Impact of CEO succession on financial performance of hospitals

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ABSTRACT

This research analyzed the influence of CEO succession on financial performance in hospitals of Karachi. The data was collected through a questionnaire of 150 employees. Different statistical techniques were used for analysis such as confirmatory factor analysis, descriptive statistics, and structural equation modeling. Outcomes indicated a positive influence of CEO succession on financial performance. However, moderating succession planning programs seem to be insignificant. The conclusions of the research have the capability of implicating internal vs. external CEO succession on the financial performance of the hospitals. In addition, the seeming successors must be evaluated based on desired outcomes and capabilities required to achieve an optimal financial performance and the proficiencies and required profile to assume the role of the CEO that should be appropriately well-defined.

Key words: CEO succession, financial performance, hospital sector, structural equation modeling, internal vs external.

INTRODUCTION

Background of the study

The core aim of every organization is to keep talented individuals in their organizations. For this, they need to identify who is talented or not? By doing this, they engage in succession planning. Planning of succession is to retain a group of ‘Talented people’ who have the capabilities to yield their place in the critical positions to run the organization Walker (1998). In succession management (SM), it is necessary to describe the critical path of developing skills leadership at all stages of individuals (Snipes, 2006). The objective of succession planning is to keep key people in your organization. It is a systematic process that successfully offers new challenges of businesses such as organizational development, team building, and talent acquisition. A well-organized and systematic version of succession management deals with a lively situation ever since its relation to the organizational mission and its strategies.

Chief Executive Officer (CEO) progression events are regarded to be very important events in business lifetime which are an outcome to find out the performance. It is essential because of the growing interest of the businesses that depends significantly on who succeeds the chief executive officer. Succession of CEO’s makes accessible a path for assessing the efficiency and effectiveness of a leader in establishing a firm’s wealth. Leadership is an essential element of a successful business governance method, which can enhance the performance of a firm (Davidson et al., 2006).

Managerial leadership is a complex element in the accomplishment of ‘Non-profit businesses’. A future period of leadership changeover is expected as sizeable statistics of baby boomers, is at the height of their occupations, moved to their age of retirement. As non-charitable businesses are increasing in both number and size, an imminent leadership shortfall is a main interest now. To facilitate preparation for these essential changeover areas, this research concentrates on planning for managerial succession.

Succession planning enables employees that are continuously developed and groomed act as firefighters if any unexpected or unscheduled openings and activities happens inside the organization. Succession planning has
progressed over the times and there is continuous progress and move to balance the varying and shifting industry scenarios and practices. Along with the succession planning, corporations today are focused on strong leadership building, encounter resourcing contingencies of companies, and reassure workers to be more practical and aware of their career growth and possible openings accessible inside the organization. This also carries around a reason of mindfulness among the workers to realize the ambitions of the corporation. The main idea of succession planning is not only about allowing the mandatory backup of the manpower; however, this is also about creating ‘Bench strength' through getting the people, place, and time all at the right perspective.

The succession planning for employees is not just essential for larger organizations. But in fact, each organization regardless of the size must attain and embrace the succession planning because this is the necessity of the period and is explosive and fast-paced market in today's world. The possibility is that maybe we do need not obtain powerful replacements to meet for each other position in the organization. However, when staffs of an organization is over trained they leave the organization in a safer position in resourcing tragedies. The main conception of succession planning is not new. Moreover, this might not formally be a share of processes inside the organizations, but it is somewhere always present in a casual means, wherever a participant could be recognized as a solid and talented contender for a specific position, and the candidate was given the succeeding partiality when a specific appropriate place would get available.

This is extremely suggested that businesses essentially need to properly implement the succession planning process. The benefits of obtaining a formalized succession planning procedure in order is that it carries in a level of obligation from coaching and bench intensity viewpoint. Through a formalized procedure of succession planning in order, executives inside the organization are conscious of the crucial staffs and which worker may suit the proposal for a specific position. This presents a broader preference for bench power attention every time some crucial situation begins inside a group.

When staffs are informed that they have been trained for a specific crucial position, they may have a feeling of anticipation and gratification which remains onwards to them in the occasion of an opening for the supposed situation. This increases the person’s ego and motivates them to further proficient in execution of the duties in their existing job position. Each single member of staff assumes the organization to be delicate to the professional progress. Through the succession planning in order as a validated method, the worker is aware that the organization holds plans to facilitate those professional charts and take a higher trend with the following possible opening happening for them. Workers take over their concern in recognizing the essential abilities and work experience needed to increase the level to meet a definite possible position once an opening describes the situation. This understanding among the workers prepares them for the advancement when a chance reveals itself.

The succession planning builds a strong cordial connection among directors and their staffs because a manager is a crucial individual who could support the staff by improving the accurate plan for their career. The manager expects to establish out the appropriate sort of objectives and the goals for the staff so that it helps them to get ready in the path of the upcoming available opening. It is the addition to the value of the staff if they are well prepared to fill the upcoming strong potential crucial places in the organization. Therefore, the succession planning is enacted, this provides additional prominence to the workers within the organization. Supervisors are more concerned about the crucial personnel who would be eligible for a specified vital position. This will not be feasible in an unsanctioned system.

