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Impact of Talent Management Practices on Hospital Clinical, Financial, & Workforce Metrics

Healthcare Talent Management Survey 2013

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Survey Purpose

Facing numerous challenges to address what many have dubbed a healthcare leadership crisis, including demographic, marketplace, and economic challenges, human resource professionals are under increasing pressure to ensure a sustained pipeline of leadership talent. While many exemplary hospital organizations have shrewdly invested in talent management practices to meet these critical challenges, it remains unclear whether such investments yield returns on clinical, financial, or workforce performance metrics. The purpose of this report is to summarize the key findings of the *Healthcare Talent Management Survey 2012*, an annual survey administered to a national sample of senior HR officers at hospital systems. The survey's purpose is to develop practical recommendations by measuring the impact of talent management practices on key clinical, financial, and workforce performance metrics of hospital organizations.

Sample Background

Overall, 142 executives comprised of mostly Chief HR Officers (n = 61) and Vice-Presidents of HR (n = 43) participated in the survey. The 142 organizations represented in the survey consisted of mostly multi-hospital health systems (n = 113) that were private (n = 108), reported a mean 2011 net revenue of $3.70B, and employed a mean of 18,811 FTEs.

Results: Clinical & Financial Metrics

The executive respondents rated the degree to which their respective organization utilizes *Talent Management Success Factors*[i]. The *Success Factors*, which measure a series of talent management best practices derived from prior research of exemplary hospital systems, include *Top Management Team Support, Performance Management Processes, Talent Assessment Practices, Leadership Development Culture, Pay Practices,* and *Onboarding Practices*. Hospital systems with high *Success Factors* scores reported a mean employee productivity metric (net revenue/FTEs) of $164,154 compared to $132,685 for organizations with low *Success Factors* scores. The $31,469 difference in net revenue per FTE represents a 23.7% increase in employee productivity. Hospital systems with high *Success Factors* scores reported a mean HCAHPS score (*Hospital Consumer Assessment of Healthcare Providers and Systems*) of 74% compared to 65% for organizations with low *Success Factors* scores. Hospital systems with high *Success Factors* scores obtained significantly higher patient satisfaction scores across all HCAHPS dimensions.

Results: Workforce Metrics

Hospital systems with high *Success Factors* scores demonstrated significantly lower annual turnover for nurses (7.91%) and management (5.05%) compared to organizations with low *Success Factors* scores (9.98% and 6.83%, respectively). The 2.07% reduction in annual

turnover for nurses represents a total annual cost savings of $2.45M, while the 1.78% reduction in annual management turnover represents a total annual cost savings of $800,617. Hospital systems with high *Success Factors* scores were also significantly less likely to source executive talent externally (43% of open executive positions compared to 69% for hospital systems with low *Success Factors* scores) and were far more likely to report leader benchstrength of "at least two 'ready now' candidates for key leadership roles" (53% versus 14%). Regarding executive team diversity, high-performing hospital systems reported significantly greater women (45%) and ethnic minorities (34%) across all executive positions (Vice-Presidents and above) compared to hospital organizations with low *Success Factors* scores (27% and 6%, respectively). Finally, the mean number of executive searches (4.14) and associated fees ($235,000) were significantly lower for hospital systems with high *Success Factors* scores compared to low-performing organizations (13.73 and $1.10M, respectively).

Results: Talent Management Policies & Practices

Hospital systems adopt a range of policies and practices to execute talent management strategies. Exactly half of the organizations explicitly inform individual employees of their status as 'high potential' (50%). Most hospital systems define 'high potential' according to leadership capability (52%), while utilizing job performance (64%), leadership competencies (63%), and specific work experiences (54%) as primary factors for designating employees as high potential. The most common leadership development practices included special projects (59%) and internal development programs (52%). The most common metrics for evaluating the efficacy of their respective talent management systems included the internal/external hiring ratio for leadership roles (43%) and the success rates of high-potentials placed into new roles (36%).

Recommendations

The survey results strongly support a range of practical recommendations for crafting talent management strategy, prioritizing talent management investments for maximal gains in clinical, financial, and workforce outcomes, and implementing specific talent management policies and practices. The survey results suggest that hospital organizations should:

- Audit their respective talent management system across the *Success Factors* to identify critical gaps;
- Elevate the business case for talent management among top management team and board members via emphasis on clinical, financial, and workforce metrics;
- Accelerate workforce diversity initiatives by increasing the number of women and ethnic minority executives through talent assessment and onboarding practices;
- Develop onboarding programs for both external hires and key internal promotions;
- Create customized assessment tools for identifying high potential leaders (e.g., nine-box models, multi-source assessments);

- Assess the composition, format, and frequency of talent review sessions;
- Establish transparency with the high potential designation process through key policies and practices;
- Develop high potential leaders via project-based assignments directly tied to strategic, system-wide initiatives; and
- Adopt a balanced scorecard approach to evaluation metrics for measuring the efficacy of the talent management system.

Introduction

Business Case for Talent Management in Healthcare

Hospital systems continue to confront a series of demographic, marketplace, and financial challenges concerning the talent management process. The aging and increasingly diverse U.S. workforce[ii], the limited number of high quality graduate programs in healthcare administration[iii], the comparatively low hospital CEO median tenure of four years[iv], and a general lack of sustained investment in talent management compared to other industries[v] are a sample of the talent management challenges currently facing hospital organizations. Nearly one-third of all Americans (76 million) will reach retirement age over the next 10 years, a dilemma commonly cited by human resource professionals as the 5/50 crisis—the prospect of losing 50% of all management talent over the next five years. Furthermore, the growth rates for the 25-34 year-old and 35-44 year-old segments are 8% and -10%, respectively, while the three oldest age segments (ages 45-54, 55-64, and ≥ 65 years) are increasing by 21%, 52%, and 30%, respectively. For human resource professionals in hospital settings, these trends are concerning in that the overall lowest growth rates represent the two age segments for which talent management practices are most critical for developing leadership talent. In order to proactively prepare for the unprecedented departure of managerial talent in the healthcare industry[vi], many hospital systems are investing in talent management practices to ensure a sustained pipeline of future organizational leaders[vii]. The talent management approach, defined as the integrated system of strategies, policies, and programs designed to identify, develop, deploy and retain leadership talent to achieve strategic objectives and meet future business needs[viii], ensures hospital systems of a sufficient supply of capable leaders to achieve strategic objectives.

These strong headwinds suggest that hospital systems must be more accurate and more efficient in identifying and developing emerging leaders early in their careers. Human resource leaders in hospital settings have long battled the view that human capital systems do not perform as critical drivers of strategy and business outcomes. The chief HR officer of a globally prominent hospital system soberly concluded that "…most health care organizations see HR as a drain on the organization's bottom line"[ix]. The business case for investing in talent management practices is supported by several underlying principles. In short, why should talent management practices be a priority for hospital systems? Prior research suggests that investments in talent management practices yields increases in numerous business metrics, including market value, return on capital, employee productivity, and employee turnover[x]. While these research findings are encouraging for hospital HR professionals interested in communicating the business case for talent management to key stakeholders (top management team members, board members, clinical leaders, etc.), very few of these studies were conducted in hospital settings while no study to date has examined the impact of talent management practices on numerous hospital performance metrics and workforce outcomes.

Purpose of This Report

The purpose of this report is to summarize the key findings of the *Healthcare Talent Management Survey 2012*, an annual survey administered to a national sample of senior HR officers at hospital systems. The survey's purpose is to understand how talent management practices are associated with (a) hospital performance metrics, including financial and operational outcomes, and (b) HR metrics such as employee productivity, turnover, engagement, and diversity outcomes. The survey includes questions pertaining to organizational practices and policies that impact the identification, development, and retention of leadership talent. The goals of the survey include the following:

- ✓ Establish a better understanding of the prevalence and types of talent management practices and policies in hospital systems.
- ✓ Assess the impact of talent management practices and policies on critical hospital performance and HR metrics.
- ✓ Develop actionable recommendations for creating and enhancing talent management practices in hospital systems.

This report is written to be accessible to multiple audiences. While the survey was informed by prior research, specifically benchmarking studies in major hospital systems[xi], the purpose of the survey and this report is to offer the following critical stakeholder groups with the necessary data and empirical evidence to establish the business case for talent management in hospital contexts:

- ▪ Senior HR Professionals (Chief HR Officers, SVPs, VPs, OD Professionals)
- ▪ Senior Management Leaders (CEOs, Presidents, COOs)
- ▪ Board Members (HR Committee)

Survey Methodology

Survey Design

The *Healthcare Talent Management Survey 2012* was designed as part of a multi-phased research project of talent management practices in hospital systems. The first phase of this project consisted of a qualitative case study of the talent management practices at 15 national hospital systems with exemplary hospital performance metrics and HR outcomes. The data from this case study were collected through semi-structured interviews with 30 HR executives and document analysis of talent management program materials submitted by each organization. The results of this qualitative analysis, fully summarized in a 2011 *Health Care Management Review* article[xii], indicated that talent management practices at hospital systems with exemplary performance outcomes consist of six *Talent Management Success Factors*:

- ✓ *Top Management Team Support*
- ✓ *Performance Management Processes*
- ✓ *Talent Assessment Practices*
- ✓ *Leadership Development Culture*
- ✓ *Pay Practices*
- ✓ *Onboarding Practices*

The *Survey* was designed to measure the *Talent Management Success Factors*. Each success factor is measured by two to six survey items that were pilot tested with HR professionals to eliminate any unclear or redundant items. Survey respondents are asked to rate how often or to what degree each talent management practice occurs at their respective organization. The Likert-type scale consists of (1) "Not at All, (2), 'Rarely', (3) 'Sometimes', (4) 'Usually', and (5) 'Always'. The results of statistical tests for the reliability of each success factor (Cronbach alpha), the factor structure of the overall instrument (factor analysis), and the survey items are provided in the Appendix.

The *Survey* also measures specific talent management policies, practices, and strategies. The executives were asked to describe their respective hospital system's approach to the following:

- Defining and nominating high potential leaders
- Measures used to assess and designate high potential employees
- Talent review session characteristics
- Communicating high potential status to employees
- Leadership development activities
- Metrics for assessing talent management effectiveness

The final section of the *Survey* was designed to measure a series of hospital performance metrics and workforce outcomes. Survey respondents were asked to provide data across each of the following performance metrics for Fiscal Year 2011, the most recent year for which these data were available. Table 1 illustrates the performance metrics and how they were calculated:

Table 1: Hospital Performance Metrics

Metric	Calculation
Employee Productivity	Net Revenue/FTEs
Patient Satisfaction[a]	Mean Percentage of Patients Reporting 'High Satisfaction' on HCAHPS Survey (*Hospital Consumer Assessment of Healthcare Providers and Systems* 2012[xiii]) 1. Percent of patients who reported that their nurses "Always" communicated well. 2. Percent of patients who reported that their doctors "Always" communicated well. 3. Percent of patients who reported that they "Always" received help as soon as they wanted". 4. Percent of patients who reported that their pain was "Always" well controlled. 5. Percent of patients who reported that staff "Always" explained about medicines before giving it to them. 6. Percent of patients who reported that their room and bathroom were "Always" clean. 7. Percent of patients who reported that the area around their room was "Always" quiet at night. 8. Percent of patients who reported that "Yes", they were given information about what to do during their recovery at home. 9. Percent of patients who gave their hospital a rating of 9 or 10 on a scale from 0 (lowest) to 10 (highest). 10. Percent of patients who reported "Yes", they would definitely recommend the hospital.
Hospital Performance Ratings[b]	Aggregate mean of 5-item perceptual measure of current hospital performance[xiv]: 1. Overall satisfaction of patients. 2. Overall satisfaction of employees. 3. Overall satisfaction of patient families. 4. Overall effectiveness of quality management practices. 5. Overall quality of clinical care of patients.

