for hospitals as well. Sadly, our review surfaced little in the way of research specific to CEO succession and talent readiness for the top job whether in hospitals or other public sector organizations. We encourage CEOs and boards to adapt the learning to their hospital corporation, size, culture and context. Certainly, we are mindful that there is no single blanket solution for a sector as diverse as Ontario's hospital sector. The readings are not intended to be prescriptive.

Most boards struggle to exercise their authority for CEO succession irrespective of industry, and few organizations — whether corporate, public or not-for-profit — do a good enough job of preparing for a succession event. The opportunity lies in hospital boards and their incumbent CEOs to begin working on CEO succession together early enough to be ready down the road for a change in leadership.

The impetus for this work came from a conversation between the CEO and board chair of Sunnybrook Health Sciences Centre and the CEO of Proximity Institute, Annie Tobias. As part of his annual performance objectives, Sunnybrook CEO Dr. Andy Smith, in partnership with board chair Tom Flynn, set out to learn about best-in-class succession management practices which could then be adapted to Sunnybrook. The exercise was one of foresight, planning and readiness, well in advance of a succession event. In parallel, the board of Proximity Institute approved a long-term strategy to mitigate the risk to the Ontario hospital and health care sector of a top leadership vacuum for hospitals looking toward the future. The Sunnybrook and Proximity mandates aligned and the idea for *Proximity Picks: Curated Readings on CEO Succession and Talent Readiness* was born.

The selection of articles aims to catalyze a healthy discourse between boards and incumbent CEOs about CEO succession and the requisite talent development as a long-term strategy for hospitals. Proactive discourse will ensure the sector has considered the appropriate leadership capabilities in the years to come and mitigate the risk of poor choices and the potential for costly mistakes.

## **HOW TO USE PROXIMITY PICKS**

These articles have been selected from a larger list of academic publications, general articles, business cases and other related works, all of which are available as a bibliography upon request.

Discussion questions found at the close of each chapter are designed to engage the board in constructive conversation on CEO succession and high potential talent development as primary to the hospital governance mandate.

Irrespective of whether there is a planned and known CEO succession event on the horizon, we invite boards to read and discuss themes included in these chapters and ultimately to enhance leadership readiness for a CEO transition. In this environment of disruption and change, we hope these readings support important leadership transition choices in the years ahead.

## **ABOUT PROXIMITY INSTITUTE**

Proximity Institute (Proximity) is an independent charitable organization dedicated to enabling effective leadership at the most senior level in Ontario hospitals. We seek to understand the contextual realities facing Ontario hospitals and work in partnership with CEOs and their leadership teams to drive action on the priorities that matter most. Our long-term ambition is to work collaboratively with hospitals to identify, develop and ready a quality pipeline of emerging CEO talent.

Proximity was founded by the Ontario Hospital Association (OHA).

[www.proximityinstitute.com](http://www.proximityinstitute.com)

## **CHAPTER ONE: THE STRUGGLE TO EXERCISE AUTHORITY FOR CEO SUCCESSION IS A UNIVERSAL GOVERNANCE CHALLENGE**

As the first two articles in Chapter One reinforce, it is often unclear who takes the lead in driving the succession agenda, how much of a board's time it takes and how to effectively execute on a succession strategy with the support of the incumbent CEO. Too often, the practice of discussing and preparing for succession beyond interim bridging is left until a CEO announces their retirement or moves on more abruptly, leaving boards scrambling and organizations in distress. The first article in Chapter One is often cited as the benchmark in CEO succession surveying.