**Problem statement**

Managers strongly believe that succession planning is crucial for achieving the corporate objectives, but not many organizations have formalized plans of succession planning. The plans companies have are not formalized and are often outmoded or even mostly unnoticed. Those companies who do not plan for their forthcoming requirements of leadership would not be prepared to survive switching social and economic forces in today's world. A leadership consultant added in a group of HR experts, "Whatever you achieve successfully previously will not be working to you to endure in the future," (Amy Hirsh Robinson). But this is not as simple as it seems. The simple discussion of succession planning is to be able to inspire a lot of doubts and feelings in existing leaders, affecting them to ignore the subject. What happens when a leader suddenly leaves, and the position will not be filled quickly? It will be so costly as the self-confidence drops, efficiency hurts and the rate of turnover increases. At times you may have to suffer the loss of a potential employee until the existing leaders realize the importance of succession planning. Although every business is diverse, upcoming leaders, commonly, essential be able to deal with existing economic instability. They should also be competent enough to adopt modern technology and the modifications that robotics would create in their business. And lastly, they must be clever in disaster management because of social media which enables every customer and staffs to instantly react and freely underline the faults inside their companies. Finally, they must be the leaders which emphasize on change, encouraging their labor force to survive in a diverse direction, aside from representatives, conveying individuals to come all together through a period of thrilling political divergence.
In recent world hospitals, demands are growing. CEO succession is supposed to show up completed on moment. Hence, exactly how many companies are there who offer their replacements with the appropriate settings? And how many successors feel secure enough in their work surroundings to give their cent percent?

Increasing demands of CEO’s to manage consolidation in hospitals are becoming complex in larger organizations, and the superannuation of leaders from the generation Y contribute to higher turnover in hospitals senior leadership. As organizations search for leaders who can run the organization and turn it to a position sustainable and gain competitive advantage and, in turn, achieve greater performance results, they use one of two strategies, Cao et al. (2006). They can select ‘Internal Succession’ to manage the CEO transition. Succession is considered inside the organizations as having many advantages including the holding of talented people, setting to detailed explicit and tacit knowledge and have been related to the confidence that such selection may help to continue successful dynamics Messarsmith et al. (2013). It is not unique for the individuals to have been groomed to take the job for continuity’s sake. Whereas, ‘Succession which is considered from outside deals hospitals an opening to create new thinking, new styles and various practical information to a key strategic decision-making position. Balinger and Marcel (2010); Karaevli and Zajac (2013). In particular, Outsiders often bring creative ideas to the hospital’s structure, processes, and outcomes with the ability to make adjustments that Insiders might not consider. Empirical research on ‘Insider versus outsider succession’ decisions have thus far found either no differences in firm performance Karaevli (2007).

Many analysts agree that the CEO is an extremely important individual who is liable in setting organizational strategy, structure, environment, and performance of the organization. Because CEOs significantly influence their organizations especially in hospitals, if any changes occur in the CEO position, it will significantly affect perceptions as well as affect the future of the firm. CEO succession is the most challenging event in the healthcare sector. The key purpose of this study is to find out if chief executive succession is Insider vs Outsider, and their distinguished roles which are characterized by their actions, characteristics, and ability to enact new challenges is important for the future of the hospital industry.

**Gap analysis**

While the literature about businesses has concentrated on the correlation among the succession planning and structural accomplishment, the connection is not discovered to this similar amount within the perspective of the health care sector. Moreover, most of the studies were of a qualitative nature. A quantitative study by Gupta (2016) found an optimistic connection among the existence of succession planning and the financial performance of hospitals. However, this study was undertaken in the US. No such study was undertaken in Pakistan, specifically for the hospital sector. In the US, companies normally have proper succession planning. Unlike in developing countries especially in Pakistan, organizations are people-centric, in most cases revolves around one personality. Usually, the whole organizations go down when their leaders lose credibility. This is valid in hospitals. Since most health care units here are nonprofit, hence their scale of operations depends on public funding. And this, in turn, is based on the credibility of their leader. These firms do not develop succession culture, and decision making contained around their leader. It is often seen that in the case of leader demise, the entire organization comes down since the people do not trust the organization but their leader. Proper succession planning would not only enable the organization to survive but also have a proper institutional arrangement for decision making, that would place credibility on the organization rather than their leader.

**Research objectives**

The following research is intended to investigate CEO succession events on financial performance in the hospital industry in Karachi. This research would be bright enough to determine the reasons that impacts the execution of CEO succession in the hospital industry successful therefore permitting the supervision of the hospitals to realize the same.

The main intention of this study is to find out the effectiveness of chief executive succession on financial performance and the future of CEO succession in the hospital industry. The connection between CEO succession and performance of the hospitals is an area of concern for the health care services. The attraction is the influence on whole deliberate leadership and health care presentation that marks from choosing a chief executive from internal sources in the company as dissented to pursuing leadership externally.

**Research questions**

The study research questions are as follows:

1. How does CEO Succession affect financial performance in hospitals?
2. How does the Succession planning program affect financial performance in hospitals?
3. How do the Succession planning program and CEO Succession affect financial performance in hospitals?

**Significance of the study**

This research would be able to establish a clearer
understanding of chief executive succession and its influence on the financial performance of hospitals. This emergent model emphasizes the growing importance and need for a broader appreciation of the concept of CEO succession on financial performance. CEOs perform an essential part in maintaining an institute’s decorum and focus on completing the organization’s goals and objectives.

This research may assist based on newly introduced procedures and strategies related to CEO succession and might lighten the characteristics on how CEO’s explain their experience. Through producing anticipation of CEO succession, companies may not only increase their proficiency, productivity, and revenues, but they can also support their talented workers to achieve their capability and move forward to seeing their involvement in feasible way. Successors would be more comfortable and satisfied with their careers, and the company would benefit from higher revenues and productivity. The model could certainly help to create a more loyal, efficient, and assertive labor force. This study will surely be a source of the future course of action for the coming researchers.