[a] While the HCAHPS database includes results across all survey response categories ("sometimes or never", "usually", etc.), this report includes data from ten survey items that reflect the percentage of respondents reporting high patient satisfaction outcomes (percentage of patients reporting "Always").

[b] Likert-scale consisting of (1) 'Poor', (2) 'Fair', (3) 'Good', (4) 'Very Good', and (5) 'Excellent'.

Table 2: Workforce Performance Metrics

Metric	Calculation
Employee Turnover	Percentage of Annual Turnover: Nurses & Management
External Talent Sourcing	Percentage of Open Executive Positions Filled by External Candidates
Benchstrength	Percentage of Key Leadership Roles with at least Two 'Ready Now' Candidates
Executive Searches	Total Number of Executive Searches
Executive Search Costs	Total Estimated Fees for Executive Searches
Leader Gender Diversity	Percentage of All Executive Positions (Vice-Presidents and above) Occupied by Women
Leader Ethnicity Diversity	Percentage of All Executive Positions (Vice-Presidents and above) Occupied by Ethnic Minorities

Sample Characteristics

The *Survey* sample consisted of senior HR professionals (Chief HR Officers, Senior Vice-Presidents, Vice-Presidents) at national and regional hospital systems. The sample was specified according to *Modern Healthcare's* list of (a) the top 200 largest systems by annual revenue and (b) the top 200 integrated health systems. In partnership with Witt/Kieffer, the names and email addresses of the top HR officer at each organization were collected for the study. Due to invalid email addresses and outdated records (e.g., retirements), the final sample size for *Survey* administration was 366. During spring 2012, an email invitation with a link to the *Survey* was sent to the sample. To increase the overall response rate, two reminder emails were sent to those executives who did not respond to the initial request for participation. Overall, 142 executives completed the *Survey* on behalf of their respective health system for a response rate of 38.8%.

   Hospitals and Health Systems: Table 3 offers basic descriptive data on the participating hospitals and health systems for Fiscal Year 2011. The sample consisted of 51% non-profit organizations (n = 72) with a mean of 18,811 FTEs. The mean net revenue for Fiscal Year 2011 was $3.70 Billion, while the average number of medical centers was 8.87. Figure 1 illustrates the range of hospital organizations represented in the sample. Multi-hospital health systems (80%, n = 113) represented the most common hospital organization in the sample, while academic medical centers (12%, n = 17) and community hospitals (5%, n = 7) were also represented.

Table 3: Background of Participating Hospital Systems

Variable	Frequencies		Variable	Mean
Profit Status	49% For-Profit (n = 70) 51% Non-Profit (n = 72)		FTEs	18,811
Public Status	76% Private (n = 108) 18% Public (n = 26) 6% Government (n = 8)		Net Revenue	$3.70B
			Number of Medical Centers	8.87
			Number of Licensed Beds	1829
			Number of Occupied Beds	1397

Figure 1: Hospital Organizations

- Community Hospital (5%) — 7
- Health System (80%) — 113
- Academic Medical Center (12%) — 17
- Children's Hospital (2%) — 3
- Specialty Hospital (1%) — 2
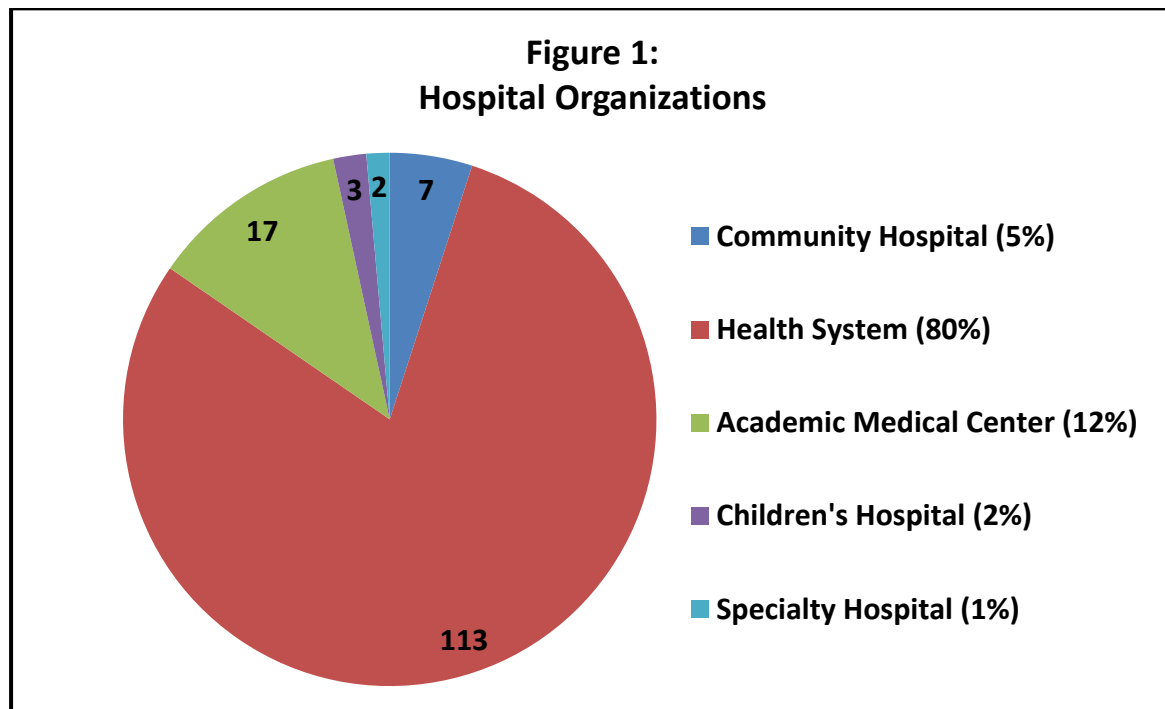
Executive Participants: As illustrated in Figure 2, the majority of survey respondents consisted of Chief HR Officers (n = 61, 43%) and Vice-Presidents of Human Resources (n = 43, 30%). Chief Operating Officers (n = 9, 6%), Chief Administrative Officers (n = 9, 6%), and Vice-Presidents of Talent Acquisition (n = 6, 4%) were also represented in the sample.

Executives reported a mean of 5.04 years at their current position and 8.93 years at their current organization.

Figure 2:
Executive Position Titles

Position Title	Count
Chief HR Officer (43%)	61
VP of HR (30%)	43
Other Title (6%)	9
Chief Operating Officer (6%)	9
Chief Administrative Officer (6%)	9
VP of Talent Acquisition (4%)	6
VP of Organization Development (3%)	5
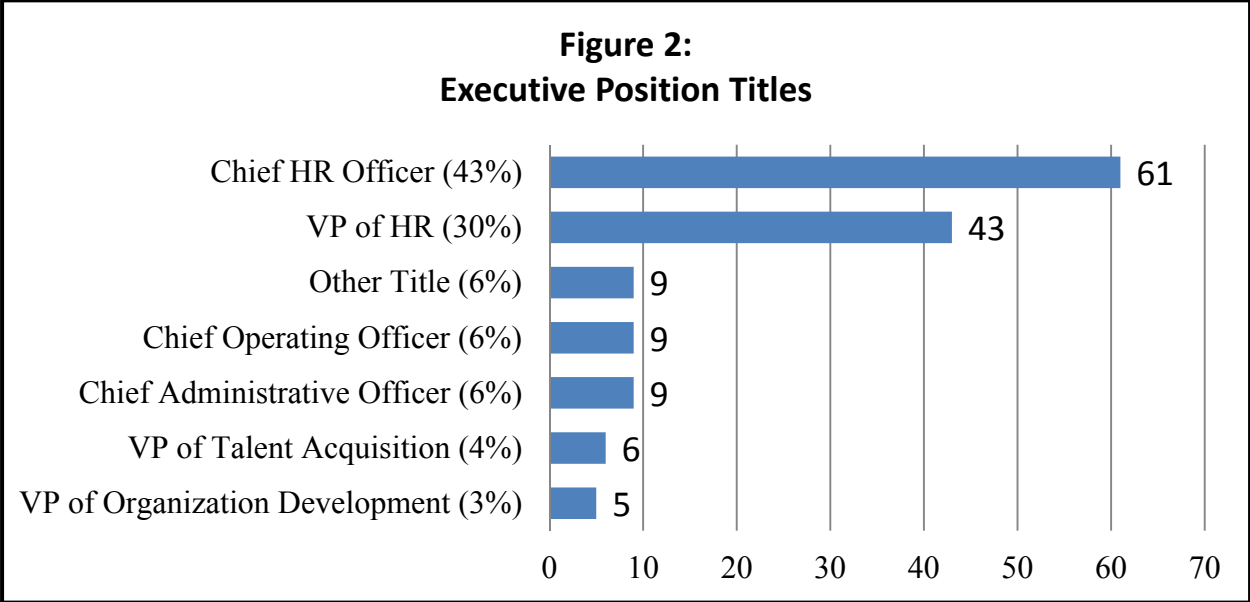
Talent Management Success Factors

Overall Results

Survey respondents were asked to rate the frequency of the *Success Factors* at their respective hospital or healthcare system. Figure 3 illustrates the overall frequency of each *Success Factor* across the participating organizations. Overall, Top Management Team Support (66%, n = 94) and Onboarding (65%, n = 92) were the most frequently utilized *Success Factors* as measured by responses of either 'Always' or 'Usually'. The executives reported that Pay Practices (50%, n = 71) and Leadership Development Culture (40%, n = 57) were the least frequently utilized *Success Factors* as measured by responses of either 'Rarely' or 'Not at All'.

Figure 3: Talent Management Success Factors

Figure 4:
Top Management Team Support

The senior leadership team supports the integration of talent management practices into our operations: Always 34%, Usually 46%, Sometimes 14%, Rarely 6%

The senior leadership team communicates a sense of urgency for investing in talent management practices: Always 23%, Usually 46%, Sometimes 23%, Rarely 8%

The senior leadership team actively participates in the talent management process: Always 48%, Usually 30%, Sometimes 20%, Rarely 2%

The senior leadership team describes talent management as a strategic priority: Always 44%, Usually 36%, Sometimes 19%, Rarely 1%

Legend: Always, Usually, Sometimes, Rarely, Not at All

X-axis: 0% 10% 20% 30% 40% 50% 60%

Top Management Team Support

The executives reported a high level of top management team support for talent management practices. As displayed in Figure 4, the majority of survey respondents reported either 'Always' or 'Usually' for all four items. The practice rated as least frequently applied was "The senior leadership team communicates a sense of urgency for investing in talent management practices", as 8% (n = 44) of executives reported 'Rarely' or 'Sometimes' for this practice.

