Turnover to Triumph

Rising workforce turnover is a significant challenge as healthcare organizations battle to maintain momentum in building the high-performing and collaborative teams required in today's rapidly transforming healthcare industry. It is an issue that demands continual analysis of trend lines and root causes. Turnover can be mitigated through a variety of related strategies. This white paper distills B.E. Smith research and advisory experience to explore several strategies for success.

Turnover a Growing Problem

Turnover is at meaningful levels across the industry. The average overall turnover rate for healthcare employers has been pegged at about 19% in recent years, and the rate has been increasing. Estimates of the cost to replace mid-level to senior executives range from $50,000 to more than $200,000, so the economic impact is substantial.

The turnover issue starts at the top. Hospital CEO churn has been hovering in the 18% range for several years, an elevated level from the early 2000s, as industry consolidation, retirements, and rapidly changing leadership requirements take their toll. In addition to the direct impact of the top leadership change, there are critical downstream effects of the CEO departure. This year's B.E. Smith Intelligence Report found that the three C-suite occupants most likely to leave following a CEO departure are the CFO (34%), COO (34%) and CNO (11%), which accompany major management ramifications. Respondents also cited strategic planning and employee engagement as primary organizational initiatives impacted. Overall response is displayed in Figure 1.

Other key members of the workforce are experiencing turnover as well. Nursing – already encountering shortages – is particularly vulnerable. The 2015 turnover rate for bedside nurses was 17.2%, an increase from the prior year. The highest rates

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are being experienced in Med/Surg, ER, and Behavioral Health. The aging population of nurses suggests the turnover trend will grow, and it too has expensive implications. Estimates for recruitment costs are 1 to 1.5 times salary; the average hospital can spend over $5 million annually as a result.

Physicians may also be leaving: 48% express significant feelings of burnout and 44% plan to take one or more steps to reduce workload, including retirement. Indeed 45% state they plan to accelerate their retirement.\(^4\) Other parts of the care continuum such as the long-term and post-acute sectors “face major workforce shortages” in part because “direct care CNAs and HHAs have significant job turnover, with almost half of workers employed at more than one job in a two-year period.”\(^5\)

Collectively, these turnover statistics suggest exacerbation of an already competitive labor market. Analysis of the openings-to-hire ratio shows a “widening gap of unfilled jobs.”\(^6\)

**Perfect Storm? Many Turnover Growth Drivers**

Beneath the headlines exists a confluence of factors that must be understood and addressed individually and in tandem:

**Demographics**

Much has been written about the impending wave of retirements as the baby boomer cohort reaches traditional age range – 10,000 turn 65 every day. The retirement rate has been somewhat slowed over the past few years due to the recession, but recent robust stock market gains and other economic improvements have given many the capability to retire. With boomers occupying key leadership positions, the management drain promises to be significant.

**Realization of More Late-Stage Career Options**

The aging workforce encounters a growing number of options beyond straight retirement. Many executives, even at the highest levels, are finding that organizations need a variety of part-time consulting roles and other relationships with experienced leaders as healthcare pursues many new initiatives such as population health management. For example, B.E. Smith has witnessed an increased interest from C-suite executives in moving to interim management assignments.

**Voluntary Choices**

While management often focuses on involuntary turnover, voluntary non-retirement departures have been on the rise. Executives in their 50s and 60s frequently face changing familial situations including caring for elderly parents. They are choosing in greater numbers to leave positions to relocate or to have more flexibility to manage personal situations. Pursuing better work-life balance is an emerging workforce priority, adding momentum to this trend.

\(^4\) Physicians Foundation, 2016 Survey of America’s Physicians; September 2016.

\(^5\) Manatt Health Solutions, Reinventing Long-Term Care and Post-Acute Care, 2014.

Market Forces
Healthcare’s changing economics and heavy emphasis on cost containment have spawned industry consolidation through hospital mergers. A recent survey found that 61% of organizations anticipate an increase in merger, acquisition and partnership activity over the next three years.\(^7\) As hospitals combine and form larger systems, organizational downsizing and centralization of functions can alter or eliminate positions. Some executives find new roles or merged environments not to their liking, prompting departures. These factors all promote turnover. Management centralization has been a growing issue recently as the merger and acquisition boom has generated financial strains for many acquiring organizations.

Evolution of Roles
B.E. Smith has been tracking the ongoing evolution of leadership roles as healthcare adapts to change. New positions are being created with titles like chief patient experience officer and chief analytics officer, and more executives are filling dual roles. Existing positions at many levels are undergoing alteration. This emerging situation induces turnover as hospitals seek people with the right competencies and some executives choose to move on from a changing situation.

