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## Succession planning remains pivotal in M&A era

By Julie Miller, Editor in Chief

According to the *Behavioral Healthcare Executive* workforce survey conducted earlier this year, just over half of treatment center organization respondents say they don't have succession plans in place. Experts believe succession planning can better prepare businesses to quickly adapt to an ever-evolving market. Priming the next group of leaders has also been found to improve employee morale and reduce turnover.

"The succession plan is to ensure we are ready for the things that we don't have control over," says Brian Thorn, JD, chief operations officer for Foundations Recovery Network.

His organization has a succession plan in place for each leadership position in operations.

"I have my team constantly identifying where they can be more buttoned-up on succession planning for themselves, as well as for their senior leaders within each company," Thorn says.

### Factors influencing management changes

Organizational leadership is always somewhat in flux in healthcare as companies undergo structural changes, retool for new healthcare policies at state and federal levels, and adjust to natural attrition. It's not unusual for even one change in management to shake up an entire division.

Securing leadership roles is especially important today because analysts are reporting merger and acquisition activity continues to surge in behavioral health. According to

the Braff Group, deal trends are up, with substance use disorder treatment organizations alone completing 201 transactions between 2014 and 2017. Mental health treatment providers completed 139 deals.

As these transactions occur, organizations often have to restructure everything from management to technology systems to human resources.

"When there are mergers, the expectations change," says Chris Diamond, chief executive officer at Sunspire Health.

In 2016, Kohlberg & Company acquired Meadows Behavioral Healthcare and created the parent holding company Alita Care, LLC, which operates both Meadows and Sunspire Health. Sunspire itself had been acquired by Kohlberg & Company just a year before.

"We had to merge a lot of those expectations together, and the main thing for me—related to leadership plans—was rounding out my leadership teams with folks that now would be able to fulfill the needs of this new organization," Diamond says.

### Organizations with an executive succession plan



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Sunspire Health serves eight states, so Diamond says he always needs executives with a broad level of experience who can think in terms of larger networks and more robust service offerings.

With any enterprise change, natural attrition is another factor that influences leadership plans. According Diamond, executive leadership tends to turnover about every six to seven years in the behavioral health space.

“It’s our expectation to deal with that,” he says, adding that Sunspire has a succession plan and practices in place to facilitate manager training.

### **Strategies to foster strong management**

One of the biggest challenges of behavioral healthcare is that it is always evolving, but there are strategies that can help organizations better prepare for the years ahead. Experts advise organizations aim to continuously create and train new leaders in an organization.

Michelle Maloney, MS, LPC, CAADC, CAP, regional vice president of operations for Sunspire Health, researched behavioral healthcare managers hiring strategies, organizational factors and influence styles as part of her dissertation for a doctorate degree.

After gathering input from 28 behavioral healthcare organizations, some general trends began to emerge about what strategies work best to groom future leaders. For instance, Maloney found that having formalized hiring strategies and succession processes worked better to manage current employee expectations and ensure that a talent pool of qualified individuals existed within an organization. Informal processes tended to lead to employee dissatisfaction and increased litigation.

“For example, let’s say you have a manager who wants to move up in an organization,” she says. “If there’s not a process or an opportunity for them, it can lead to significantly low morale and therefore, turnover.”

These processes don’t need to be rigid and can be as straightforward as yearly talent reviews, providing leadership training or assigning employees to work on projects where they can hone their management skills.

Foundations Recovery Network’s parent company, Universal Health Services, has a formal leadership program where interested employees can receive education and mentorship from key company leaders.

“We have many of our CEOs who started as clinical directors, so investing in their ability to work within the confines of a profit and loss statement sometimes is an educational curve for them,” Thorn says. “We’re certainly very committed to helping folks along on that career path if that’s what they pursue.”

But not everyone is cut out to be a leader, and not everyone can move up the ranks in a prescribed amount of time. Maloney says while having formal processes in place that help foster leadership opportunities is a benefit to both the organization and its employees, she says it’s also important to manage employee expectations and communicate realistically about their skill level and the necessary qualifications for any open leadership positions.

### **The value of communication**

Communication is another essential strategy for developing new leaders and maintaining solid leadership during times of transition, such as a merger or acquisition.

Eric Oakes, chief operating officer of Banyan Treatment Center, says Banyan recently purchased Clearbrook Manor in Pennsylvania. The organization ultimately hired one new member of the executive leadership team who had shepherded an organization through a similar experience before.

“There are major challenges early on in any of these situations because there is the usual necessary discretion and confidentiality of the actual business transaction,” Oakes says.

It can be difficult to control the rumors and fear that often accompany such company changes, but Oakes says open communication about the future is key to successfully integrating managers.

“You have to seize any opportunity to get the word out that if a deal goes through, you are going to work alongside the emerging leaders to succeed,” he says.

In her research, Maloney found that sharing general concepts of a strategic plan with employees can also encourage buy-in.

“The research shows that particularly when middle managers are not onboard with the strategic plan, they can actually disrupt it,” she says.

Diamond says creating a leadership team that includes personnel with a breadth of experience who have undergone similar changes before, whether it’s an acquisition or legislative change, can also help smooth the transition.

“The best way for us to be positioned to manage those changes is to have folks that have gone through that and have experienced some of the prior changes,” he says.

### **Retention strategies**

Maloney found during her research that while older organizations tend to promote from within regardless of the individual’s qualifications, larger organizations tend to hire more externally. However, many larger organizations have also voiced the advantages of using leadership and mentorship programs to retain the talent they help grow.

“We have always been much more interested in seizing upon the opportunity and resources provided by the individual talent, rather than trying to fit someone into a preconceived conventional position,” Oakes says.

He describes a good leader as someone who is willing to admit when they don’t have the answer and will find it from others, as well as someone who can accept responsibility for an organization’s faults as well as its successes.

“A leader knows when to manage a project, when to direct its management and when to simply get out of the way,” he says.

Retention of emerging leaders and successful managers has become more important as the workforce shortage continues to grow. Maloney says licensed clinicians are scarce, and that will only continue to get worse as there is a dwindling number of people entering the field.

Regardless of a company’s efforts to retain and groom future leaders, industry experts say they also know that with the competitive nature of the industry, succession plans might not always be enough. However, taking extra efforts to produce talented leaders benefits employees, individual organizations and the community.

“We are trying to contribute to the industry at large and to have folks who are really doing things the right way,” Diamond says.

*Jill Sederstrom is a freelance writer based in Kansas City.*

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