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On Growing Your Own Future Leaders: Succession Planning Practices of Hospices

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**Abstract**

The hospice industry is a rapidly changing environment currently undergoing a significant change in their leadership through the aging of personnel. Although, the aging of hospice leaders is a well known fact (Longenecker, 2008; Longenecker, 2006; NHPCO & Furst, 2005), little is known about the succession planning practices of hospice organizations. This issue was the subject of the research study.

A quantitative study was conducted using a web-based survey involving hospice executives from across the U.S to evaluate current succession planning practices of their organizations. The key findings of the study were that limited development of succession plans exists with hospice organizations, the hospice executives perceived limited barriers to the development of succession plans and the greatest obstacles identified preventing the development of succession plan was leadership's understanding of the need for a plan.

### **Succession Planning Practices of Hospices**

Hospice organizations in the United States are experiencing significant changes in personnel in leadership roles. The primary reason identified for this change is the maturation of the industry resulting in the retirement of many of founding hospice leaders. The term being used within the industry to describe this period is *The Changing of the Guard* (Longenecker, 2005). Based on studies conducted over the last 5 years on hospice leadership, approximately 50% of all hospice leaders are over the age of 50, with 10-15% over the age of 60 (Longenecker, 2008; Longenecker, 2006; NHPCO & Furst, 2005). With these changing demographics, a growing interest in succession planning by hospice leaders is emerging. With the hospice industry being relatively young, formalized in 1983, the concept of succession planning is a new variable for hospices to consider. In actuality, very little is known about the unique characteristics of succession planning in the hospices. The research question that was explored by the study was “What are the succession planning practices of hospices?”

#### **Review of the Literature**

In assessing the literature surrounding succession planning, three primary themes were identified: the lack of succession planning within organizations in the United States, the aging of the American workforce and the narrow focus of succession plans that are developed. In addition, it was noted that a significant portion of the literature on succession planning was anecdotal in nature and not based on empirical research.

The lack of succession planning within organizations in the United States appears to be a significant deficit. Recent studies report that 60-70% of organizations have no succession planning process in place (Cutting Edge, 2005; Wells, 2003). Cutting Edge

reported that as high as 45% of many of the largest companies have no documented approach to replace their CEO. In looking at health care organizations, the American College of Health Executives (ACHE) reported that 36% of private sector hospitals and 79% of freestanding hospitals did not have a succession planning process in place (Garman & Tyler, 2004). No research was identified on succession planning practices of hospices.

In evaluating the aging of the American workforce, a significant portion of working Americans are closing in on retirement age. In 1998, 34% of the federal workforce was over the age of 50 with an estimated 1/3 of federal workers being eligible for retirement by 2003 (OPM, 1998). The U.S. Bureau of Labor Statistics predicts that by 2012, the over 55 workforce will have increased by 19.1% (Toosi, 2004). In addition, the median age in the U.S. will increase from 40.1 in 1992 to 45.3, a 13.1% increase. Wells reports that 33% of human resource professionals have no plan to address the aging workforce (2003). In addition, she identified that 94% of the individuals surveyed identified that they thought that they had not prepared younger workers to replace senior leaders.

The aging factor seems to be even more significant in the health care sector where over 40% of nurses in the US are over 50 years of age (GAO, 2001). In hospice, studies have shown that the number of executives over 50 year ranges from 56.7% (Longenecker, 2006), up to 68.6% (Longenecker, 2008).

In assessing the succession plans that are in place, although the information appears limited and anecdotal in nature, the primary focus of succession plans that are in place appear to only address the executive level positions. To quantify this, Cutting Edge

reported that 45% of many of the world's largest corporations have no defined plans to replace their CEO (2004). To complicate the issue, The Center for Creative Leadership identified that 66% of senior managers hired from outside fail within the first 18 months of hire (Succession Planning, 2005). To reinforce the need for succession plans, Gaffney stated "retention research indicates that individuals tend to stay longer where they are experiencing personal and professional growth" (2005, p.7).