REVIEW OF LITERATURE

Succession planning

The core objective of every organization is to preserve skillful workforce. For this, they need to identify who is talented or not? By doing this they need to do succession planning. Planning of succession is to retain a group of ‘Talented people’ who are capable enough to yield their place in the critical positions to run the organization, Walker (1998). This is crucial in describing the critical pathway of leadership abilities and development at all stages of people in succession management, Snipes (2006). Few researchers found the relationship between succession planning and financial performance in hospitals, therefore, they used the RBV, resource-based view framework to examine the impact of succession planning on the financial performance of hospitals. The (RBV) is an administrative outline used to control the tactical possessions a company could exploit to attain maintainable competitive advantage. ‘Companies may achieve higher performance by using their superior resources and capabilities’ as stated by RBV. As per the company’s RBV, firms resources contain all the capabilities, attributes, processes of the organization, and information base controlled by the firm, (Barney, 1991). Those mixture of resources allows the firm to express and strategize implementation intended to refine and improve efficiency and effectiveness.

Planning of leadership succession is vital to the continuousness of the complete apparition of the department of the hospital pharmacy. Leadership progress is debatably the core element of guidance and formulating health care workers to undertake administrative situations. Planning of succession starts with a managerial chart reassessment in the organization’s strategic plan perspective. Later profession steps are established and crucial situations that involve progression plans which are recognized. Worker who are not concerned about the profit and talent portfolios must be achieved for all personnel to recognize schooling, ability, and understanding, and the areas that need progress. Employees must establish the goals and objectives that brings it to line with the strategic plan of the departments, and administration must work collectively with workers on how to attain their objectives inside a specific timeframe.

There are considerable argument about the connection between ‘Outside chief executive succession source and organization performance’. Few researchers get the structural-adaptation opinion to focus the favor or advantages of having external succession, however, others accept the structural-disturbance opinion to posture the external chief executive officer selection as an unruly and detrimental occasion for businesses. In the study, they developed a united multilevel based framework that settles those contrasting viewpoints and observes the circumstances below which the advantages of external chief executive succession overshadow the charges.

While the literature of businesses has now absorbed on the implication between succession planning and organizational performance, those connection has not been discovered to the similar amount in the situation of health care. The panel project containing a nationwide model of hospitals in the united states for five years from 2006–2010 was used by Patidar et al. (2016). They investigated figures consuming linear regression for multivariate factors with ability of accidental belongings. The sample consists of explanations for 22,716 hospitals per year and more than 1 and ½ hospitals has a program for succession planning. The results discovered a helpful connection between the existence of succession planning and financial performance. NASSOR, A. T. A. (2013) exposed that succession planning in most of the private banks in Kenya is done at an event that takes place only when a chief executive officer is about leaving the company. When a successor has been recognized, the procedures of succession planning come to a break.

CEO Succession

The connection between chief executive succession and hospital competitive execution is an area of concern for health care facilities that researchers recognized. The interest is the influence on whole strategic leadership and health care structure performance that outcomes from choosing a chief executive internally from the company as different to pursuing external governance. Ford et al. (2018) explores the amount to which internal chief
executive succession versus external chief executive succession influences the hospital’s performance. Therefore, chief executive succession adversely influences the hospital’s efficiency, and the companies with external chief executive succession results shut the rift on the way to the competitive benefit frontier quicker than comparable companies with internal successions. Competitive performance in years after the CEO succession can be assessed in the interaction variable for each of the succession events. The negatives in on the slope variables indicate that hospitals that changed CEO remained shut down at the efficiency difference in the times that followed. Both Insiders and Outsiders were trending in the desired direction toward the frontier of most efficient hospitals.

Ojeka et al. (2017) inspected the influence of chief executive succession on the economic execution of companies registered on the stock exchange of Nigeria. The data used for this research was secondary, and the tools used for data collection was financial statements. A corresponding match t-test was used for examining the hypothesis. The whole outcomes reveal that utilizing a pay back on asset, return on capital employed, return on equity, and Tobin’s Q as a degree of execution; firms that suffered obliged chief executive turnovers had interrupted presentations and consequently experienced reduced performance following chief executive succession. The outcomes may indicate a substantial deterioration in the companies execution that got internal successors. Therefore, the study discovered how to improve the performance in companies where the chief executive willingly quits, and an external take over as the chief executive officer.

There had been considerable debate regarding the connection among beginning of external chief executive succession and company execution. A few academics take on the structural-version view to underline the advantages of external succession, however, others accept the structural-interference view to cause the choice of an external chief executive as a distracting and detrimental incident for companies. Georgakakis and Ruigrok (2017) developed an incorporated multilevel framework that resolves those differing perceptions and investigates the circumstances below which the favors of external chief executive succession overshadow the prices. The data from 108 chief executive succession areas in huge international companies indicates that the execution benefits of external succession emerge when the new chief executive officer: (a) Socio-demographically be similar to mandatory managers, (b) owns a diversity of work experience, and (c) is rented by a glowing-execution company working in a munificent business. Totally, their research proves that the execution repercussions of new chief executive officer beginning must not be believed in quarantine, but in collaboration with their qualities (Cannella and Rowe, 1995; Giambatista, 2004).

The impact of succession leadership on administrative execution is a subject of importance in leadership strategy and sports; (Rowe et al., 2005). Dohrn et al. (2015) explores the influence of succession leadership on business performance. They claim that mutually the size and the time of the system are crucial elements that want to be deemed to properly ascertain the influence of the ‘Succession leadership on performance’. They concentrated their investigation on the NCAA, national collegiate athletic association and FBS, football bowl subdivision investigates the impact of training related to execution notices on the field performance and financial performance of the team revenue. This article is all about the importance of having leadership succession.

Managerial leadership is a crucial element in the achievement of non-profit businesses. Froelich et al. (2011) investigated the particulars of succession planning that were assumed by management and directors of liberal nonprofits and chief executive officers of collaborative businesses. The more industry positioned users retained and operated charitable businesses leading in the utility, agricultural, economic, and financial sectors. The study observed that development and preparation do not meet the degree of interest and concern for managerial succession.