### **2010 Survey on CEO Succession Planning**

By David F. Larcker and Stephen A. Miles

Rock Center for Corporate Governance  
at Stanford University

2010

[Read The Article](#)

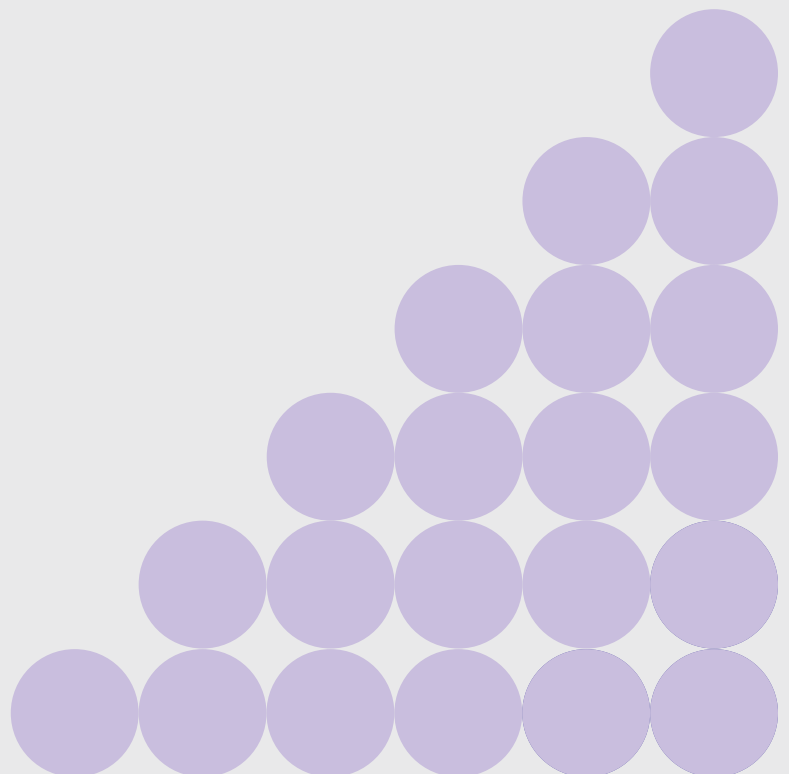
### **Succession Planning: What the Research Says**

By Eben Harrell

Harvard Business Review

2016

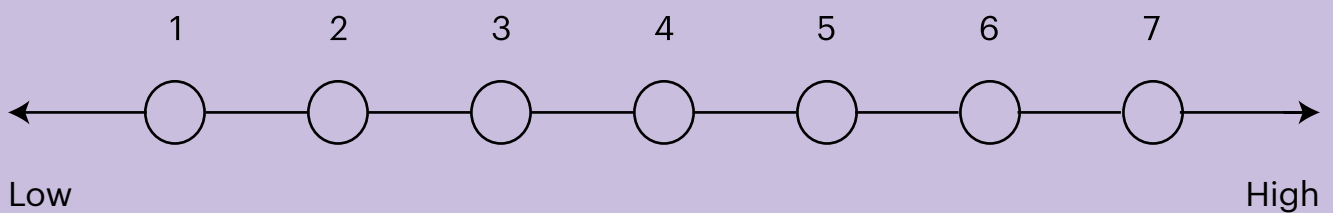
[Read The Article](#)



## CHAPTER ONE DISCUSSION

On a scale of 1 to 7, what is the level of board attention to CEO succession planning and consideration?

Note: Board attention is defined as: direct conversation at the board, direct conversation with the CEO, the inclusion of CEO succession as a standing agenda item, the inclusion of CEO succession as a core to a board retreat, the inclusion of CEO succession in CEO annual performance review discussion.



Questions are designed to engage the board in constructive conversation on CEO succession.

## **CHAPTER TWO: A PRECISE EXAMINATION OF THE BOARD MANDATE AND ROLE IS AT THE CORE OF EFFECTIVE CEO SUCCESSION MANAGEMENT**

The three picks in Chapter Two examine the board's mandate and the board's precise roll in CEO succession. The various authors of these articles recommend that CEO succession choices be forward-looking: a reflection of where the sector is heading, rather than from where the sector has come.