Figure 5:
Performance Management Processes
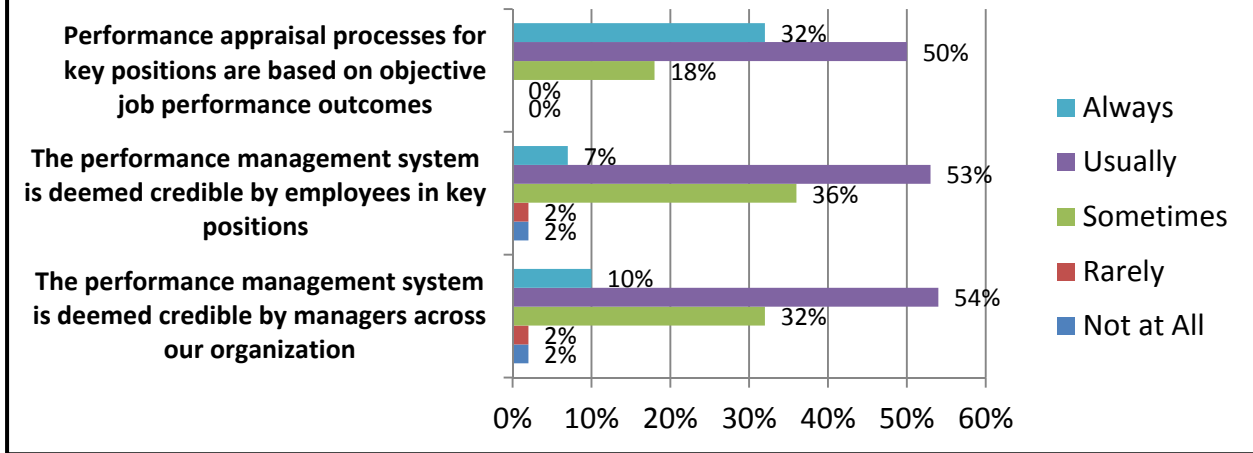
Performance Management Processes

Overall, executive respondents reported a consist utilization of performance management processes for managing leadership talent (see Figure 5). While 116 respondents (82%) reported 'Always' or 'Usually' in the utilization of "performance appraisal processes for key positions are based on objective job performance data", only 60% (n = 85) reported that employees in such positions perceived the performance management system as "credible". Overall, 40% (n = 57) of respondents stated that employees in key positions viewed the system as credible only 'Sometimes', "Rarely', or 'Not at All'.

Figure 6:
Talent Assessment Practices

High potential employees are identified in the context of our organization's strategic priorities
- Always: 33%
- Usually: 43%
- Sometimes: 11%
- Rarely: 9%
- Not at All: 4%

Talent review sessions are characterized by authentic, non-politicized dialogue
- Always: 24%
- Usually: 48%
- Sometimes: 22%
- Rarely: 2%
- Not at All: 4%

Talent review sessions consist of cooperative and collaborative decision-making
- Always: 26%
- Usually: 51%
- Sometimes: 17%
- Rarely: 2%
- Not at All: 4%

Formal assessments (e.g., nine-box tools) are utilized to plot employees in key positions according to job performance and leadership potential
- Always: 30%
- Usually: 23%
- Sometimes: 18%
- Rarely: 20%
- Not at All: 9%

Legend: Always, Usually, Sometimes, Rarely, Not at All

Talent Assessment Practices

The utilization of Talent Assessment Practices was mixed across the sample of participating organizations (see Figure 6). While leadership talent was reported as being identified in the context of strategic priorities (76%, n = 108) and talent review sessions were described as mostly collaborative (77%, n = 109) and non-politicized (72%, n = 102), 47% (n = 67) of executives stated that they utilize formal assessments only 'Sometimes', 'Rarely', or 'Not at All'.

Figure 7:
Leadership Development Culture

Legend: Always, Usually, Sometimes, Rarely, Not at All

Managers are trained to formally communicate high potential designations to employees
- Always: 4%
- Usually: 19%
- Sometimes: 33%
- Rarely: 17%
- Not at All: 27%

Our organizational culture de-emphasizes the status associated with high potential designations
- Always: 6%
- Usually: 33%
- Sometimes: 37%
- Rarely: 13%
- Not at All: 11%

Our organization seeks to achieve transparency with the high potential designation process
- Always: 11%
- Usually: 44%
- Sometimes: 17%
- Rarely: 11%
- Not at All: 17%

Managers across our organization view the process for designating high potentials as fair and equitable
- Always: 2%
- Usually: 46%
- Sometimes: 37%
- Rarely: 9%
- Not at All: 6%

Employees view the process for designating high potentials as fair and equitable
- Always: 0%
- Usually: 37%
- Sometimes: 46%
- Rarely: 11%
- Not at All: 6%

Our organizational culture encourages managers to 'release' high potential employees for developmental assignments…
- Always: 9%
- Usually: 32%
- Sometimes: 41%
- Rarely: 9%
- Not at All: 9%

Leadership Development Culture

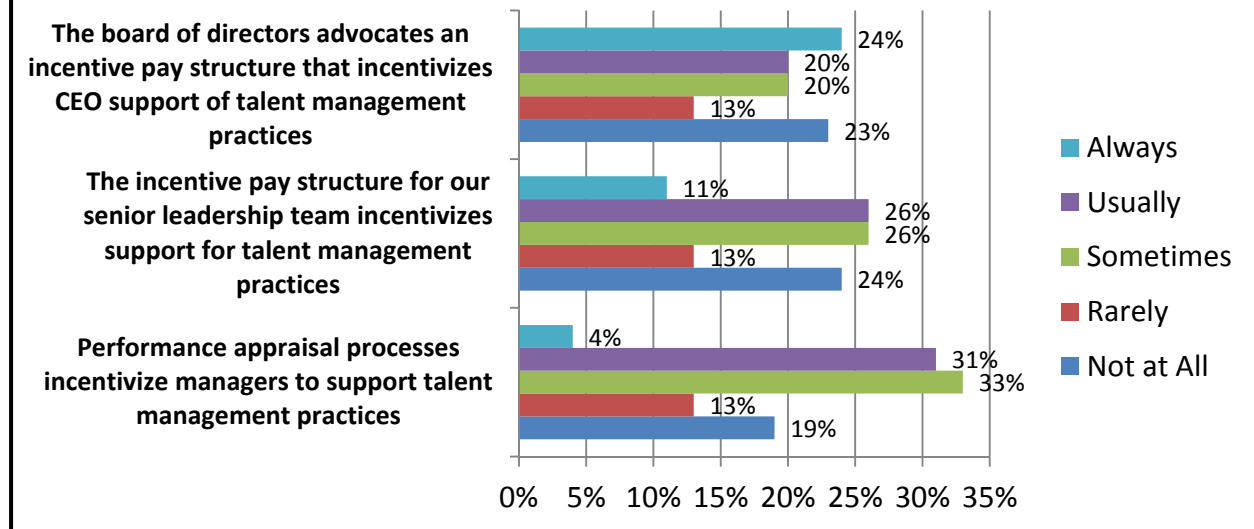Executives reported a mix of utilizing key elements of a Leadership Development Culture (see Figure 7). Across all *Success Factors*, Leadership Development Culture was utilized the least frequently. While 55% (n = 78) described their organizations as 'Always' or 'Usually' seeking to "…achieve transparency with the high potential designation process", 45% (n = 64) reported only 'Sometimes', 'Rarely', or 'Not at All'. Forty-four percent (n = 62) of executives responded 'Rarely' or 'Not at All' to the practice of training managers to formally communicate high potential designations to their direct reports. A minority of executives (39%, n = 55) reported that their organization de-emphasizes the status associated with high potential designations; the most frequent response to this practice was 'Sometimes' (37%, n = 53).

Figure 8:
Pay Practices

Pay Practices

The executives reported a relatively low degree of utilizing Pay Practices as a Talent Management Success Factor (see Figure 8). Close to one-fourth (23%, n = 33) of executives reported that their boards do not advocate an incentive pay structure that incentivizes CEO support of talent management practices, while 24% (n = 34) of executives stated that their senior leadership team's incentive pay structure does not incentivize support for talent management practices. Only 4% (n = 6) of executives stated that their respective organization's performance appraisal processes for managers supported talent management practices. Overall, Pay Practices included the highest percentages of 'Not at All' ratings across all *Success Factors*, including 23%, 24%, and 19% across the three pay practices.

Figure 9:
Onboarding Practices

Managers promoted into key positions or roles that are new to our organization complete an on-boarding program:
- Always: 42%
- Usually: 28%
- Sometimes: 15%
- Rarely: 11%
- Not at All: 4%

Executives hired from outside our organization complete an on-boarding program:
- Always: 45%
- Usually: 24%
- Sometimes: 20%
- Rarely: 7%
- Not at All: 4%

Legend: Always, Usually, Sometimes, Rarely, Not at All

Onboarding Practices

The utilization of Onboarding Practices was the highest across all of the *Success Factors* (see Figure 9). Seventy percent (n = 99) of executives reported that their respective organization requires an onboarding program for managers promoted into key positions or roles that are new to the organization. Similarly, 69% (n = 98) of survey respondents reported a required onboarding program for executives hired from outside the organization.

Hospital Performance Outcomes

Overall Results

The *Survey* respondents were asked to provide data that were utilized to measure three hospital performance metrics: Employee Productivity, Patient Satisfaction, and a perceptual rating of Hospital Effectiveness. Employee productivity was measured as 2011 net revenue divided by FTEs, a common ratio for assessing workforce productivity[xv]. The data provided by the executives were cross-referenced with publicly available sources, including the hospital system website and 2011 annual report. Hospital Effectiveness was measured as the aggregate mean score across a five-item scale that asks respondents to report their respective hospital system's overall performance across multiple dimensions (employee satisfaction, patient satisfaction, clinical care outcomes, etc.). Patient Satisfaction was measured as the percentage of patients reporting 'High Satisfaction' across the 10 items of the HCAHPS (*Hospital Consumer Assessment of Healthcare Providers and Systems*) survey. The following categories were created to capture the 10 HCAHPS items:

- **Hospital Rating** (1 item): Percent of patients who gave their hospital a rating of 9 or 10 on a scale from 0 (lowest) to 10 (highest).
- **Clinical Communication** (4 items): Percent of patients who reported that their nurses "Always" communicated well; Percent of patients who reported that their doctors "Always" communicated well; Percent of patients who reported that "Yes", they were given information about what to do during their recovery at home; Percent of patients who reported that staff "Always" explained about medicines before giving it to them.
- **Clinical Responsiveness** (2 items): Percent of patients who reported that they "Always" received help as soon as they wanted; Percent of patients who reported that their pain was "Always" well controlled.
- **Facility Quality** (2 items): Percent of patients who reported that their room and bathroom were "Always" clean; Percent of patients who reported that the area around their room was "Always" quiet at night.
- **Hospital Recommendation** (1 item): Percent of patients who reported "Yes", they would definitely recommend the hospital.

Interpreting the Figures

The results of correlational and regression analyses (see Appendix) demonstrated that the *Success Factors* are significantly associated with hospital performance outcomes. To illustrate these results, those organizations scoring at least one standard deviation below the mean for the *Success Factors* were coded as "Low" (plotted in blue) while those organizations scoring at least one standard deviation above the mean were coded as "High" (plotted in red). These illustrations

allow for a more direct comparison of the clinical, financial, and workforce performance outcomes for those organizations with exemplary talent management practices versus those with less-developed practices.