Datta and Guthrie (1994) found the impact of CEO succession events in managerial backgrounds of chief executive officer demographic attributes. Based on 196 succession areas in ‘Business Week l000 firms’, the survey examines the managerial experiences of chief executive officer demographic attributes. The conclusions of the study indicate that originator circumstances of small company earnings and business development are linked with the choice of external chief executive officers. Moreover, research and development concentration are related with the choice of chief executive officers requiring professional operational environments and greater amounts of education.

The current investigation on executive return and managers’ upbringing concentrates on the matter of when companies employee internally rather than external chief executive officers (Dalton and Kesner, 1985). There is an agreement in the current investigation that executive turnover is further expected to occur when company presentation is weak (Kesner and Sehara, 1994), as the company pursues policy adjustment rather than policy preservation. Liang (2016) used analysis information from the country China, and demonstrated that the execution effects of executive turnover depend on company attributes and professional links externally from the company. An internal chief executive officer has improved understanding of the business but might be constrained by current community links inside the company. An external chief executive officer might go across the company more competently and acquire significant company and political links. The writer observed that external chief executive officers are linked with higher efficiency increases in state-
run companies with a huge labor force and reliant on the support of the government. The conclusion is vigorous after managing for the choice of chief executive officers.

Bower (2007) offered realistic data from a random sampling which is computer-generated suggesting that shift in leadership and in particularly external succession headed to improved competitive competencies. Generally, managerial leadership shifts headed to improved competitive competencies in this research and externals were competent to close the execution disparity quicker in the experimented hospitals. Internals achieved no improvement than the management group establishing a comparative decline in increase to the frontier as related to externals.

Buozitu et al. (2009) explored the characteristics of managerial successor and recognizes what abilities and qualities of successor and individual attributes are associated to the managerial presentation of later succession. Moreover, the document discovered that many of the findings were conducted to recognize the connection among chief executive succession and financial performance of the organization. A restricted amount of mechanism evaluated the workers' response to the manager's shift and several changes employed by the recently hired executive. The outcomes of the study discovered that there is a propensity to encourage a man as a successor with higher education at the age of 30 to 40 years getting more than 4 years of work experience in the region and upper management work experience from 5 to 10 years. It could be said that outside contenders were not counted more encouragingly than inside workers.

Naveen (2006) utilized a huge sample of companies to analyze how human capital issues involve the method of chief executive succession. Prices and advantages of succession planning are exaggerated by a company’s equal of functioning difficulty and human capital necessities; companies that are more composite sustain larger prices to relocate company-specific information and proficiency to an external, and must be more expected to train an inside contender for the position of the chief executive officer. The study found that a company’s tendency to train an inside contender for the chief executive officer position is associated with company size, grade of diversification, and business construction.

**Case in point: Indus hospital vs SIUT**

**Indus Hospital (Dr. Abdul Bari):** The upper management is a vigorous group of supervisors and crucial decision-makers who are liable for creating the finest evaluations for the betterment of the hospital (patients and employees).

Indus hospital upper management consists of the Board of Directors. Among them, is the CEO of Indus hospital Dr. Abdul Bari Khan.

**Succession planning in Indus hospital:** Succession planning in nonprofit organizations is not yet as easy as in other organizations. Preparing for forthcoming management and leadership requirements is frequently conquered to more serious locality requirements and managerial essentials. In the existing hospital environment, the emphasis is assigned on obtaining and appointing efficient employees as opposed to constructing and mentoring efficient leaders.

Indus hospital succession planning process is different from other organizations. Indus hospital used policy centric approach for succession planning.

A practical and opportunity-centered procedure allows Indus hospital to review, evaluate and build a skilled group of people who are eager and competent to learn and fill higher positions when required. It is a procedure which facilitates the company in maintaining its data and knowledge that would be missed due to leaving the organization, promotion, and erosion. It is an instrument used to gather the needed manpower constraints of a hospital in times of excellence and quantity, by delivering proficiency and talent disparities. And it is a changing tool whereby high functioning colleagues at numerous stages behave as a replacement for the later position and take over the accountability when required.

**SIUT (Dr. Adeeb Rizvi):** SIUT (Sindh Institute of Urology and Transplantation) is the center of excellence for kidney transplant in Pakistan and one of the best non-profit hospitals in Pakistan. The founder of SIUT is Dr. Adeeb Rizvi, who is a Pakistani supporter, doctor, and renal transplant surgeon.

**Succession planning in SIUT:** SIUT succession planning process is different from other organizations. SIUT used a person-centric approach for succession planning. They were merging a systematic information-focused procedure with a customer-friendly, community-focused method that effectively involves successors. If they want to replace someone, they go for the qualities that a person should possess along with their qualification criteria. They do not only stick to internal hiring but can also go for outsider hiring.

**THEORETICAL FRAMEWORK**

**Overview**

The succession planning is a corporate approach that has freshly earned interest in the health care literature, mainly because of chief executive matters and the requirement for preserving experienced employees according to business requirements. Few researches have been performed in health care venues that obviously identifies best procedures for succession planning structures. To efficiently bring out such managerial policies throughout those difficult times, a consolidative reassessment of
succession planning in health care was completed to discover regularities in abstract and policies for chief executive officers and health care executives to commence. Chosen articles were associated by corporate succession planning to decide whether health care policies were likely to be best procedures now recognized in business perspectives. The outcomes of the consolidative evaluation will assist supervisors and managers to utilize succession planning as an instrument in their staffing, preservation, coaching, and administration events and also offer visions for upcoming advancement of health care succession planning structures.