### *Defining Succession Planning*

In reviewing the definition of succession planning, numerous definitions can be found (Heathfield, 2007; Garman & Glawe, 2004). The common variables from the definition include terms like process, recruitment, development, mentoring, identification and preparation.

For the purposes of this study, the researcher used the following definition that he created to frame the research methodology: A strategic process of recruitment, development and retention of key individuals within an organization to maximize the potential of the organization and employees by preparing successors of all positions. The definition is intended to address the broader issue of involvement of all personnel in succession planning focusing on their continuous growth

### **Methods**

The research study conducted utilized a descriptive survey approach using a questionnaire. The research sample was a convenience sample gathering data from hospice executives from across the U.S. The study was attempting to gathering information on succession planning in hospices in two areas. The current status of succession planning within hospice organizations and the evaluation of their current

processes, procedures, preparation and attitudes regarding succession planning. The hypothesis of the study was “limited development of succession plans will be identified in hospice organizations beyond plans for hospice executives”. The study was done in conjunction with MultiView, Inc (MVI), an organization that specializes in financial management issues of hospices. MVI was selected for involvement in the study related to their interest in the topic and their association with hospices located across the U.S.

The data collection process was an on-line, web-based survey. The web-based survey was created by MVI personnel based on the researcher specifications. The data collection involved three components. The first section was the Hospice Succession Planning Survey (HSPS). The HSPS was developed by the researcher based on current themes from the literature on succession planning. The survey questions focused around three areas of succession planning: Status, Perceptions and Obstacles (SPO). The questionnaire consisted of 20 questions using a Likert Scale with 1 representing Strongly Agree and 5 representing Strongly Disagree. The second section, a personal demographic questionnaire gathered data about the executive completing the survey; job title, area of specialization, educational level, gender, age, years of leadership and years of hospice experience. The third section utilized was an organizational demographic questionnaire gathering data specific to hospices regarding the participating hospices; region of country (based on NHPCO criteria), agency type, profit status, service area, annual budget (FY 2006), average daily census, average length of stay (FY 2006) and median length of stay (FY 2006).

The data collection process was initiated by an e-mail sent to the executives of all MVI affiliated hospice organizations. The e-mail informed them of the study and its

purpose, and invited them to participate in the study through a link to the study website. The invitation letter was jointly signed by the researcher and the President of MVI. Participants were given a one week deadline to complete the survey. To ensure confidentiality of participants, the website was only accessible to the MVI website manager. All data was entered into an Excel spreadsheet by MVI personnel and forwarded to the researcher for analysis. A total of 396 individuals/organizations were invited to participate in the study.

### Results

The analysis of the data was conducted using SPSS software. Descriptive statistics were used for HSPS and demographic data. Pearson product-correlation coefficient (Pearson  $r$ ) was utilized to evaluate correlation between status, perception and obstacle questions and personal and organizational demographic data. Analysis of variance (ANOVA) testing was utilized to evaluate relationships between groups. An alpha level at the .01 level of significance was utilized for statistical analysis.

A total of 56 hospice executives participated in the study representing a 14% participation rate. Not all respondents answered all questions on the survey. The 56 respondents represent approximately 2% of all hospice executives in the U.S. The demographic information of the respondents and their organizations are outlined in Table 1.

The common characteristics of the participants were:

Job title - Executive Director	50%
Area of Specialization – Nursing	57%
Female	71.7%

Possessed a Masters Degree	49%
Mean age	52.1
Mean years of leadership experience	20
Mean years of hospice experience	13.9

The most common organizational characteristics were:

Southeast region	34%
Freestanding	79.6%
Non-profit	85.7%
Both rural and urban service area	61.2%
Budget over 5 million	59.2%
Mean Average Daily Census (ADC)	251.4
Mean Average Length of Stay (ALOS)	60.9
Mean Median Length of Stay (MLOS)	25.1.