Figure 10:
Employee Productivity
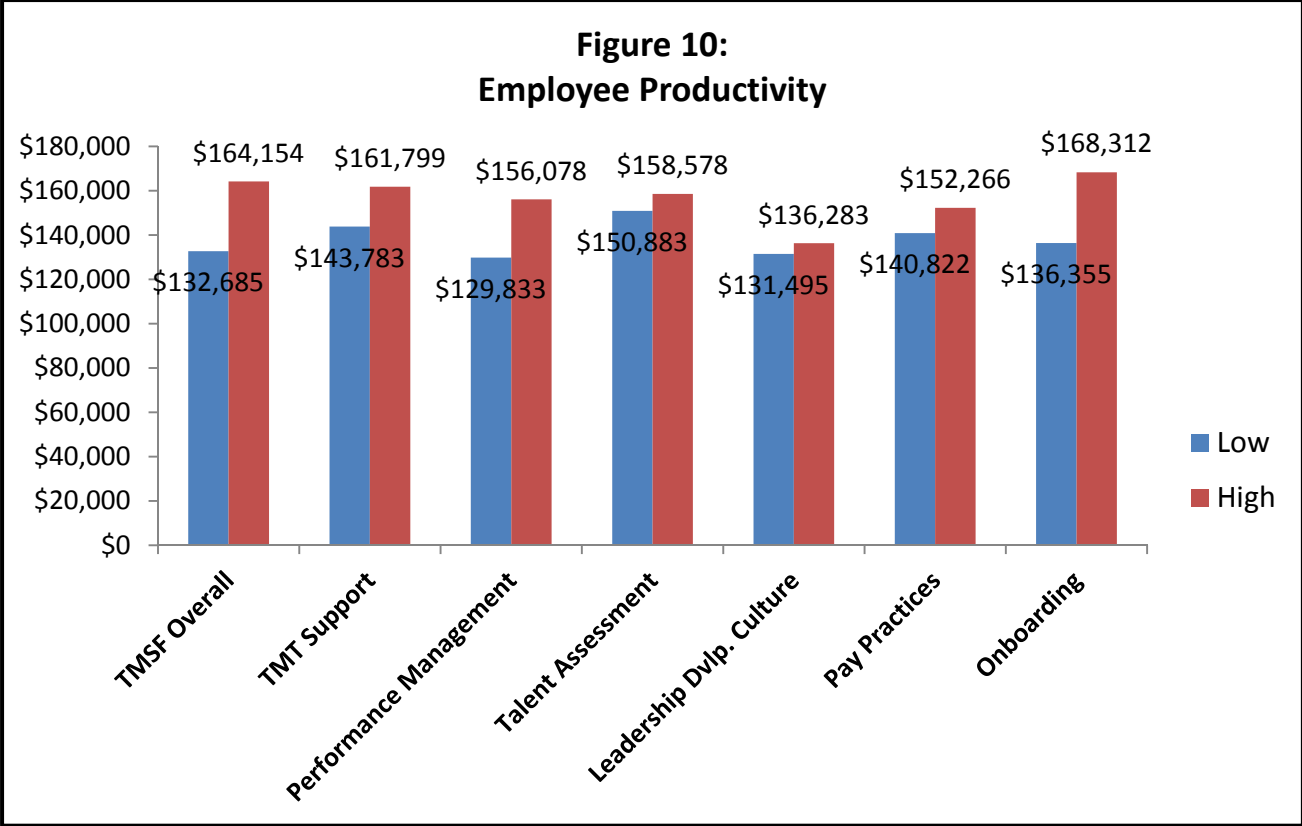
Employee Productivity

The *Success Factors* demonstrated a positive and statistically significant relationship with Employee Productivity. Across all *Success Factors*, the high-performing and low-performing hospital systems demonstrated mean Employee Productivity scores of $164,154 and $132,685, respectively (see Figure 10). The $31,469 difference in net revenue per FTE represents a 23.7% improvement in Employee Productivity that is associated with high performance across the *Success Factors*. Notably, this effect is more pronounced for Onboarding Practices, which demonstrated a $31,957 improvement (23.4%) in Employee Productivity for hospital systems with exemplary onboarding practices.

Figure 11:
Overall HCAHPS Scores & Talent Management Success Factors
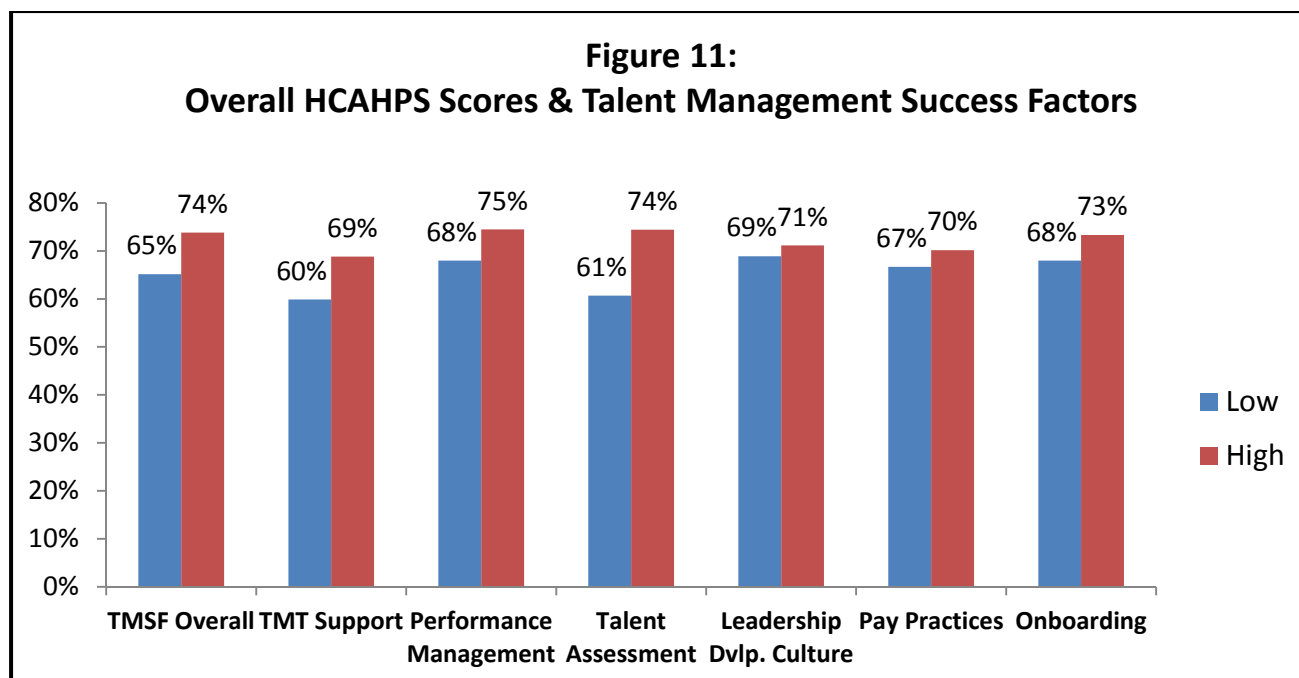
Patient Satisfaction: HCAHPS Scores

The *Success Factors* were also positively and significantly associated with Patient Satisfaction, as measured by the percentage of patients reporting high satisfaction across the HCAHPS survey (10 items). High patient satisfaction scores on the HCAHPS survey was measured by the percentage of respondents reporting the highest response category for each survey item (e.g., reporting "Always" satisfied with physician and nurse communication). Across all *Success Factors*, the high-performing and low-performing hospital systems demonstrated overall mean HCAHPS scores scores of 65.16% and 73.83%, respectively (8.67% difference). As illustrated in Figure 11, the significant HCAHPS score differences between hospitals systems with high- and low-performing talent management practices is greatest for Talent Assessment Practices (13% difference), Top Management Team Support (9% difference), and Performance Management (7%).
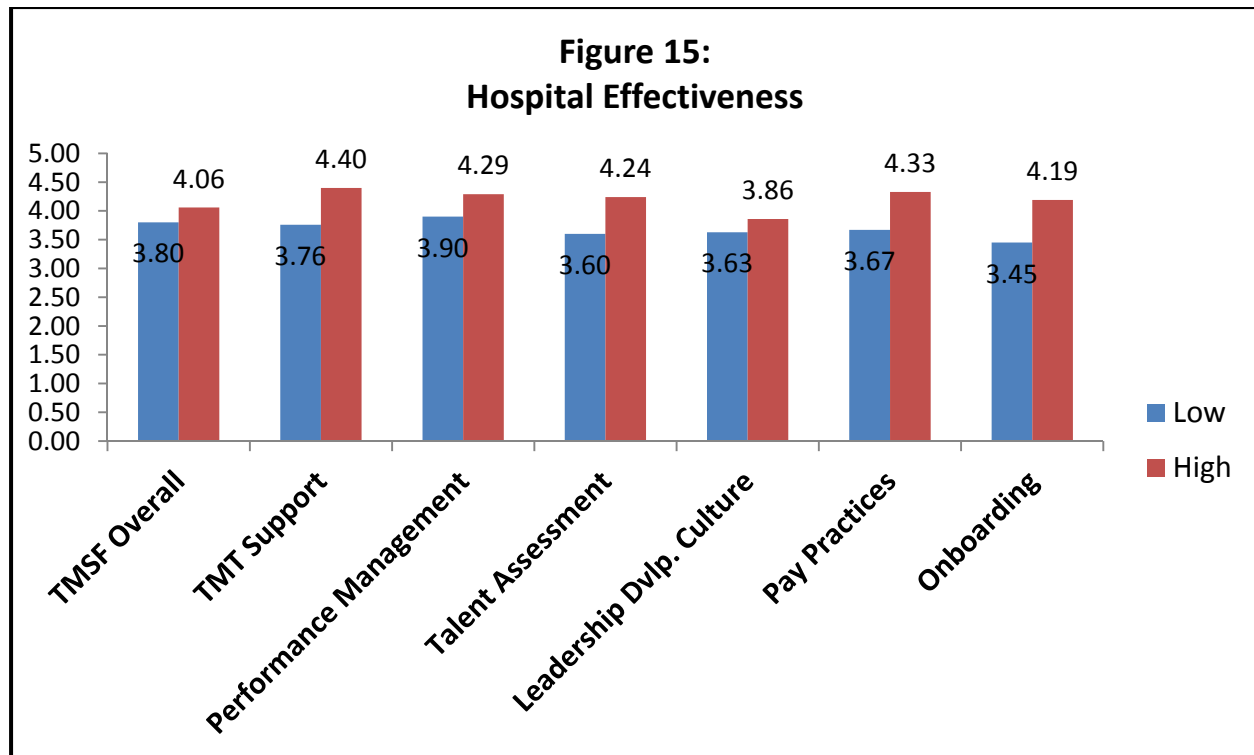
Figures 12-14 illustrate the relationships between the *Success Factors* and HCAHPS dimensions. Hospital systems with high overall *Success Factors* scores received significantly higher HCAHPS scores across all dimensions (see Figure 12), particularly for overall hospital rating ("percent of patients who gave their hospital a rating of 9 or 10 on a scale from 0 (lowest) to 10 (highest)") and hospital recommendation ("percent of patients who reported "Yes", they would definitely recommend the hospital). As illustrated in Figure 13, the most significant driver of overall hospital rating was top management team support (69% for high-performing hospitals compared to 60% for low-performing hospitals). Figure 14 demonstrates that talent assessment practices was the strongest driver of the hospital recommendation item (74% for hospital systems with high talent assessment practices compared to 61% for those with low assessment practices).