The succession planning is a vital practical corporate policy to guarantee that inside, competent contenders are always discovered and offered to take over the leadership places when positions open. This is a procedure that allocates the preservation of intelligent and learning capital by recognizing and planning possible replacements to accept different functions, therefore promoting specific innovation. The succession planning is a matter that has newly shifted to the front of health care development because of current and upcoming leadership deficiencies. Before dropping this treasure of experience and expertise, health care advisers and executives must prepare succession planning to assemble the upcoming managerial requirements. Inside the industry group, succession planning traditionally started with family-owned enterprises but then is today unified into structures with ordinary policies and procedures. In distinction, CEOs and health care managers have been denser to acknowledge the requirement for succession planning generally, and there are not enough study concerning endorsed best procedures among succession planning structures inside the health care literature. Along with current boosts in the market and economic difficulties in health care administration, fears for more reserves and awareness are being dedicated to its corporate functions. This has headed to a change in emphasis on a more industry-oriented method to health care determination, putting the requirement for succession planning at the front of health care business planning by executives and supervisors. Nonetheless, leadership shortages persist a present and difficult task confronted by these managers in health care environments. To help health care managers to contract with labor force tasks, a consolidative evaluation was executed to ascertain whether conclusions with accessible study in health care literature expose best procedures. The objective of the study is to introduce conclusions from the consolidative assessment of health care succession planning to discover resemblances and disparities between the theoretical structures in company and combine those hooked on a shared approach for health care executives. The succession planning is a formal method including the recognition and planning of a possible replacement to take up a different job inside a company. Describing additional elements of a succession planning structure, "The succession planning procedure as a logical formulation of the upcoming generation' reviewed by Collins and Collins, whereas the achievement of executing a succession planning conceptual structure during a case study observed by Rollins. Succession planning approaches are tactical planning, recognizing preferred skills and requirements, finding crucial positions, inspecting potential replacement contenders, coaching and mentoring, additional developmental procedures, allocation of resource, and estimation. The strategic planning is an essential element of succession planning, which was recognized by numerous authors as a crucial and main element inside health care companies. For illustration, describing the strategic priorities as the earliest act for succession planning, as well as recognizing abilities essential to meet the company's goals, and earlier recognizing capable candidate from inside recommended by Bonczek and Woodward. A perfectly estimated short- and long-term company's objectives to safeguard their reliability with current applicants also proposed by Collins and Collins. The strategic planning is an element of succession planning suggested by Husting and Alderman, the importance of achieving transparency on the company's objective and vision over strategic planning before realizing the required abilities and capabilities of an individual to build designated by Noyes et al. While the planning elements varied somewhat through an article, the key focus was confirming that structural goals were realized by current leaders as part of succession planning for future leadership. Strategic planning also distinguishes succession planning from career planning. The expected abilities and requirements of objective of succession planning is to recognize current capability in the company for upcoming supervision, and so, anticipated abilities and requirements for replacement applicants are recognized as a crucial procedure by some authors. Supervisors should evaluate existing and upcoming employment factors for upcoming proficiency conditions opposed by Husting and Alderman. Analyzing disparities among current abilities and basic capabilities of the position to be packed must be achieved at managerial levels indicated by Collins and Collins. Redman ascertained both policies, endorsing the belief that no model must be eliminated, granted their obvious significance in confirming that replacement contenders are profitable. The requirement for expected abilities and replacement applicants is evident. Consequently, the subsequent policy contracts with recognizing crucial positions that involve succession planning. This approach is used to conduct challenge predicting and disparity assessment by chief executive officers and other senior managers; but, recognition and requirements of upcoming supervisors were not clearly indicated, only that recognition of when, where, and what kind of supervision was important used by Blouin and McDonagh. Uniquely, existing nurse supervisors must look for upcoming supervisors by recognizing talent and abilities in their employees to meet upcoming business
requirements proposed by Bonczek and Woodward. Usually, the authors accepted in offering the recognition of crucial business positions as an essential element of succession planning.

Learning and coaching replacement applicants two tactics in structures were the revealing of potential replacement applicants and coaching of succession applicants. The process of finding replacement applicants must be quick and repeated utilizing an acceleration group to recognize possible successors. The acceleration pool is a group from which an applicant might be chosen to offer a source when a talent disparity happens. While it was not recognized by Collins and Collins that coaching as a policy, the tremendous prominence on coaching inside health care becomes a required component for a profitable succession planning structure.

Augment, dispute management, human resource abilities, case management, and perception advancement abilities. In distinction, advancement procedures explain and involve abilities and work experiences required for applicants to achieve turned out managerial capabilities, passed out in a frame reliant on succession planning constraints suggested by Rollins. The assigning of executive to regions external their proficiency to fulfill disparities among expected and actual abilities. The residual references for advancement procedures were all useful and valuable for any replacement planning structure reliant on managerial and applicant requirements and objectives.

The allocation of resources is very crucial, although the importance of resource allocation is indicated, barely considered in articles as a mandatory approach. Whereas, resource allocation on advancement of leadership was focused on by Blouin and McDonagh. The allotting time and power as essential resources for effective succession planning are both recognized by Bolton and Roy and Collins and Collins. The finances are the main element to effective succession planning recognized by Bolton and Roy. The resources is only allocated during the estimation of procedures by ensuring that suitable resources were accessible as referred by Husting and Alderman. The other succession planning structures did not reveal allocation of resource, possibly in oversight. This oversight, or suggesting of resource constraints, also appear in the business literature, only indirectly expressing its requirement.