### **Ending the CEO Succession Crisis**

By Ram Charan

Harvard Business Review

2005

[Read The Article](#)

### **Seven Myths of CEO Succession**

By David F. Larcker, Stephen A. Miles and Brian Tayan

Stanford School of Business

2014

[Read The Article](#)

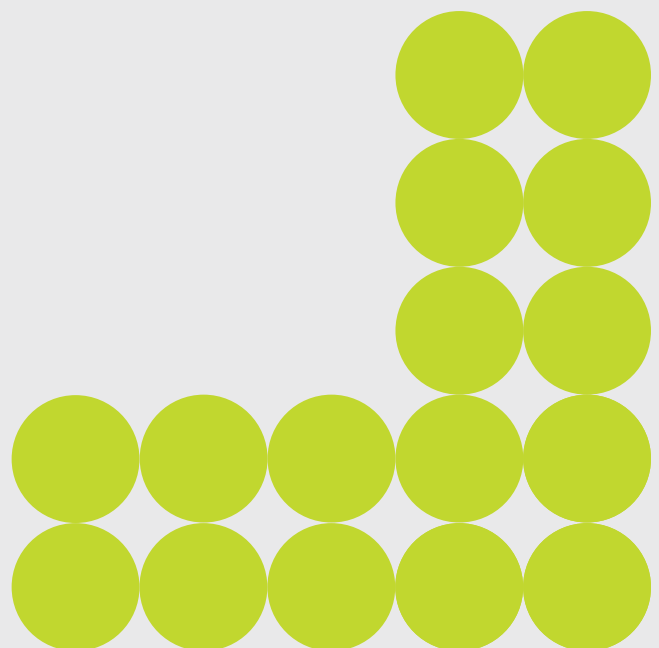
### **Too Important to Fail: Four New Rules for CEO Succession Planning**

By Cathy Anterasian and Robert Stark

Spencer Stuart

2021

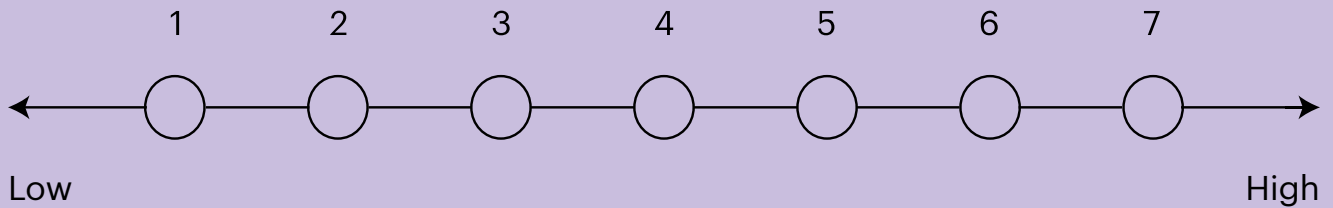
[Read The Article](#)



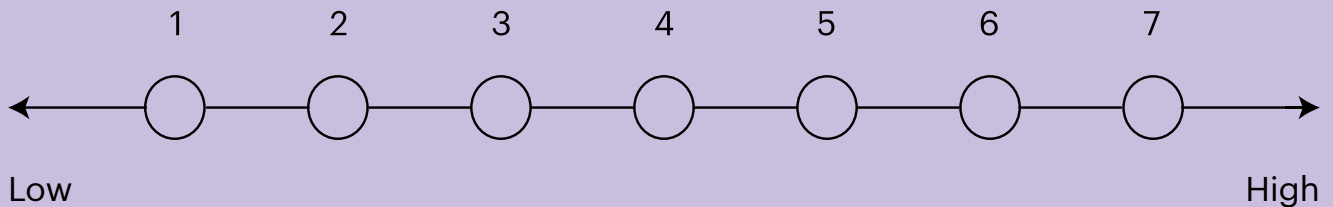
## CHAPTER TWO DISCUSSION

On a scale of 1 to 7, how ready is the board for a CEO succession event?

a. Emergency event



b. Planned event



In the event of a leadership transition (emergency or planned), has the board confirmed with its CEO the identification of one or more potential interim CEO candidates?

Questions are designed to engage the board in constructive conversation on CEO succession.

## **CHAPTER THREE: A DISCIPLINED APPROACH AND INVESTMENT IN HIGH POTENTIAL TALENT MANAGEMENT FOR THE FUTURE OF ONTARIO HOSPITAL LEADERSHIP IS VITAL**

With an eye toward the future, it is in the hands of current leadership to identify and invest in the development of high potential talent within their respective hospitals. Chapter Three includes three articles that argue vigorously for a disciplined approach and planned investment to identify early on, and then prepare high potential talent to lead a hospital in a dynamic and integrative environment.