Figure 12:
HCAHPS Dimensions & Talent Management Success Factors

Bar chart (Low = blue, High = red):

HCAHPS Dimension	Low	High
Hospital Rating	65%	71%
Clinical Communication	73%	76%
Clinical Responsiveness	63%	68%
Facility Quality	60%	67%
Hospital Recommendation	65%	74%

HCAHPS Dimensions

Figure 13:
HCAHPS Dimensions & Top Management Team Support

Bar chart (Low = blue, High = red):

HCAHPS Dimension	Low	High
Hospital Rating	60%	69%
Clinical Communication	73%	77%
Clinical Responsiveness	62%	68%
Facility Quality	57%	68%
Hospital Recommendation	64%	65%

HCAHPS Dimensions

Figure 14:
HCAHPS Dimensions & Talent Assessment Practices

Bar chart (Low = blue, High = red):

HCAHPS Dimension	Low	High
Hospital Rating	61%	71%
Clinical Communication	71%	75%
Clinical Responsiveness	61%	67%
Facility Quality	60%	67%
Hospital Recommendation	61%	74%

HCAHPS Dimensions

Figure 15:
Hospital Effectiveness

| Category	Low	High
TMSF Overall	3.80	4.06
TMT Support	3.76	4.40
Performance Management	3.90	4.29
Talent Assessment	3.60	4.24
Leadership Dvlp. Culture	3.63	3.86
Pay Practices	3.67	4.33
Onboarding	3.45	4.19

Hospital Effectiveness

The *Success Factors* were strongly associated with a perceptual measure of Hospital Effectiveness. On a scale of 1 ("Poor") to 5 ("Excellent"), *Survey* respondents were asked to rate the overall effectiveness of their respective hospital system across five dimensions (patient satisfaction, employee satisfaction, patient family satisfaction, quality management practices, and clinical care of patients). Across all *Success Factors*, the high-performing and low-performing hospital systems reported mean Hospital Effectiveness scores of 4.06 and 3.80, (.26 difference). As illustrated in Figure 12, the talent management practices with the greatest differences between high- and low-performing organizations included Onboarding (.74), Pay Practices (.66), Talent Assessment (.64) and Top Management Team Support (.64).

Workforce Performance Outcomes

Figure 16:
**Annual Nursing Turnover**
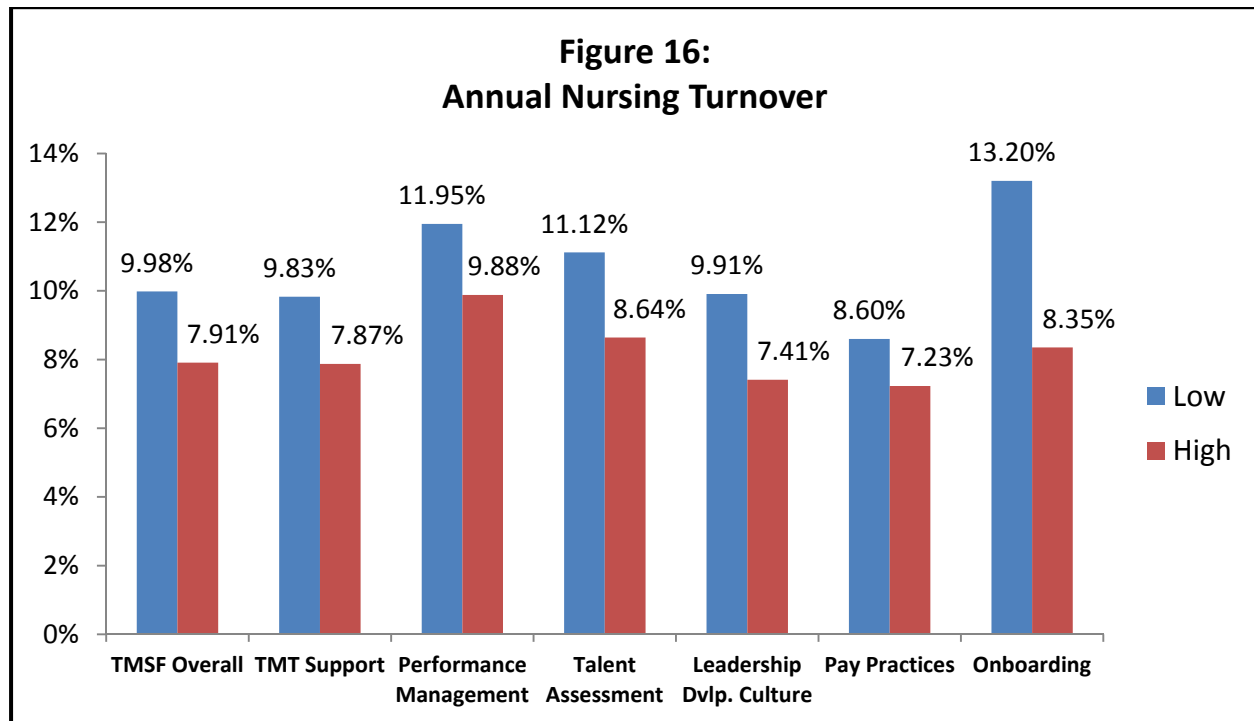
Annual Nursing Turnover

The *Survey* respondents reported that *Success Factors* were significantly associated with Nursing Turnover and Management. As illustrated in Figure 13, hospital systems with high *Success Factors* scores reported 7.91% Annual Nursing Turnover compared to low-scoring organizations that reported 9.98% Annual Nursing Turnover. Prior research[xvi] indicates that the total cost of nursing turnover, including hiring costs, training costs, and lost productivity, is *conservatively* $31,486 per nurse. When applied to the current sample of hospital organizations (Mean FTEs = 18,811) and assuming that nurses comprise 20% of all employees, the 2.07% reduction in annual nursing turnover for high-performing hospital systems represents a total cost savings of $2.45M. The nursing turnover costs for high-performing hospital systems was $9.37M (375 new nurses) compared to $11.82M for low-performing organizations (298 new nurses). The *Success Factors* that demonstrated the greatest impact on Annual Nursing Turnover included Onboarding (4.85% difference), Leadership Development Culture (2.50% difference), and Talent Assessment (2.48% difference).

Figure 17:
Annual Management Turnover
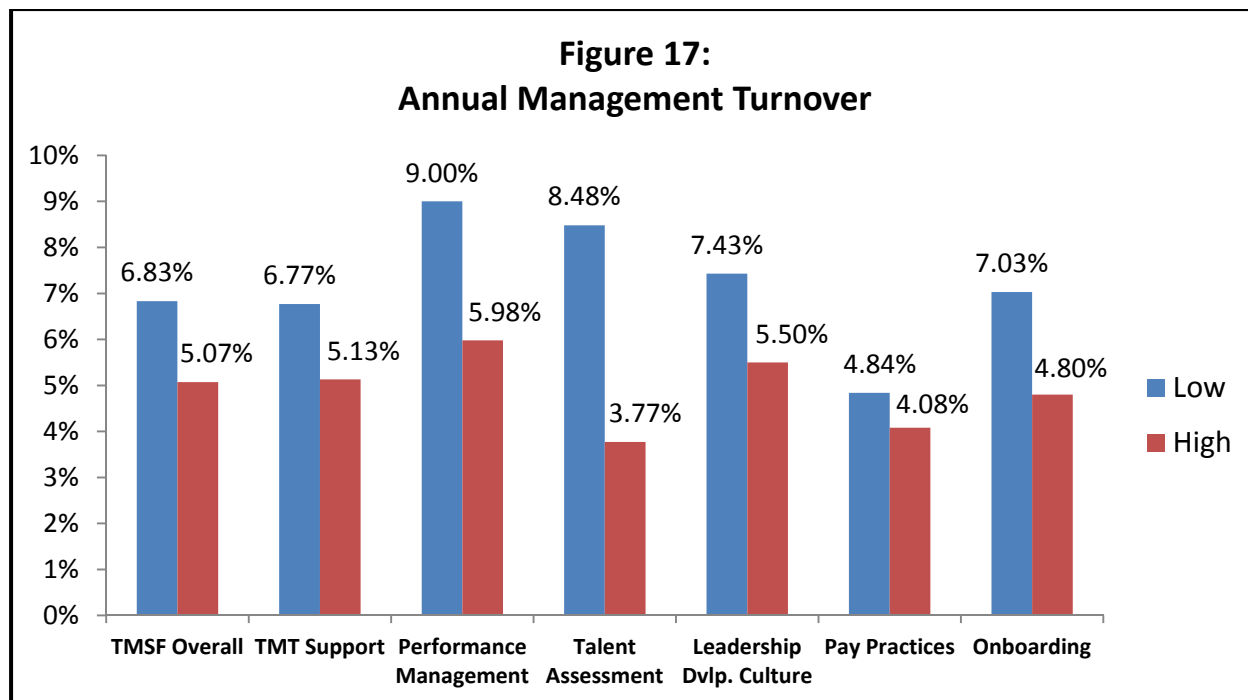
Annual Management Turnover

For Annual Management Turnover (see Figure 14), high- and low-performing hospital organizations reported 5.05% and 6.83%, respectively. Prior research[xvii] concludes that the total cost of management turnover, including hiring costs, training costs, and lost productivity, is *conservatively* $20,028 per manager. When applied to the current sample of hospital organizations (Mean FTEs = 18,811) and assuming that administrators or managers comprise 12% of all employees, the 1.78% reduction in annual management turnover for high-performing hospital systems represents a total cost savings of $800,617. The management turnover costs for high-performing hospital systems was $2.28M (114 new managers) compared to $3.09M for low-performing organizations (154 new managers). The *Success Factors* will the greatest impact on Management Turnover included Talent Assessment (4.71% difference), Performance Management (3.02%), and Onboarding Practices (2.23% difference).

Figure 18:
**Workforce Performance Metrics**
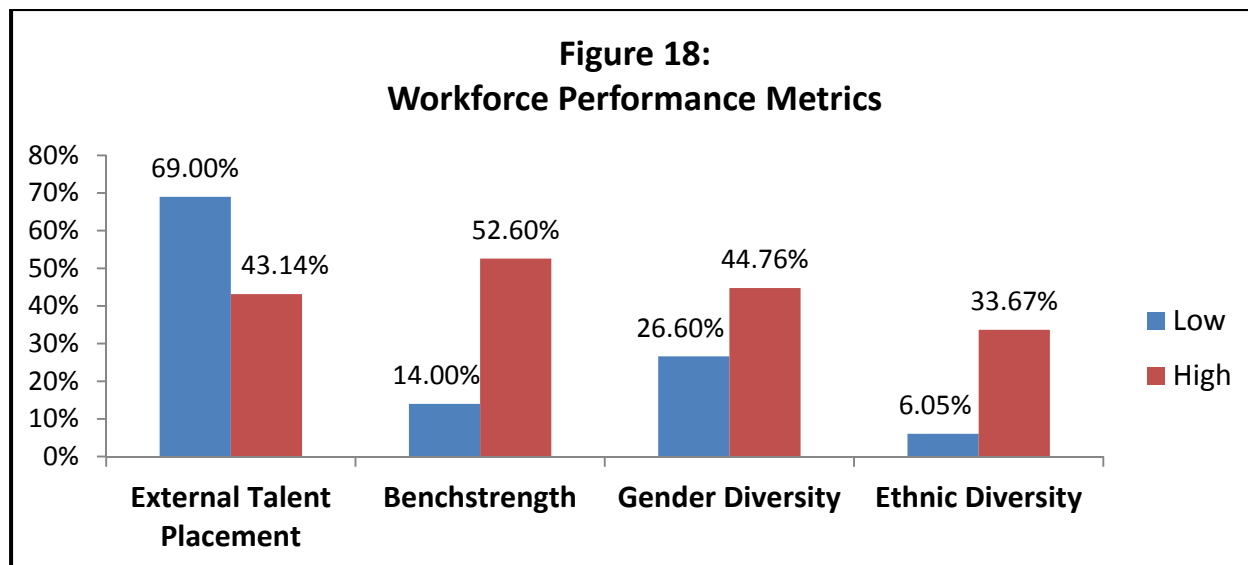
External Talent Sourcing & Benchstrength

The *Survey* results demonstrated that the *Success Factors* were significantly associated with both external talent sourcing and benchstrength. Figure 15 shows that hospital systems scoring highly across all *Success Factors* reported a mean of 43.14% of open executive positions filled by external candidates while low-performing organizations filled 69.00% of such positions with external candidates. For Benchstrength, measured as the percentage of key leadership roles with at least two 'ready now' candidates, hospital systems with scoring highly across the *Success Factors* reported a mean rate of 52.60% compared with low-performing organizations that reported a mean rate of 14.00%.