Finally, evaluation was a mutual strategy for succession planning. Evaluation of succession planning structures was essential for advancements of both the strategy and the procedure recognized by Redman. They did not recognize evaluation as an essential approach but suggested that it be achieved when expected replacements quit the company by Blouin and McDonagh. The evaluation as a significant characteristic, mentioned that assessment method are in-depth and plans evaluated in three distinct ways recognized by Husting and Alderman:

1) With the company’s crucial positions, within three months of execution and after one year of replacement performance, to certify that the plan donates to business objectives

2) By defining whether planned objectives are met, path evaluations are in favor, and all shareholders stay satisfied

3) By identifying different applicants who display values and behaviors external of the guidance environment.

Appropriation of consistent evaluation to make sure a structure’s performance is ideal and knowing the business opportunities are essential and achievable. Traditionally, health care companies have had intense labor groups from which to choose motivated workers fit for succession to upper management positions. The labor force at present has far more restricted labor group making a more challenge to preserve and effectively coach groups of applicants for crucial management positions. One of the reasons is the elderly baby boomer group and the following number of health care executives anticipated to leave in the coming years. Another reason is the residue of business reductions which happened in the 90s. Those reductions weakened the usual in-house management application groups by vastly decreasing the number of entities usually suitable for executive advancement. The shifting population demographics might be possibly to generate a total labor force deficiency never suffered in health care businesses. The current research rated the leading concerns of maximum fears for the executives of human resource. Hence, health care executives are required to confirm that the suitable specialists are offered to satisfy short and long-term business programs and public requirement.

Succession planning as a strategic planning method

The health care atmosphere is oftentimes an uncertain industry packed with frightening business change. Health care capabilities are being compelled to forcefully examine for the coming generation of supervision. Combining succession planning systems into the tactical business strategy is essential because it offers an opportunity to build ability and preserve skilled workers. Efficiently dispensed, the succession planning systems can diminish the requirement to recruit executives outside which could result in costly recruitment struggles, improved understanding curve blunders, prolonged adjustment days, and shortage of industry stability. While outside recruitment is required, a nicely publicized succession planning plan invites capable people into the company as it offers numerous chances for career advancement. Practically, each business gets deeply compressed as the accessible labor group shortens. Health care sector must try to utilize succession planning procedures to assess internal workers who have shown competence in their field. Those
evaluations could be employed to recognize employees with the skills the business may require fostering as old employees leave. This uses applicants with solid useful presentation abilities and offers a feeling of attachment with workers within the company.

Generally, the fear of creating levels of capable crucial employees has not been offered the concentrated attention or the committed resources needed to organize health care businesses for long period achievement. In today's health care sector, succession planning must go ahead of the conventional succession method which primarily comprises of preselecting promising replacements for leadership roles. The succession process only concentrates on replacement as a reaction to disparities generated by a tragedy such as death or when a manager suddenly decides to take another job somewhere else. While this is not the best strategy in the long run, the replacement method has received some business value. For instance, the unexpected death of a CEO would permit appropriate positioning of an individual competent of retaining business control. Though, the succession procedure has several evident downsides because it mainly concentrates only on top ranked listed executive positions and locations no prominence on other crucial employees. This also disregards talented individuals through the business. The advancement possibility of a competent employee on some levels lay down in the hierarchy can often be ignored. The main distinction among succession planning and replacement planning is that one is sensitive and the other is practical. Replacement planning is mostly concentrated on expecting an unanticipated event to occur generating a reflex response. The focus of succession planning is on predicting the tactical requirements of the business. This is proactive and centered on obtaining the human resources required to confirm continuing strength and prosperity. The estimating procedure permits recognition of those abilities now current inside the business as well as these abilities that require to be hired externally. Existing advancements set succession planning as an important element of the strategic planning procedure in health care businesses. This is mainly because the succession planning development offers stability in the company, relieves operative shift difficulties, and reduces the probability of improperly supporting an insufficiently skilled personal. When handled properly, succession planning offers a logical attitude to ensure business constancy by partnering the abilities and assets inside the human capital portfolio to crucial job openings. Every worker must be intentionally advanced into their upcoming starring role built on their respective career objectives and impending business requirement. The connection among these must be set over planned advancement events.

The succession planning and advancement leadership have developed tactical proposals involving concentrating and detailed deliberation. The well-publicized labor force deficiencies have obliged health care services to assess their managerial background in pursuit of the following level of leaders. While laciness in careers such as nursing have been well exposed, there are estimated lacks in health care leadership as well. While this is not a novel concept, an efficient succession planning is intended to offer continuous changes of leadership within the business. Health care industry without succession planning plans in order might lead to shortage in the leadership stability required to handle growing effective expenses, enhance the value of patient care, and gather improving governing compliance constraints. Hence, an enhanced importance is being set on succession planning as health care industry remain to expand their attempts concerning the development of key leaders.

Hypothesis

Based on the theoretical framework, the following alternative hypothesis was formulated.

**H1:** There is a substantial influence on CEO succession on financial performance.

**H2:** There is a substantial influence of the succession planning program on financial performance.

**H3:** There is a substantial influence of the succession planning program and CEO succession relationship on financial performance.

This research also used moderating effect. 'Succession Planning Program' is a moderator variable if there is an interaction between 'CEO succession' and 'Succession Planning Program’ order to affect ‘Financial Performance’.

**METHODOLOGY**

The sample of the study consists of male and female executives and staff employed in the HR department of hospitals in Karachi. The questionnaire was created to gather data from hospitals. The category of hospitals consists of for profit, non profit, and networking system hospitals. The designation of employees is the HR manager, Senior HR Executive, HR Executive, HR Assistant, and HR Officer. For the following study, non-probable method was used. The questions were adopted from different sources. CEO Succession was taken from NASSOR (2013), Financial Performance was taken from Buoziti et al. (2009). Succession Planning Program variable was adopted from Patidar et al (2016) (Q1), and NASSOR (2013) (Q2). All the questions were assessed on Five-point Likert Scale.