In evaluating the descriptive statistics for the Status questions; *Involving the hospice executive* had the highest average (2.59) related to Strongly Agreeing and *Component of recruitment and retention for all positions* having the lowest average (3.59). Related to similarity in responses, *Having a succession plan* had a standard deviation (SD) of 1.29 and *Involves board* had a SD of 1.59. For the Perception questions, *Need to develop a plan* had the highest mean (2.23) and *Time to implement a plan* had the lowest (2.7). Regarding similarity within the participants, *Resources to implement a plan* and *We have the resources to develop a plan* had a SD of 1.32 and *Need to implement a plan* had a SD of 1.6. For the Obstacles questions, *Leadership understanding of the need* had the highest mean (2.46) and *Fear of loss of power by*

*leadership* had the lowest mean (4.0). Related to similarity, these questions demonstrated the broadest variance with *Fear of loss of power by leadership* having a SD of 0.95 and *Board understanding of the need* having a SD of 1.52. The complete breakdown of the SPO descriptive statistics are identified in Table 2.

In evaluating the correlations between the SPO questions and personal and organizational demographics, no statistically significant findings were identified. When evaluating the correlations between SPO questions by section, numerous statistically significant findings were noted ( $p = .25$  for all Pearson  $r$  analysis) however none were found for the status questions. For the Perception questions; strong, positive correlation were found between *Time to implement a plan* and *Time to develop a plan* ( $p=0.77$ ) and *Resources to develop a plan* ( $p=0.79$ ). *Need to implement a plan* had a strong, positive correlation with *Need to develop a plan* ( $p=0.73$ ). In addition, *Resources to implement a plan* had strong positive correlations with *Resources to develop a plan* ( $p=0.85$ ) and *Time to implement a plan* ( $p=0.79$ ).

For the Obstacle questions, two areas had moderate to strong correlations. The question, *Fear of hostile takeover* correlated with *Need to develop a plan* ( $p=-0.52$ ), *Time to implement a plan* ( $p=-0.51$ ), *Fear of loss of power* ( $p=0.62$ ) and *Fear of staff leaving* ( $p=0.60$ ). In addition, *Leadership understanding of need* had a strong, positive correlation with *Board understanding of need* ( $p=0.70$ ). The complete breakdown of Pearson  $r$  results can be found in Table 3.

In evaluating ANOVA results for variances between and among the SPO questions and personal and organizational characteristics, five areas of statistical significance were noted ( $p$ -value  $<.05$  was significant). For Level of Education, *Board*

*understanding of the need* had a p value of 0.02 and *Leadership understanding of the need* had a p value of 0.04. For Agency type, *Our succession plan involves our hospice executive* had a p value of 0.01 and *We have time to develop a plan* had a p value of 0.01. For profit status, *Our succession plan involves our Board of Trustees* had a p value of 0.04. Summary data of ANOVA analysis can be found in Table 4.

### **Discussion**

The findings appear to demonstrate a few clear patterns of succession planning practices by hospices based on issues of status, perceptions and obstacles. In addition, the demographics of the hospice executives and their organizations closely mirror demographic information from prior studies (Longenecker, 2008; Longenecker, 2006; NHPCO & Furst, 2005). However, several demographic differences were noted. This sample had a smaller percentage from the Northeast, Great Lake and Central Plains regions and a larger percentage from the Southeast regions (Longenecker, 2008; NHPCO & Furst). This difference could be explained by the demographic make-up of MVI membership. In addition, the percentage of free-standing hospices that participated (79.6%) was considerable higher and Home Health Based hospice (2%) considerable lower than prior studies (Longenecker, 2008; Longenecker, 2006; NHPCO & Furst). Again, this variance could be explained by MVI's membership. The last demographic difference noted was a higher percentage of male executives in this study (28.3%). Other studies have reported a range of 13.3% to 17.8% (Longenecker, 2008; Longenecker, 2006; NHPCO & Furst). No clear explanation could be identified for this finding.