Diversity: Executive Gender and Ethnicity

The *Survey* results demonstrated that the *Success Factors* were significantly associated with both the degree of gender and ethnic diversity across senior management positions. Hospital systems scoring highly across all *Success Factors* reported that 44.76% of all executive positions (Vice-Presidents and above) were occupied by women while 33.67% of such positions were occupied by ethnic minorities. In sharp contrast, hospital systems with low scores across the *Success Factors* reported that women occupied only 26.60% of executive positions while ethnic minorities occupied just 6.05% of such positions.

Figure 19:
Fees of Executive Searches

Figure 20:
Number of Executive Searches
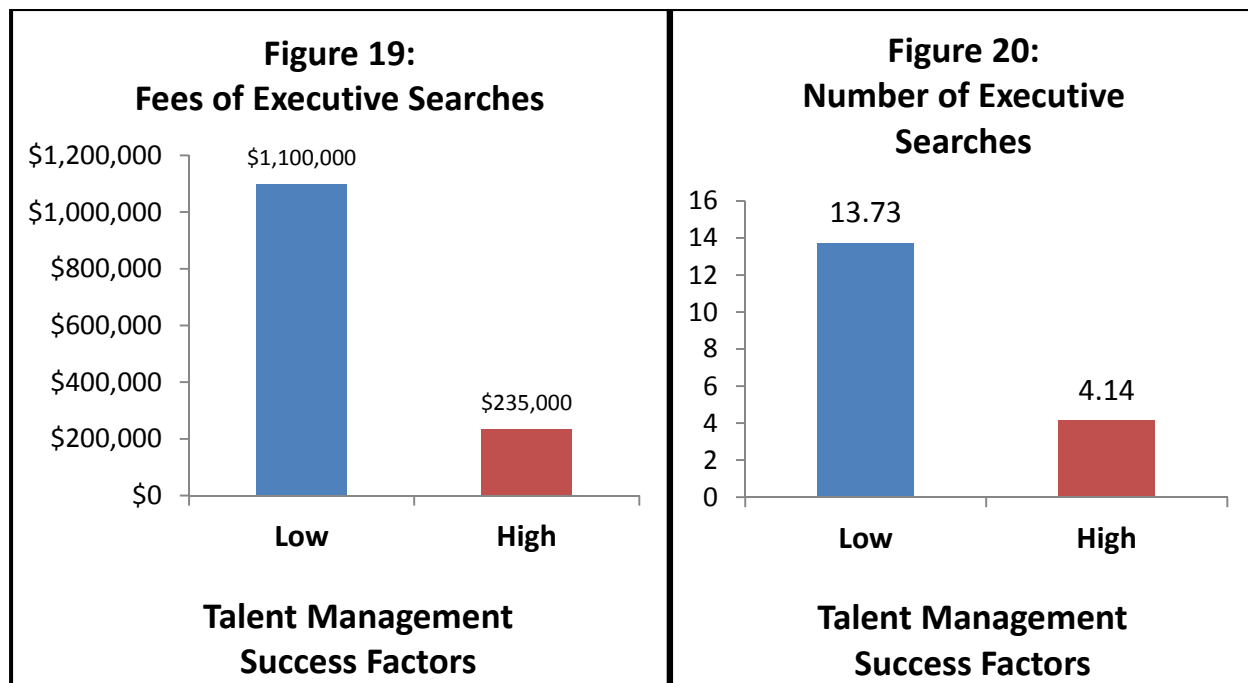
Executive Search Costs

Survey respondents that demonstrated high performance across the *Success Factors* also reported significantly lower costs associated with executive searches. Figures 16 and 17 show that high-performing hospital systems reported a mean of 4.14 searches for an average total fee of $235,000 compared to a mean of 13.73 searches for $1,100,000 for low-performing hospital systems.

Talent Management Policies & Practices
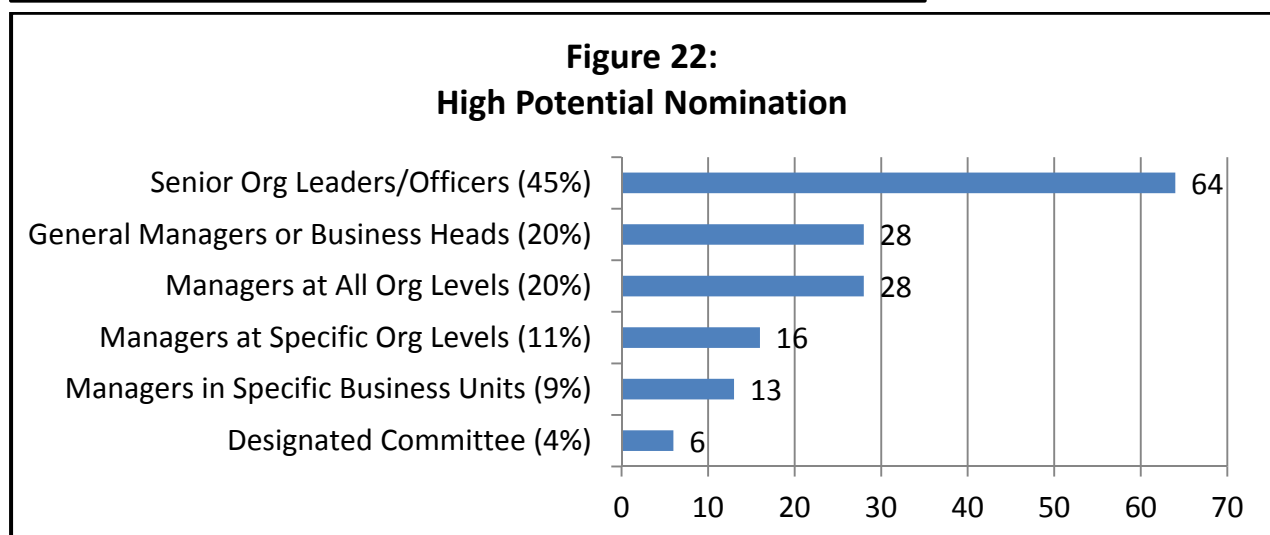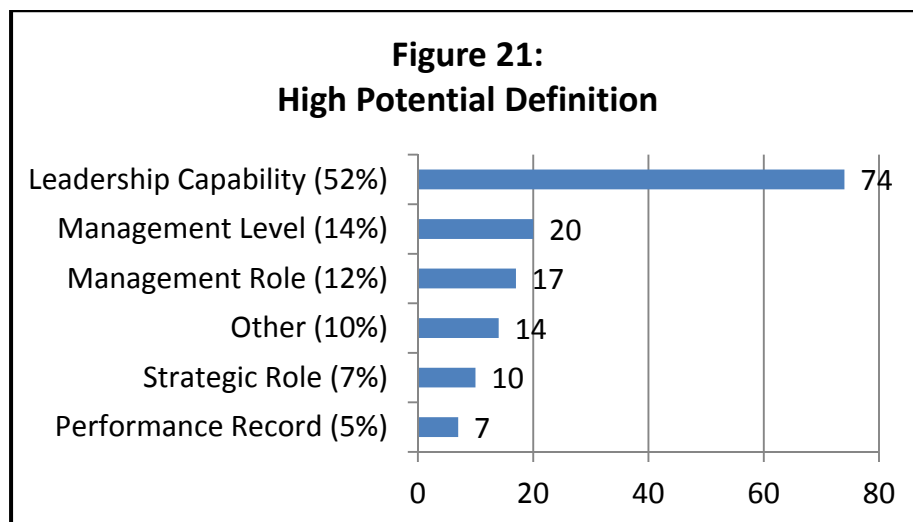
Overall Results

The final section of the *Survey* asked respondents to describe their organization's specific policies and practices concerning the definition, nomination, assessment, and development of high potential employees (see Table 4). The mean size of the high potential pool, as a percentage of FTEs, was 8.95%. The majority of executives reported that their hospital systems do not allow employees to self-nominate as high potential (93%, n = 132) while most respondents reported that talent review meetings are conducted annually (77%, n = 109). The sample was split on the policy of whether individual employees are told of their status as high potential (50%, n = 71). Finally, most executives reported that their employees are told of their high potential status directly from their supervisor (50%, n = 71) or senior management (19%, n = 27).

Table 4: High Potential Policies and Practices

High Potential Policies & Practices	Results
What is the target size of the high potential pool as a percentage of overall FTEs?	Mean = 8.95% Median = 8.00%
Are employees allowed to self-nominate?	7% Yes (n = 10) 93% No (n = 132)
Are talent review meetings conducted to discuss high potential employee nominations?	71% Yes (n = 101) 29% No (n = 41)
How often are talent review meetings conducted?	77% Annual (n = 109) 16% Biannual (n = 23) 7% Other (n = 10)
Are individual employees explicitly told of their status as a high potential?	50% Yes = (n = 71) 50% No = (n = 71)
Who is responsible for communicating high potential status to individual employees?	50% Employee's immediate supervisor = (n = 71) 19% Senior management team member = (n = 27) 14% Employees are NOT told of hi-po status = (n = 20) 3% Employees are given advanced development opportunities as a way to communicate hi-po status = (n = 4)
Are employees offered exclusive training and development opportunities?	71% Yes = (n = 109) 29% No = (n = 33)

High Potential Definition, Nomination, & Designation

Most executives reported that their organizations define high potential employees, those formally designated as having high potential for future senior leadership positions, according to Leadership Capability (52%, n = 74), "the capability to take on broader scope and a leadership role to develop long-term potential". The parties most responsible for nominating high potential employees included Senior Organizational Leaders/Officers (45%, n = 64), General Managers/Business Unit Heads (20%, n = 28), and Managers Across All Organizational Levels (20%, n = 28). When asked to list which factors are most important for designating an employee as high potential, 64% (n = 91) of the respondents reported Job Performance Record, 63% (n = 89) stated Leadership Competencies, and 54% (n = 77) reported Specific Work Experiences. Figures 18-20 provide complete descriptive data for hospital system practices pertaining to high potential definition, nomination, and designation factors.