Deductive methods were used, and the answers were evaluated using structural equation modeling, descriptive statistics, and confirmatory factor analysis.

In this research, the population is members of staff who are employed in the human resources department of hospitals in Karachi. As a result, a little area of the population was
EMPIRICAL ANALYSIS

Demographic analysis

Results from frequency distribution shown in Table 1 are 55% female and 45% male respondents participated in the survey. While 33% of respondents are HR officers, 25% are HR executives, 23% are HR assistant, 12% are HR managers and 7% of respondents are senior HR executives.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Options</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>45%</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>55%</td>
</tr>
<tr>
<td>Designation</td>
<td>HR Manager</td>
<td>12%</td>
</tr>
<tr>
<td></td>
<td>HR Assistant</td>
<td>23%</td>
</tr>
<tr>
<td></td>
<td>HR Executive</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td>Senior HR Executive</td>
<td>7%</td>
</tr>
<tr>
<td></td>
<td>HR Officer</td>
<td>33%</td>
</tr>
</tbody>
</table>

Regression specification

Reliability analysis basically refers to the degree to which a scale produces steady and constant outcomes. The procedure is that the measurements are repeated many times and then if they constantly produce the same results then that determines their reliability. Such an analysis of reliability is called reliability analysis.

The result of the beyond chart indicated in Table 2 is significantly consistent. The reliability varies from 0.752 to 1.000. CEO succession reliability value is 0.752 which is reflected to be substantially reliable as it is > 0.70, reliability value for financial performance is 0.925 which is reliable as it is > 0.70, reliability value for moderator relation (SP x CEO) is 1.000 which is reliable as it is > 0.70, whereas the reliability value of moderator (Succession Planning Program) is 0.840 which is reliable as it is > 0.70.

Table 3 indicates that items related to the Succession planning program having the mean scores in between 1.233 to 1.347 whereas the similar items differ in between 0.423 to 0.476. The whole mean values are more closely towards 'Yes' from options Yes or No. Items related to independent variable CEO succession have mean scores in range 1.353 to 3.960 whereas the similar items differ in between 0.478 to 0.871. The all mean values are above the average as it suggests reactions are more closely towards positive responses at a five-point Likert scale.

Items related to dependent variable financial performance have mean scores in range 2.340 to 2.540 while the same items deviate in range 0.620 to 0.660. The all mean values are above average it suggests positive responses.

Quantitative techniques

This has been indicated in Table 4 that eight elements linked to independent variable CEO succession have loading values above 0.50 while two items CEOSP-1 & CEOSP-11 are excluded due to irrespective loading. Moreover, the two factors related to the moderator variable succession planning program has loaded values above 0.50 while the relationship between SP into CEO succession has a loading value above 0.50. Finally, it is indicated that all four factors linked to dependent variable financial performance have loading values above 0.50, however none of the items is removed due to irrespective loading.

Table 5 indicates that variance obtained values are greater than 0.50 for all the variables involving CEO succession, succession planning program and financial performance. Cronbach’s Alpha values are above 0.70. However, it supports the convergent validity of the instrument.

Discriminate validity as shown in Table 6 describes a structure which varies from other structures in the respective model. In the current research, discriminate validity findings indicate loading values are above 0.5.

Regression

The coefficient of path as shown in Table 7 is 0.285, which implies that the independent variable CEO Succession describes the 28.5% variation in the dependent variable financial performance of hospitals' staffs in Karachi. The variation affected independent variable financial performance is substantial due to the t-value 2.805 > 1.96 and p-value 0.005 < 0.05. Path coefficient is -0.043, which implies that the moderator variable succession planning program relation with independent variable CEO succession explains the -4.3% variation in the dependent variable financial performance of hospitals' staffs in Karachi. The variation affected independent variable
Table 2: Reliability statistics.

<table>
<thead>
<tr>
<th>Measures</th>
<th>No. of Items</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO succession</td>
<td>8</td>
<td>0.752</td>
</tr>
<tr>
<td>Financial Performance</td>
<td>4</td>
<td>0.925</td>
</tr>
<tr>
<td>SP x CEO</td>
<td>1</td>
<td>1.000</td>
</tr>
<tr>
<td>Succession Planning Program</td>
<td>2</td>
<td>0.840</td>
</tr>
</tbody>
</table>

Table 3: Descriptive statistics.

<table>
<thead>
<tr>
<th>Questions</th>
<th>Mean</th>
<th>Std. D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does your organization have a leadership succession planning program?</td>
<td>1.233</td>
<td>0.423</td>
</tr>
<tr>
<td>When does Succession planning take place in your organization?</td>
<td>1.347</td>
<td>0.476</td>
</tr>
<tr>
<td>Is the current CEO internal or external?</td>
<td>1.353</td>
<td>0.478</td>
</tr>
<tr>
<td>Does your organization have a well-written document that lists the skills, competencies, and experiences required for the CEO?</td>
<td>1.353</td>
<td>0.478</td>
</tr>
<tr>
<td>How much does the skill and experience profile for the next CEO take into consideration the future needs of the company?</td>
<td>3.960</td>
<td>0.871</td>
</tr>
<tr>
<td>Are internal candidates considered to replace the CEO in the organization's succession plan?</td>
<td>3.507</td>
<td>0.943</td>
</tr>
<tr>
<td>How deep down the organizational hierarchy do you consider?</td>
<td>3.440</td>
<td>0.905</td>
</tr>
<tr>
<td>How viable is it to name a CEO Successor from internal candidates within 12 months?</td>
<td>3.873</td>
<td>0.911</td>
</tr>
<tr>
<td>Is your organization grooming a specific executive to succeed the current CEO? (E.g. CFO, COO)</td>
<td>3.540</td>
<td>0.935</td>
</tr>
<tr>
<td>Are the internal candidates aware that they are groomed for CEO succession?</td>
<td>2.540</td>
<td>0.660</td>
</tr>
<tr>
<td>Organization's profit after the succession</td>
<td>2.340</td>
<td>0.620</td>
</tr>
<tr>
<td>Organization's turnover after the succession</td>
<td>2.347</td>
<td>0.643</td>
</tr>
<tr>
<td>Turnover of employees after the succession</td>
<td>2.447</td>
<td>0.659</td>
</tr>
</tbody>
</table>

Table 4: Confirmatory factor analysis.