### **Almost Ready: How Leaders Move Up**

By Dan Ciampa

Harvard Business Review

2005

[Read The Article](#)

### **Strategy Talk: How Do I Build a Strong Pipeline of Future Leaders?**

By Ken Favaro

strategy + business

2017

[Read The Article](#)

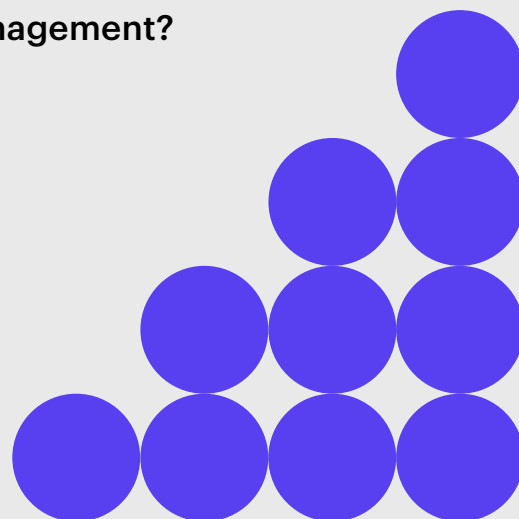
### **How Well Do Corporate Directors Know Senior Management?**

By David F. Larcker, Scott Saslow and Brian Tayan

The Conference Board Governance Centre

2014

[Read The Article](#)





## **CHAPTER THREE DISCUSSION**

**Does the board have sufficient line-of-sight into high potential talent both at the C-Suite and below the C-Suite, and what level of confidence does the board have that there is at least one executive who is viewed as a credible CEO candidate?**

Note: “sufficient” is defined as familiarity with the profile of high potential talent identified by the incumbent CEO and having the opportunity to engage with them both formally and informally.

**Does the board have continuing conversations with the incumbent CEO about high potential talent and investment in their development? How robust are the talent reviews the CEO is providing to the board?**

Questions are designed to engage the board in constructive conversation on CEO succession.

## **CHAPTER FOUR: HIRING WITH AN EYE ON THE FUTURE**

The two curated picks for Chapter Four are dedicated to how boards identify “the right CEO”. Hammering out a CEO profile unique to each hospital and its context, culture and leadership requirements, and doing so well in advance of a succession event, contributes to board objectivity and unanimity in choosing the next leader. The development of a CEO profile to lead an organization into the future sits squarely with the board and is different from a skills matrix.

Chapter Four also offers rich insight into the subjective biases of boards and into the importance of casting the net wide for potential CEO candidates, including identifying candidates one to two levels down within the hospital organization — defined as high potential “leapfrog candidates”.

### **The Secrets of Great CEO Selection**

By Ram Charan

Harvard Business Review  
2016

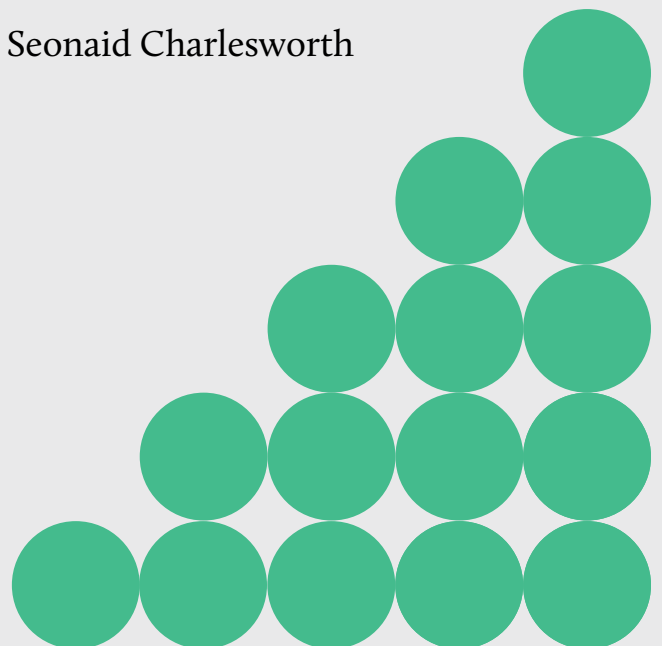
[Read The Article](#)