In reviewing the results of the descriptive and correlational statistics that were conducted, numerous interesting findings were noted. As was predicted in the study's

hypothesis, limited development of succession plans other than plans for the hospice executive were found resulting in the acceptance of the hypothesis. However, the hypothesis was not overwhelmingly supported. The highest mean score under the Status section was that the succession plan involved the hospice executive (2.59). Considering that a score of 3 is a neutral response, overall respondents only slightly agreed with this question. The remainder of the questions were scored neutral or slightly disagreed. An additional area of conflict in the findings involved the question, *Has a succession plan*. In scoring the eight questions for the Status section, this question had the second lowest mean score (3.43) related to agreement with the question. While respondents reflected that they didn't have a succession plan, they scored six of the other seven questions pertaining to succession planning higher. From a logical perspective, it would appear that once you disagree that you had a plan, you would mark the rest of the questions disagree. In addition, based on the standard deviation (1.29), this question was the one that respondents answered in the most similar manner. The only explanation that would appear to explain this finding is that respondents were viewing the question from a formal perspective. Although, their organization may not have a formal plan, they do have "bits and pieces" of a succession plan.

In evaluating the Perceptions questions, all six questions had responses that demonstrated agreement with their need for a plan and having the resources and time to develop and implement a plan. All six questions had mean score of 2.7 or less. Looking at the individual questions, the strongest agreement was for the need to develop a plan while having time to develop and implement a plan were the areas of least agreement. These descriptive statistics are strongly supported by the strong correlations between

these questions. The respondents appeared to have a strong understanding of the importance of succession planning for their organization.

In assessing the Obstacles questions, two questions had the highest level of agreement from the respondents. *Leadership understanding of the need* had a mean score of 2.46 with 57.4% of the respondents either strongly agreeing or agreeing with the question. *Board understanding of the need* had a mean score of 2.81 with 46.5% of the respondents either strongly agreeing or agreeing with the question. In addition, these questions had a strong correlation to each other ( $p=0.70$ ). The remainder of the questions had responses that appeared to demonstrate that the respondents did not agree with the statements.

Based on these findings, hospice executives would appear to believe that they have the resources to develop and implement a succession plan and do not think that having a succession plan will result in staff leaving, a “hostile takeover” by outsiders or loss of their power as a leader. It would appear in reviewing the contrast in responses to these questions, being able to engage the leader and the organization’s board in increasing their understanding the need for the development of a succession plan is an area that needs to be addressed. In other words, the greatest obstacle standing in the way of hospice organizations creating succession plans is the leader themselves and their board.

Enhancing the significance of these results were the results of ANOVA findings pertaining to Level of Education and Board and Leadership understanding of the need. Both areas had statistically significance findings resulting in reinforcement of the descriptive and correlation statistical results.

The overall findings, although limited in scope based on sample size and no prior research related to succession planning and hospice, appear to provide an initial picture of succession planning practices in hospice. The findings do align with other research related to the aging workforce (OPM, 1998; Tossi, 2004; GAO, 2001) and lack of formal succession planning process (Wells, 2003; Cutting Edge, 2004; Garman & Tyler, 2004).

### **Conclusion**

The findings of this study closely mirror the results of prior research done on succession planning practices. It appears that other than plans for replacing executives, limited foresight is occurring in looking to the future through the development of personnel for succession into higher level positions. Utilizing the definition of succession planning provided by the researcher, it would appear that succession planning is not actively occurring within hospice organizations. Based on the study findings, hospice executives perceive that they need to create succession plans and have the resources to develop and implement them; however they perceive time as a limiting factor. Of the greatest significance from this study would appear to be that hospice executives identify themselves and their boards as being the greatest obstacles to succession planning. It appears that if this obstacle could be overcome, the practice of succession planning in hospice would increase greatly. The evaluation of this issue would appear to be a key area for future research.