<table>
<thead>
<tr>
<th>Factor Loading</th>
<th>CEO Succession</th>
<th>Succession planning program</th>
<th>SP x CEO</th>
<th>Financial Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO x SP</td>
<td>0.866</td>
<td>0.727</td>
<td>1.065</td>
<td></td>
</tr>
<tr>
<td>CEOSP-5</td>
<td>0.802</td>
<td>0.998</td>
<td>0.29</td>
<td>0.772 &gt; 0.05</td>
</tr>
<tr>
<td>CEOSP-7</td>
<td>0.761</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEOSP-8</td>
<td>0.818</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEOSP-10</td>
<td>0.727</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SP-1</td>
<td></td>
<td></td>
<td>0.945</td>
<td></td>
</tr>
<tr>
<td>SP-2</td>
<td></td>
<td></td>
<td>0.814</td>
<td></td>
</tr>
<tr>
<td>FP-1</td>
<td></td>
<td></td>
<td>0.941</td>
<td></td>
</tr>
<tr>
<td>FP-2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FP-3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FP-4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The outcomes of this research suggest that Chief executive succession has an influence on financial performance. The main purpose of this research is to explore the involvement of chief executive succession on
the following financial performance of hospitals in Karachi. However, CEO succession positively impacts the financial performance of hospitals. Hospitals should concentrate on CEO succession events. On the other hand, succession planning program has shown a negative influence on the financial performance of the hospitals. There is no meaningful connection among succession planning program and financial performance. As well as there is no
substantial connection among succession planning program and CEO succession on financial performance.

DISCUSSION

The core objective of conducting this research is to find out the influence of CEO succession on the financial performance of hospitals. The data was collected from 150 individuals who are currently employed in the human resources department of hospitals in Karachi. A total of three hypotheses were tested and one of them was accepted and the other two were rejected. Among them the first hypothesis of the research is that there is a positive connection among CEO succession and financial performance. The outcomes indicated the complete assistance for the hypothesis that there is a positive connection between chief executive succession and financial performance. According to Upper echelons theory, firm performance is influenced by CEO succession, Hambrick and Mason (1984). So, we can expect that personnel changes in the upper management group following chief executive succession will have a substantial influence on the performance of the company. While the outcomes also backs the hypothesis regarding a positive main effect of CEO succession, the evidence supports the argument that CEO succession has a definite influence on the performance of companies. Few studies verified such forecast, several empirical pieces of evidence showed otherwise. The influence of chief executive succession on a firm's performance flexibility was investigated by Adams et al. (2005). The result from the study exposed that chief executive succession has a positive influence on firm performance. Chung and Rogers (1987) claim that there is no substantial influence of chief executive succession on the firm performance. Chief Executive Officer (CEO) succession measures are very important events in the business lifespan which as an outcome affects the execution. This is of greatest value since the running business interest depend considerably on who replaces the chief executive officer. Chief executive succession kinds offered a chance for assessing the efficiency and effectiveness of a leader in establishing a firm wealth. Leadership has been an imperative section of a productive business governance system, which could recover the presentation of a company identified by Davidson et al. (2006). The aim of the research is to discover the implications of chief executive succession whether selecting an insider versus an outsider executive succession event on a hospital’s financial performance.

The second hypothesis of the study stated that the moderator variable and independent variable which is the Succession planning program and CEO succession maintains a negative influence on financial performance. The findings revealed that there was no assistance for the hypothesis and therefore, there is a negative connection among succession planning program and CEO succession on the financial performance of hospitals.

The third hypothesis of the study stated that the moderator variable which is the Succession planning program had a negative influence on financial performance. The findings revealed no assistance for the hypothesis and there is a negative connection among succession planning program and financial performance of hospitals.

CONCLUSION

Hospitals face numerous challenges that include executive succession as well. Whether it is insider vs outsider CEO succession, both performs a vital role in achieving optimal financial performance. The connection among the actions and qualities of the chief executive officer and organizational execution has now become the center of attraction and increased interest of researchers to find out more about this relationship. Hence, CEO succession performs an essential role in the financial execution of the organization. Chief executive succession is a crucial tactical act to necessarily alter the path of the organization and proactively structure the company’s image. They commonly have no perfect condition where there is a unified group of people for receiving and departing the changeover of chief executives to gather and examine what is in the greatest benefits of the company. Hence, it is mandatory over the director and the directors and most important stakeholders to take part in leader departures and consider containers that emphasizes on managerial succession.

Lastly, a conclusion from this study, CEO succession whether it is Insider vs Outsider is distinguished by their actions, characteristics, and ability to enact new challenges and is pivotal for the future of the hospital industry. And further, the seeming replacements must be evaluated centered on the desired outcomes and abilities essential to accomplish optimal execution of the finance, and the qualifications and report essential to assume the chief executive responsibility must be accurately described. This would comprise of a description and justification of the essential competencies, skills, attitudes, knowledge, and other essential aptitudes expected for universal performance.

REFERENCES


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