Figure 21:
High Potential Definition

Category	Value
Leadership Capability (52%)	74
Management Level (14%)	20
Management Role (12%)	17
Other (10%)	14
Strategic Role (7%)	10
Performance Record (5%)	7

Figure 22:
High Potential Nomination

Category	Value
Senior Org Leaders/Officers (45%)	64
General Managers or Business Heads (20%)	28
Managers at All Org Levels (20%)	28
Managers at Specific Org Levels (11%)	16
Managers in Specific Business Units (9%)	13
Designated Committee (4%)	6

Figure 23:
High Potential Designation Factors

Factor	Value
Job Performance Record (64%)	91
Leadership Competencies (63%)	89
Specific Work Experiences (54%)	77
Specific Abilities (46%)	65
Specific Education/Knowledge (38%)	54
Personality Variables (29%)	41
Learning Ability or Agility (29%)	41
Mobility to Relocate (18%)	26
Other (11%)	16
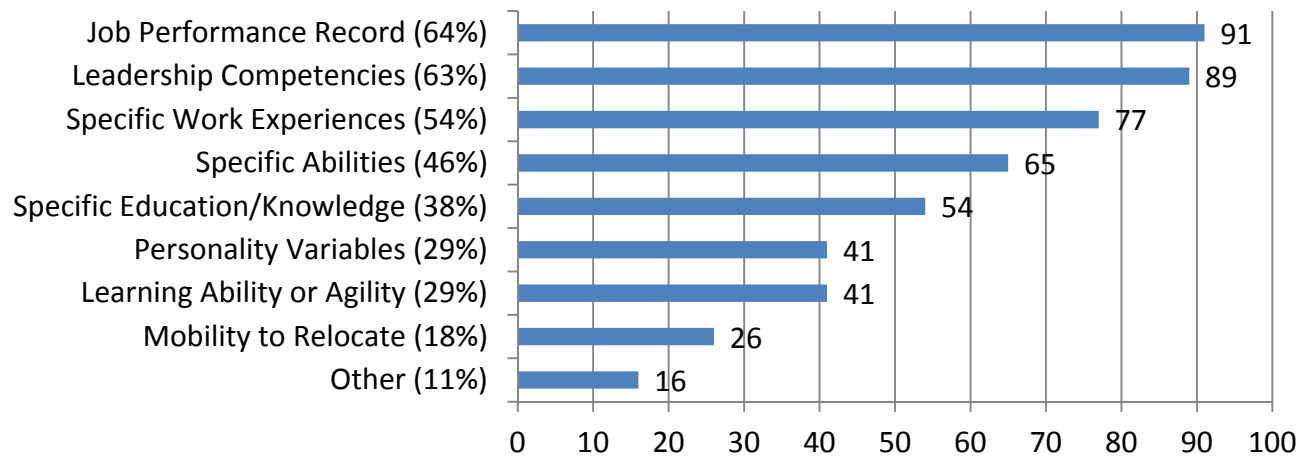
Figure 24:
High Potential Development Practices

Practice	Value
Special Projects (59%)	84
Internal Development Program (52%)	74
Executive Coaches (39%)	55
Informal Mentoring (38%)	54
Job Rotation Assignments (38%)	54
External Executive Education Programs (30%)	43
Formal Mentoring Program (27%)	38
Attendance at Senior Leadership Offsites (20%)	28
Assessment Centers (11%)	16
Other (9%)	13
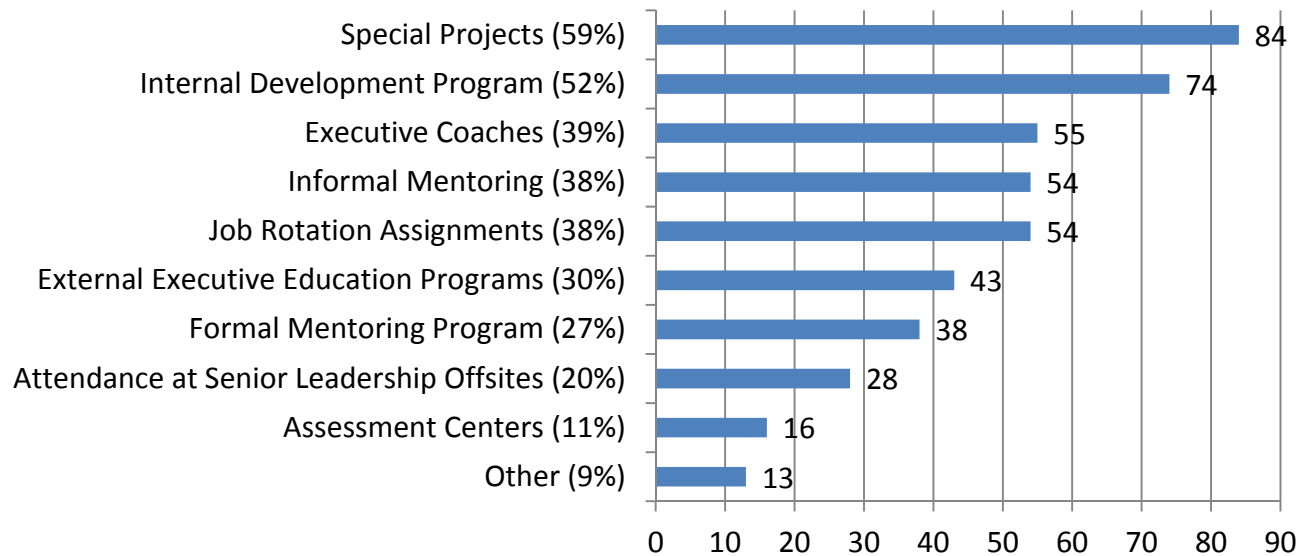
Leadership Development Practices

Executives reported a mix of practices geared toward developing the leadership capabilities of high potential employees (see Figure 21). The two most commonly cited practices were Special Projects (59%, n = 84) and Internal Leadership Development Program (52%, n = 74). Many executives also reported that Executive Coaches (39%, n = 55), Informal Mentoring (38%, n =

54), and Job Rotation Assignments (38%, n = 54) were development practices provided to high potential employees.

Figure 25:
Talent Management Evaluation Metrics
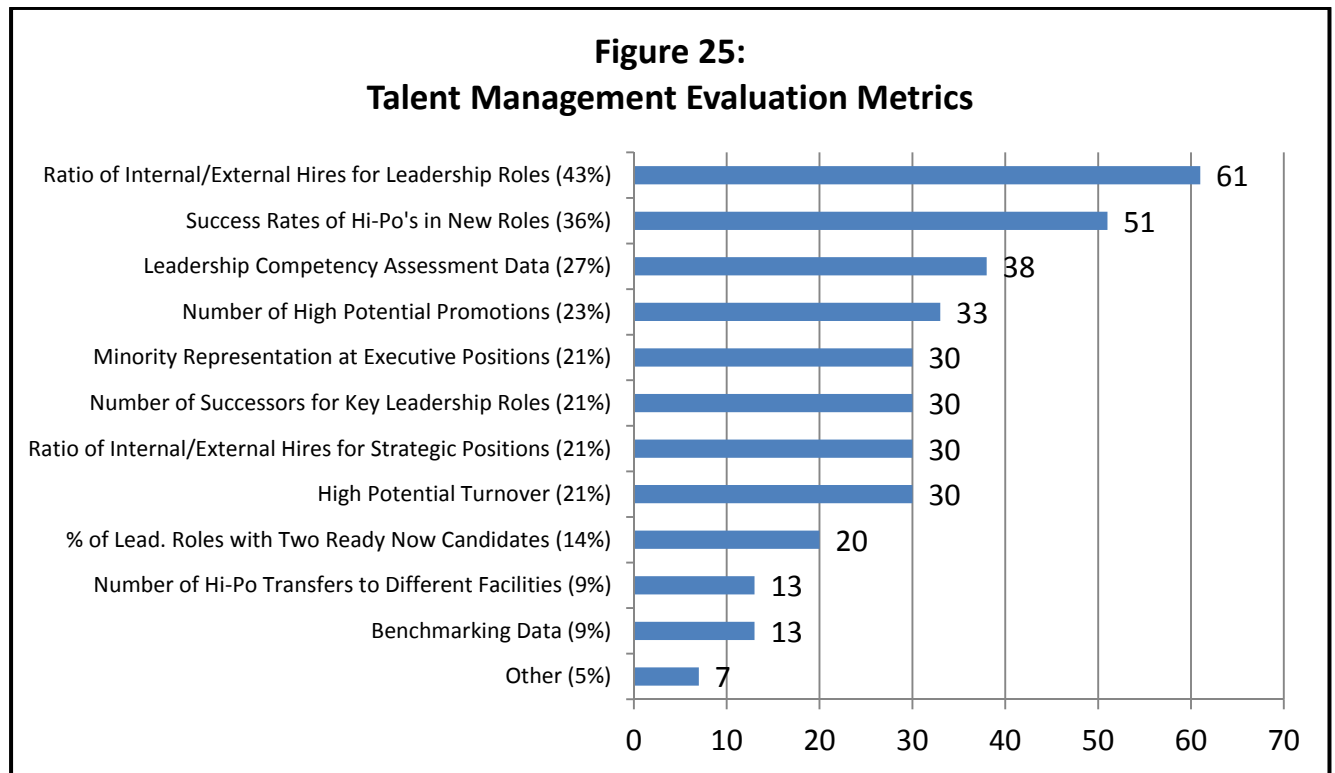
Talent Management Evaluation Metrics

The final *Survey* question asked executives to report the metrics that are tracked to measure their respective organization's talent management practices. Illustrated in Figure 22, executives reported that the two most common metrics included the Ratio of Internal/External Hires for Leadership Roles (43%, n = 61) and the Success Rates of High-Potentials Placed into New Roles (36%, n = 51). A surprisingly low percentage of hospital organizations assess the efficacy of talent management practices with Benchmarking Data (9%, n = 13), Benchstrength (14%, n = 20), and High Potential Turnover (21%, n = 30).

Recommendations for Practice

The *Survey* results offer a range of practical recommendations for implementing talent management strategies in hospital organizations. These recommendations include broad recommendations for crafting talent management strategy, suggestions for prioritizing investment in talent management systems for optimal impact on financial returns, patient satisfaction, or workforce outcomes, and specific policy and practice recommendations:

1. Audit Your Organization's Talent Management System

➤ Assess the degree to which the *Talent Management Success Factors* are executed across your organization's talent management strategies, policies, and practices; identify those *Success Factors* or specific policies or programs that are practiced sparingly or inconsistently.

2. Establish the Business Case for Talent Management

➤ Create greater urgency among top management team and board members for elevating its strategic priority by highlighting (a) empirical research that demonstrates the impact of talent management practices on financial returns (Employee Productivity), patient outcomes, and cost drivers (Nursing & Management Turnover), (b) internal and external workforce demographic trends, and (c) diversity statistics among management personnel.

3. Enhance Workforce Diversity Initiatives via Talent Management Practices

➤ Accelerate the achievement of your hospital organization's workforce diversity initiative by investing in the development of *Talent Management Success Factors*, particularly talent assessment and onboarding practices.