### **Finding the Right CEO**

By Claudius A. Hildebrand, Robert J. Stark and Seonaid Charlesworth

Harvard Business Review  
2022

[Read The Article](#)



## **CHAPTER FOUR DISCUSSION**

**Has the board discussed and considered the leadership profile for the next permanent CEO of the hospital, and how might it differ from the leadership requirements of the CEO in place today?**

**Does the board have a shared understanding regarding the benefits of internal promotion vs. external hiring?**

**Working with the incumbent CEO, has the board defined a satisfactory CEO succession process for the hospital including the role of the board in that process, the role of the incumbent CEO, the role of senior Human Resources, and the role of a third-party executive search firm?**

**How might the board ensure objectivity and independence in its considerations and choices?**

Questions are designed to engage the board in constructive conversation on CEO succession.

## **CHAPTER FIVE:**

### **AFTER THE HANDSHAKE... SUCCESSION DOESN'T END WITH CEO SELECTION**

Two articles are included in Chapter Five for a discussion on the board's role in onboarding a new CEO and board accountability in setting the new CEO up to succeed. One of the articles is aptly titled *After the Handshake*, when the work of the board continues for some time to come and should not be delegated.

#### **Onboarding Isn't Enough**

By Mark Byford, Michael D. Watkins and Lena Triantogiannis

Harvard Business Review

2017

[Read The Article](#)

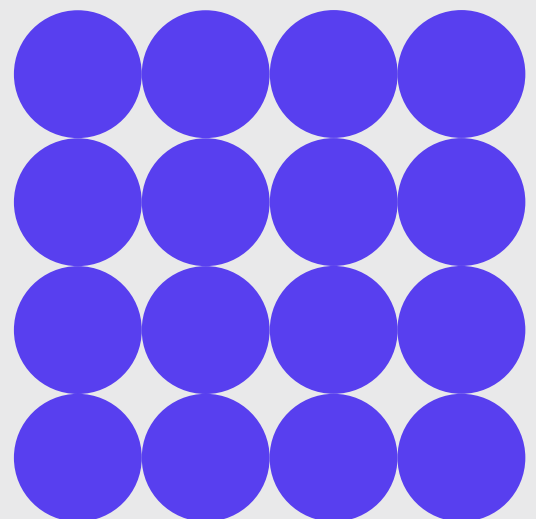
#### **After the Handshake**

By Dan Ciampa

Harvard Business Review

2016

[Read The Article](#)



## **CHAPTER FIVE DISCUSSION**

Does the board have an onboarding plan for a new CEO?

What precise role will the board play in setting an interim CEO or a new permanent CEO up to succeed?

Questions are designed to engage the board in constructive conversation on CEO succession.

## **CHAPTER SIX: THE HIGH COST OF MAKING THE WRONG DECISION**

Chapter Six brings the collection to a close with three articles on the high cost of getting it wrong, especially when endings are abrupt. Some of these costs are explicit, while other costs are less visible and can have repercussions on the organization and its people and culture for months, if not years.

### **CEO Selection: The Costs of Getting it Wrong**

By Jeff Hauswirth

Spencer Stuart

2016

[Read The Article](#)

### **The Four Biggest Hidden CEO Succession Risks and How to Avoid Them**

By Cathy Anterasian, Jonathan Smith and Robert Stark

Spencer Stuart

2016

[Read The Article](#)