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Table 1. Personal and Organizational Demographic Characteristics

Personal Characteristics	n	%
<b>Job Title</b>		
Executive Director	28	50%
President/CEO	12	21%
Other	10	18%
Administrator	4	7%
Branch Manager	2	4%
<b>Area of Specialization</b>		
Nursing	32	57%
Business	10	18%
Social Work	6	10.7%
Other	6	10.7%
Bereavement	2	4%
<b>Level of Education</b>		
Masters Degree	26	49%
Bachelor Degree	17	32%
Associate Degree	4	7.5%
Doctorate Degree	3	7%
Other	2	4%
High School	1	2%
<b>Gender</b>		
Female	38	71.7
Male	15	28.3
<b>Years of Leadership Experience</b>		
Mean	20	
Median	20	
Mode	20	
Range	3 to 40	
<b>Years of Hospice Experience</b>		
Mean	13.9	
Median	14	
Mode	12	
Range	1 to 27	
<b>Age</b>		
Mean	52.1	
Median	54	
Mode	51	
Range	33 to 68	

## Organizational Characteristics

Agency Type		
Freestanding	39	79.5%
Hospital Based	6	12.2%
Nursing Home Based	2	4%
Home Health Based	1	2%
Other	1	2%
Profit Status		
Not For Profit	42	85.7%
For Profit	7	14.3%
Service Area		
Both Urban and Rural	30	61.2%
Rural	15	30.6%
Urban	4	8%
Annual Budget		
➤ 5 million	29	58.2%
< 5 million	20	40.8%
Average Daily Census (ADC)		
Mean	251.4	
Median	110	
Mode	45	
Range	17 to 5100	
Average Length of Stay (ALOS)		
Mean	60.9	
Median	57.3	
Mode	57	
Range	27 to 157	
Median Length of Stay (MLOS)		
Mean	25.1	
Median	22	
Mode	18	
Range	11 to 92	
Region		
Northeast	22	39.3%
Great Lakes	14	25%
Southeast	10	17.8%
Central Plains	6	10.7%
West	4	7.1%

Table 2. Descriptive Statistics of SPO Questions

Questions	Mean	SD
<b>Status</b>		
Our organization has a succession plan	3.43	1.29
Our succession plan involves are board	2.98	1.59
Our succession plan involves are hospice executive	2.59	1.56
Our succession plan involves members of our organizational leadership team	2.96	1.55
Our succession plan is part of our organization's strategic plan	3.13	1.43
Our succession plan is a key component our of recruitment and retention plan for key positions	3.3	1.47
Our succession plan is a key component of our recruitment and retention plan for all positions in our organization	3.59	1.47
Performance evaluation is part of our succession planning process	3.29	1.37
<b>Perception</b>		
We have the time to develop a plan	2.68	1.43
We have the need to develop a plan	2.23	1.5
We have the resources to develop a plan	2.52	1.32
We have the time to implement a plan	2.7	1.4
We have the need to implement a plan	2.64	1.6
We have the resources to implement a plan	2.57	1.32
<b>Obstacles</b>		
Board understanding of the need	2.81	1.52
Leadership understanding of the need	2.46	1.42
Fear of loss of power by leadership	4	0.95
Fear of "hostile takeover"	3.98	1.22
Fear of staff leaving	3.67	1.18
Inadequate resources	3.5	1.24

Table 3. Pearson Product-Moment Correlation Coefficients of SPO Questions

Perception		
Time to implement a plan		
Time to develop a plan		0.77
Resources to develop a plan		0.79
Need to implement a plan		
Need to develop a plan		0.73
Resources to implement a plan		
Resources to develop a plan		0.85
Time to implement a plan		0.79
Obstacles		
Fear of hostile takeover		
Need to develop a plan		-0.52
Time to implement a plan		-0.51
Fear of loss of power		0.62
Fear of staff leaving		0.60
Leadership understanding of the need		
Board understanding of the need		0.70

Note:  $p=.25$  for all Pearson  $r$  analysis. Pearson  $r$  results were statistically significant at alpha level of 0.01 ( $p. < .05$ ).

Table 4. ANOVA analysis of SPO Questions

Succession plan involves our board/Profit Status	0.04
Succession plan involves our hospice executive/Agency type	0.01
We have time to develop a plan/Agency type	0.01
Board understanding of the need/Education level	0.02
Leadership understanding of the need/Education level	0.04

Note: ANOVA results were not statistically significant unless p-value was  $< .05$ .