4. Develop Onboarding Programs for Internal Promotions and External Hires

➤ Design and deploy onboarding programs for managers promoted into key positions or new roles, as well as executives hired from outside of the organization.
➤ Invest in onboarding programs for the purposes of increasing employee productivity, reducing employee turnover (particularly among nurses), and lessening reliance on external executive talent.

5. Enhance Talent Assessment Practices

➤ Develop standardized assessment tools (e.g., nine-box models) that plot employees in key positions according to job performance and leadership capabilities; deploy leadership assessment tools (e.g., 360-degree surveys) that measure leadership competencies.

➢ Invest in talent assessment practices for the purposes of enhancing employee productivity and reducing both management turnover and the need for external executive talent.

6. Align Incentive Pay Practices for Improving Patient Satisfaction

➢ Align CEO, senior executive team, and managerial incentive pay policies with talent management objectives; tie a percentage of at-risk pay to visible, active support of talent management practices.

7. Assess the Composition, Format, and Frequency of Talent Review Sessions

➢ Conduct annual talent review sessions (or more frequently at local levels)
➢ Target job performance record, leadership competencies, and specific work experiences as primary high potential designation factors; design review session materials that clearly illustrate performance outcomes across these factors.

8. Cultivate a Leadership Development Culture

➢ Seek transparency with the high potential designation process by (a) training managers to formally communicate such status, (b) encouraging key executives and business unit heads to 'release' their high potential employees to other units across the hospital system, and (c) de-emphasizing the status associated with formal 'high potential' designations by giving exclusive learning and development opportunities to promising employees as a means of conveying high-potential status.

9. Develop High Potential Hospital Leaders

➢ Selectively place high potentials into experiential development opportunities that are directly tied to strategic, system-wide initiatives, including special projects (e.g., cross-divisional and cross-site assignments) and internal leadership development programs that include action learning projects.

10. Evaluate and Reinforce the Talent Management System

➢ Adopt a balanced scorecard approach to evaluation metrics for measuring the efficacy of the talent management system; incorporate numerous metrics into the scorecard, including (a) ratio of internal/external hires for key leadership roles, (b) success rates of high potentials in new leadership roles, (c) executive team gender and ethnic diversity, (d) percentage of key leadership roles with at least two 'ready now' candidates (benchstrength) and (e) leadership competency assessment data.

Appendix

The *Healthcare Talent Management Survey* includes a series of measurement scales that assess talent management best practices: *Talent Management Success Factors*. Each success factor is assessed with a multiple item scale that asks survey respondents to rate the extent to which the practice reflects their respective organization's talent management practices. To assess the reliability and validity of the success factors, a series of statistical analyses were conducted. The following summary includes results from Cronbach reliability analysis, factor analysis, and cross-factor correlational analysis.

Reliability Analyses

The six *Talent Management Success Factors* demonstrated strong internal reliability. Cronbach alpha statistics were calculated to assess the degree of internal reliability for each factor. This statistic measures the degree to which the items represented in a given factor are measuring the same best practice. In short, this statistic measures whether the items within a given factor are measuring the same practice (e.g., how much the items co-vary with one another). The acceptable level for Cronbach alpha is at least .70 for determining strong internal reliability. The table below includes Cronbach reliability statistics for each Success Factor:

Table 5: Reliability Analysis Results for Talent Management Success Factors

Success Factor	Number of Items	Sample Item	Cronbach Alpha
Top Management Team Support	4	The senior leadership team actively participates in the talent management process.	.85
Performance Management Processes	3	Performance appraisal processes for key positions are based on objective job performance outcomes.	.83
Talent Assessment Practices	4	Talent review sessions are characterized by authentic, non-politicized dialogue.	.90
Leadership Development Culture	6	Our organizational culture de-emphasizes the status associated with high potential designations.	.87
Pay Practices	3	Performance appraisal processes incentivize managers to support talent management practices.	.83
Onboarding Practices	2	Executives hired from outside our organization complete an on-boarding program.	.92

Factor Analyses

Factor analyses were conducted to determine the degree to which the six *Talent Management Success Factors* demonstrated independence as unique elements of a hospital or healthcare system's talent management strategy. Exploratory factor analysis using Varimax rotation and extraction of factors with an Eigenvalue of two or greater was conducted. The results demonstrated that a six-factor solution provided a very strong fit to the data, as it explained 73.51% of variance with all items loading onto their respective factor with no cross-loadings greater than .30. Factor solutions that explain at least 60% of variance are considered adequate for determining the independent factors of a survey. The table below includes the factor analysis results, including item loadings, cross-loadings, and the eigenvalue and percentage of explained variance for each factor.

Table 6: Factor Analysis Results for Talent Management Success Factors

Success Factor Items	TMT Support (TMT)	Performance Mgmt. Processes (PMP)	Talent Assess. Practices (TAP)	Leadership Development Culture (LDC)	Pay Practices (PAP)	Onboarding Practices (ONP)
TMT1	**.878**	.070	.061	.003	.159	.016
TMT2	**.686**	.065	.282	.298	.190	.130
TMT3	**.746**	.084	.186	.161	.035	.297
TMT4	**.758**	.082	.133	.183	.014	.297
PMP1	.157	**.671**	.159	.259	.014	.051
PMP2	.011	**.794**	.195	.142	.167	.140
PMP3	.163	**.797**	.145	.167	.140	.011
TAP1	.260	.242	**.840**	.255	.089	.144
TAP2	.049	.104	**.664**	.219	.008	.237
TAP3	.232	.070	**.696**	.211	.053	.109
TAP4	.256	.053	**.612**	.030	.232	.135
LDC1	.116	.280	.050	**.625**	.217	.030
LDC2	.150	.239	.231	**.587**	.215	.013
LDC3	.078	.240	.062	**.662**	.237	.088
LDC4	.116	.208	.166	**.750**	.036	.107
LDC5	.107	.037	.123	**.756**	.090	.156
LDC6	.168	.054	.027	**.815**	.246	.019
PAP1	.096	.111	.055	.033	**.560**	.065
PAP2	.211	.132	.031	.169	**.802**	.248
PAP3	.187	.180	.127	.251	**.732**	.297
ONP1	.213	.248	.161	.059	.011	**.804**
ONP2	.175	.194	.061	.186	.274	**.828**
Eigenvalue	2.89	2.43	2.54	4.16	2.03	2.13
% of Explained Variance	13.14	11.05	11.53	18.89	9.22	9.69

Correlational Analyses: Success Factors

Correlational analyses were conducted to demonstrate the relationships between the six *Success Factors*. The data in the following table illustrate the means, standard deviations, and correlations among the six *Success Factors*. Correlational analyses demonstrate that the six factors are significantly and positively associated with one another. The cross-factor relationships range from .27 to .42, and all such relationships were statistically significant. These moderately strong linear relationships indicate that each factor represents an important and independent dimension of talent management best practices. Overall, top management team support was rated highest (mean = 4.12) while Pay Practices was rated lowest (mean = 2.92) in terms of frequency of such practices across the sample.

Table 7: Correlation Analysis Results for Talent Management Success Factors

Success Factor[a]	Mean (s.d.)	1	2	3	4	5	6
1. TMT Support	4.12 (.68)	--					
2. Performance Mgmt. Processes	3.82 (.60)	.34*	--				
3. Talent Assessment Practices	3.75 (.97)	.35**	.31*	--			
4. Leadership Development Culture	3.03 (.82)	.31*	.33**	.42**	--		
5. Pay Practices	2.92 (1.14)	.38**	.29*	.35**	.33**	--	
6. Onboarding Practices	3.97 (1.11)	.27*	.25*	.30*	.38**	.38**	--

Notes: N = 142; *$p < .05$, **$p < .01$. [a]Likert-scale consisting of (1)'Not at All', (2) 'Rarely', (3) 'Sometimes', (4) 'Usually', and (5) 'Always'.

Correlational Analyses: Hospital Performance Outcomes

Correlational analyses were conducted to demonstrate the relationships between the overall *Success Factors* and both the hospital and HRM performance outcomes. The data in the following table illustrate the means, standard deviations, and correlations among these variables. Correlational analyses demonstrate that the six factors are significantly and positively associated with one another.

Table 8: Correlation Analysis Results for Success Factors and Performance Metrics

Variable	Mean (s.d.)	1	2	3	4	5	6	7	8	9	10	11	12
1. Talent Mgmt. Success Factors	3.54 (.57)	--											
2. Employee Productivity	$145,038 ($63,790)	.29*	--										
3. Patient Satisfaction	68.50 (5.24)	.22*	.27*	--									
4. Hospital Effectiveness	3.92 (.59)	.39**	.10	.10	--								
5. Nursing Turnover	9.14 (3.18)	-.24*	-.10	-.04	-.12	--							
6. Management Turnover	6.50 (4.15)	-.22*	-.11	-.16	-.16	-.02	--						
7. External Talent Sourcing	49.27 (15.09)	-.39**	.06	-.38**	-.38**	.33**	.22*	--					
8. Benchstrength	28.42 (5.09)	.36**	.12	.35**	.35**	-.14	-.25	-.38**	--				
9. Leader Gender Diversity	35.01 (16.59)	.21*	.08	.13	.21	-.32**	-.14	-.05	.11	--			
10. Leader Ethnicity Diversity	9.61 (7.51)	.26**	.39**	.17	.24	-.32**	-.35**	.17	.17	.64**	--		
11. Number of Executive Searchers	8.71 (5.90)	-.18	.04	.28	.01	.02	.03	-.12	-.12	.13	.12	--	
12. Executive Search Costs	$409,038 ($115,000)	-.24*	-.14	.16	.03	-.18	-.16	-.01	-.20	.06	-.07	.96**	--

Notes: N = 142; *p < .05, **p < .01.

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Kevin S. Groves is an associate professor of management at Pepperdine University's Graziadio School of Business and Management, and president of Groves Consulting Group, a consultancy that helps organizations develop talent through leadership assessment, development, and succession planning systems.

Groves' ongoing consulting work helps organizations design customized solutions for enhancing leadership bench strength, creating viable succession plans, reducing high potential turnover, and maximizing employee engagement. Clients include Hospital Corporation of America (HCA), Sutter Health, St. Jude Medical Center/St. Joseph's Health System, Mayo Clinic, Kaiser Permanente, Herbalife, PepsiCo/Frito-Lay, The Aerospace Corporation, Los Angeles Chamber of Commerce, Leadership San Diego, and Witt/Kieffer, among others.

Groves teaches a range courses at the Graziadio School, including leadership competency development, organization design, and organization development and change. His prior experiences in academia include a stint as Director of the PepsiCo Leadership Center at California State University, Los Angeles, where he managed a $1.45 million PepsiCo Foundation grant for the purposes of developing the leadership competencies of students, community members, and local business leaders.

An active leadership scholar, Groves is a recipient of the Julian Virtue Professorship at the Graziadio School, which supports his research on succession planning systems, executive assessment and development, and transformational leadership. He is widely published in business and healthcare management journals, including *Healthcare Management Review, Journal of Health Administration Education, HR Pulse (ASHHRA), Journal of Management, Journal of Business Ethics, Journal of Leadership and Organization Studies, Academy of Management Learning & Education, Leadership and Organization Development Journal, Human Resource Development Quarterly*, and *Journal of Management Development*. Groves is currently working on a multi-phase field research project that examines the business performance outcomes of talent management practices in multi-hospital healthcare systems.

Groves received a Ph.D. in Organizational Behavior from Claremont Graduate University.

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