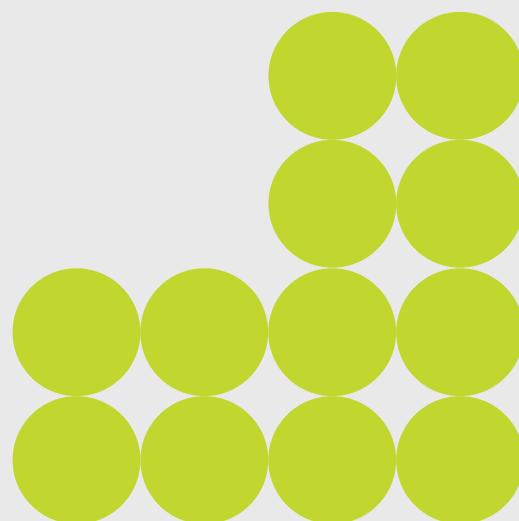
### **The \$112 Billion Succession Problem**

By Ken Favaro, Per-Ola Karlsson and Gary L. Neilson

strategy + business

2015

[Read The Article](#)



## **CHAPTER SIX DISCUSSION**

**Does your hospital's risk framework address CEO succession, planned and abrupt?**

**Does the board have CEO succession experience in its skill-based matrix?**

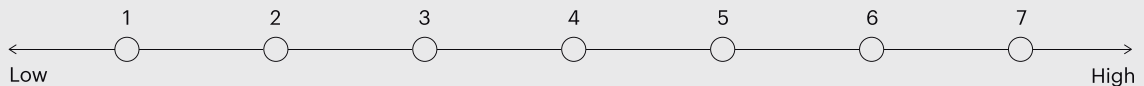
Questions are designed to engage the board in constructive conversation on CEO succession.

## CONSOLIDATED DISCUSSION QUESTIONS

Questions are designed to engage the board in constructive conversation on CEO succession.

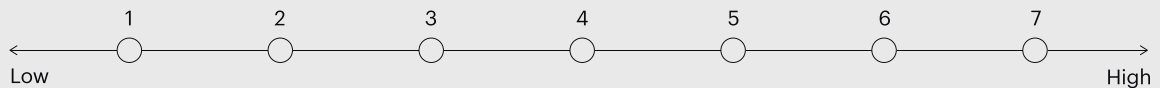
1. **On a scale of 1 to 7, what is the level of board attention to CEO succession planning and consideration?**

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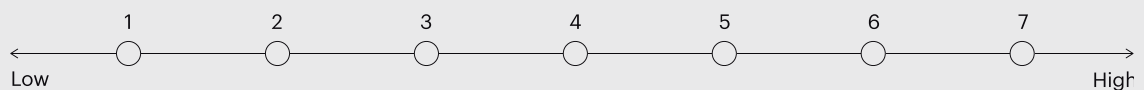


2. **On a scale of 1 to 7, how ready is the board for a CEO succession event?**

a. Emergency event



b. Planned event



3. **In the event of a leadership transition (emergency or planned), has the board confirmed with its CEO the identification of one or more potential interim CEO candidates?**

4. **Does the board have sufficient line-of-sight into high potential talent both at the C-Suite and below the C-Suite, and what level of confidence does the board have that there is at least one executive who is viewed as a credible CEO candidate?**

Note: “sufficient” is defined as familiarity with the profile of high potential talent identified by the incumbent CEO and having the opportunity to engage with them both formally and informally.



## **CONSOLIDATED DISCUSSION QUESTIONS**

Questions are designed to engage the board in constructive conversation on CEO succession.

5. Does the board have continuing conversations with the incumbent CEO about high potential talent and investment in their development? How robust are the talent reviews the CEO is providing to the board?
6. Has the board discussed and considered the leadership profile for the next permanent CEO of the hospital, and how might it differ from the leadership requirements of the CEO in place today?
7. Does the board have a shared understanding regarding the benefits of internal promotion vs. external hiring?
8. Working with the incumbent CEO, has the board defined a satisfactory CEO succession process for the hospital including the role of the board in that process, the role of the incumbent CEO, the role of senior Human Resources, and the role of a third-party executive search firm?
9. How might the board ensure objectivity and independence in its considerations and choices?
10. Does the board have an onboarding plan for a new CEO?
11. What precise role will the board play in setting an interim CEO or a new permanent CEO up to succeed?
12. Does your hospital's risk framework address CEO succession, planned and abrupt?
13. Does the board have CEO succession experience in its skill-based matrix?