Excerpt from Mercer's **The Leadership Crisis You're Already In: Why You Can't Hire Your Way Out, But You Can Build The Leaders You Need** published in collaboration with Workhuman.

Anonymous pediatric health system

Rethinking who becomes a leader

A large pediatric health system cares for children across a complex network. Thousands of employees, physicians, and operational partners contribute to the experience a family has when something is wrong with their child.

That context matters when discussing leadership. A manager promoted before they are ready does not simply underperform; they shape how staff ask for help, whether employees feel safe raising concerns, and whether families experience a connected, caring team. Leadership quality is closely linked to the care environment.

A system built on assumptions, not evidence

For years, the health system identified future leaders in a familiar way: a top performer was often the first person considered for promotion. A senior people leader described the central challenge: strong clinical performance does not automatically translate into strong people leadership.

The challenge is not unique to this organization. Many employers have continued to rely on past performance as a proxy for leadership readiness because traditional pipelines appeared adequate.

The health system used a nine-box and calibration sessions, but those processes still depended heavily on leader judgment, visibility, and consistent challenge of assumptions. Employees in less visible roles could be missed even when they had the capacity to lead.

The pipeline crisis that made it visible

The structural flaw became a business risk when the leadership pipeline stopped producing. The health system could not fill critical frontline manager roles in nursing. The management layer responsible for a substantial portion of the workforce had few ready internal candidates and faced a constrained external market. A senior people leader framed the issue plainly: the organization needed a way to identify leadership potential before employees formally saw themselves as leaders, and then guide them toward readiness earlier.

Answering that question meant removing a catch embedded in the process: employees often needed people-leadership experience to qualify for management, but could only get that experience by already being in a management role.

The health system began building off-ramps and formal pathways so high-potential employees could develop and demonstrate those skills elsewhere in the organization. It also challenged who had been counted out too early. Some senior leaders had succeeded after moving into roles outside their original technical training because they were curious, capable of learning, and comfortable leading experts.

As one talent leader put it, the goal was to create access to leadership based on potential and performance, not solely on what appears on a formal resume.

> "If you're not constantly rethinking and revisiting how you're identifying potential and talent, then you're probably not identifying potential and talent in a very strategic way."

Adding signal to the system

Expanding the pool still left the harder question of how to identify who has real leadership potential earlier and more objectively than subjective annual calibration allows. Within the first year on its recognition platform, the health system reached a substantial majority of the organization with recognition activity, and recognition became one of the strongest drivers of engagement. The patterns that reveal leadership potential only become legible at that kind of volume.

The organization pays particular attention to direction and distribution: who is being recognized by people outside their immediate team, and which leaders are consistently recognizing people beyond their own downline. Cross-functional recognition is harder to game than a performance rating. It reflects who actually moves through the organization creating impact. The health system is now pulling this data into workforce-management dashboards, alongside engagement scores, to build an emerging leadership index.

Recognition data sits alongside other signals in the emerging model, layered onto performance metrics, team engagement scores, and self-identified growth interest captured through a talent review process. Leaders remain clear-eyed about the limits: the full picture of a person's performance does not show up in the recognition system, and it cannot be the only indicator. Performance data tells you what someone has delivered. Recognition patterns tell you how they do it, who they bring along, and where their influence reaches. Together, those inputs form a more forward-looking signal: who is already demonstrating the adaptability, judgment, and cross-functional influence that future leadership demands before they have the title to prove it.

What they're learning to see

The health system is candid that the work is still early. It is sharing data with its recognition partner to see what signal analysis surfaces and watching to learn what it finds that traditional talent processes may have missed. The quiet analyst who becomes widely recognized across departments is exactly the kind of person this system should identify before a formal award or promotion makes their impact obvious. In some specialized pediatric roles, the external market is so constrained that a large share of the available regional talent already works inside the organization. An internal talent scout using recognition and engagement data to find people with translatable skills is one way the health system is responding to that reality.

One of the organization's stated goals is to build what leaders describe as a friendliest-hospital mentality: the sense a family has when their child is sick and frightened that the people caring for that child care about each other too. That quality comes from leaders who are identified because they move through the organization creating connection and safety before anyone gives them a title. What the health system is building—a layered signal model, structural pathways that create access, and accountability that makes the data actionable—is a working response to the failure this whitepaper describes. As one senior leader put it, the days of relying on "this is how we have always done it" are over. In a hospital where leadership quality shapes the experience of a family at one of the hardest moments of their lives, that is not a philosophical position. It is the work.

Read the full report.