Turnover to Triumph: Strategies
Given the myriad of forces driving workforce turnover, the outlook can appear daunting. But the good news is that organizations are realizing success in combatting the problem. An important starting point is to avoid viewing turnover in isolation and see it within a nexus of three interrelated strategies as depicted in Figure 2: recruitment, retention, and engagement. Specific strategies include:

Focus on Recruitment
Finding the right executives up front is the first line of defense in preventing turnover. Leaders in the B.E. Smith survey reinforced this concept. “Access to high quality talent” was named by 31% of respondents as their top overall recruitment challenge; 60% saw obtaining quality candidates as the chief concern in executive searches. Recruitment is the best time to evaluate the role changes described earlier and account for appropriate competencies. Cast a wide net and be open

to non-traditional backgrounds and career tracks, even from those outside of healthcare. Also, maintain an emphasis on search diversity across many dimensions – gender, ethnic, generational. Be sure to include “diversity of thought” to the list, as today’s management environment demands fresh thinking, innovation, and a willingness to challenge accepted modes of business.

Another vital component of the high-performance recruiting portfolio is interim leadership. Vacancies often lead to protracted searches. Effective interims help maintain strategic direction and momentum, while giving organizations the requisite time to optimize the new hire.

Partner with a Firm

B.E. Smith research and commentary has shed light on the increasingly competitive healthcare labor market that creates ever greater challenges in achieving recruitment success. A strong healthcare recruiting firm can be a major partner in that success. But it takes the right relationship.

Concentrate on High Retention Rates

Improvements in recruiting will be undercut without a corresponding focus on retention. Keeping existing employees satisfied and onboarding new hires effectively promotes short- and long-term retention. One report found that almost 85% of organizations see retention as a “key strategic imperative,” but only 50% have a formal program in place. Leaders in the B.E. Smith Intelligence Report pinpointed the top influencers of retention, shown in the purple bars of Figure 3:

FIGURE 3

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<th>MOST INFLUENTIAL VARIABLES ON RETENTION AND ENGAGEMENT</th>
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Clearly leaders must work on many fronts. Indeed, studies suggest that leadership style itself accounts for a significant amount of retention — 18.3% for nurses according to one survey, which identified three dominant leadership approaches: dominance, coordination and example. The latter two were found to be far more effective for retention than dominance, a finding that certainly extends beyond nursing.9

**Invest in Employee/Physician Engagement**

Retention is intimately linked with engagement. Satisfied, motivated employees tend to stay. The B.E. Smith survey underscored the direct link between job satisfaction and loyalty of leaders even as others try to entice them away, and ranked the leading influences on engagement as displayed in Figure 3’s green bars. This list shows that engagement has many facets, but two strategies deserve special attention as ways to impact all the variables.

The first is to offer meaningful advancement opportunities to those who want and merit them. The Intelligence Report revealed cause for concern: 42% of leaders believe they “must leave their organization to advance.” Not surprisingly, this group generates the lowest satisfaction scores. Formal succession planning is a tool that should not be overlooked in this engagement effort. Only 30% of surveyed hospitals have a succession program in place, and one third have no plans to create one. About 16% extend succession planning beyond the confines of senior management. Several principles guide the best programs.

The second highlighted strategy is to focus on emerging leaders with particular respect for important generational differences. Start by distinguishing between traditional and new leadership. The former is characterized by specific career progression and departmental focus. The latter tends to be highly favored by younger generations who are crucial to ameliorating the turnover issue. The new leadership approach promotes more indirect pathways to advancement through rotation across departments, roles, and settings. Emerging leaders bring a “gain a new app” mindset to their work and want to learn new things. High-performers especially seek this flexibility. Recognize that leadership is transferable with many routes to success. Applying the yardstick of traditional leadership evaluation to emerging leaders risks disengagement that likely will add to turnover.

Be Mindful of Culture
Development of millennial and other emerging leaders has a significant cultural aspect. These employees tend to seek out a culture that offers what they view as engaging work and the chance to have an organizational impact. Many strongly favor environments that offer positive responses to standards such as:

• Does the organization value me?
• Am I able to provide input to direction and decisions?
• Does the organization maintain “green” policies?
• Is there a strong community that I can enter?

Conclusion
Turnover is on the rise and can be disruptive to the strategic and financial health of healthcare organizations. Fortunately, the strategies outlined here offer demonstrated ways to triumph over turnover and create the workforce needed today … and tomorrow.

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