

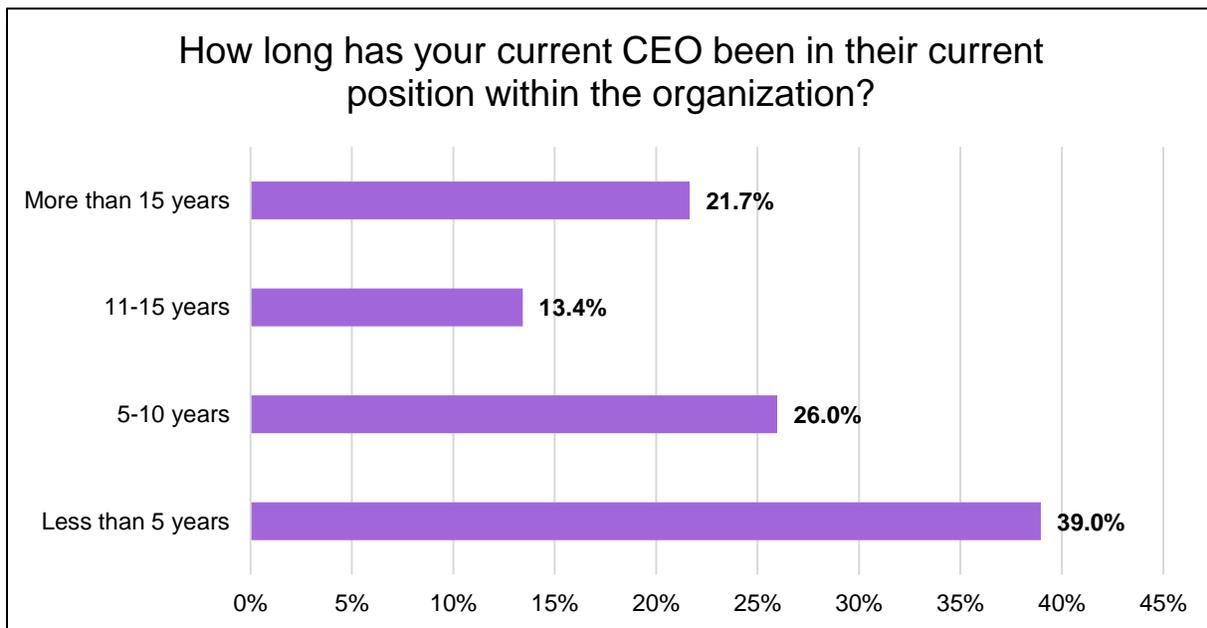
# SUCCESSION PLANNING

ZIEGLER CFO HOTLINE<sup>SM</sup>

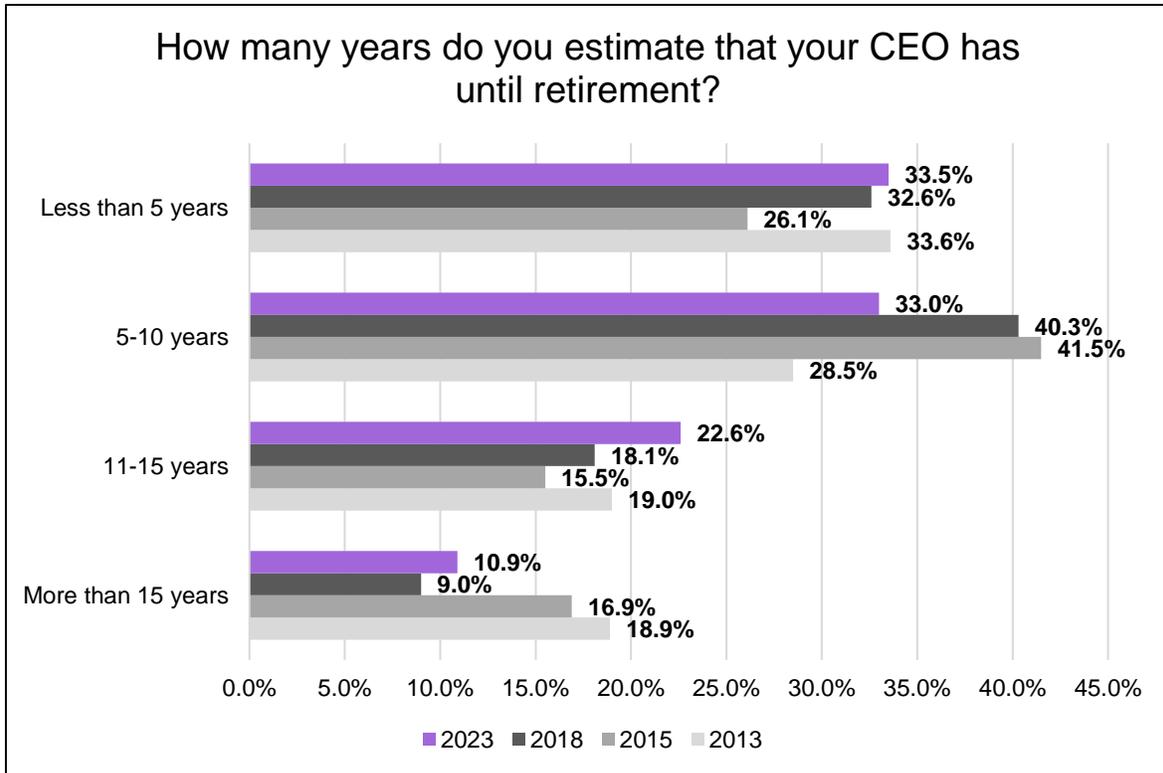
The June 2023 Ziegler *CFO Hotline*<sup>SM</sup> poll was devoted to the topic of Succession Planning. This topic was previously covered in 2013, 2015 and 2018, and allows for historical comparisons. Over 230 not-for-profit senior living CFOs and financial professionals from around the country responded to the survey, with 61% representing single-site organizations and 39% with multi-site organizations.

## *Succession Planning*

The first survey question asked how long each organization’s CEO has held their current position. The CEOs skewed newer, with nearly 40% having held the title of CEO for under five years, and 65% for ten or fewer years. Only about one in five CEOs have held their current position for over fifteen years.

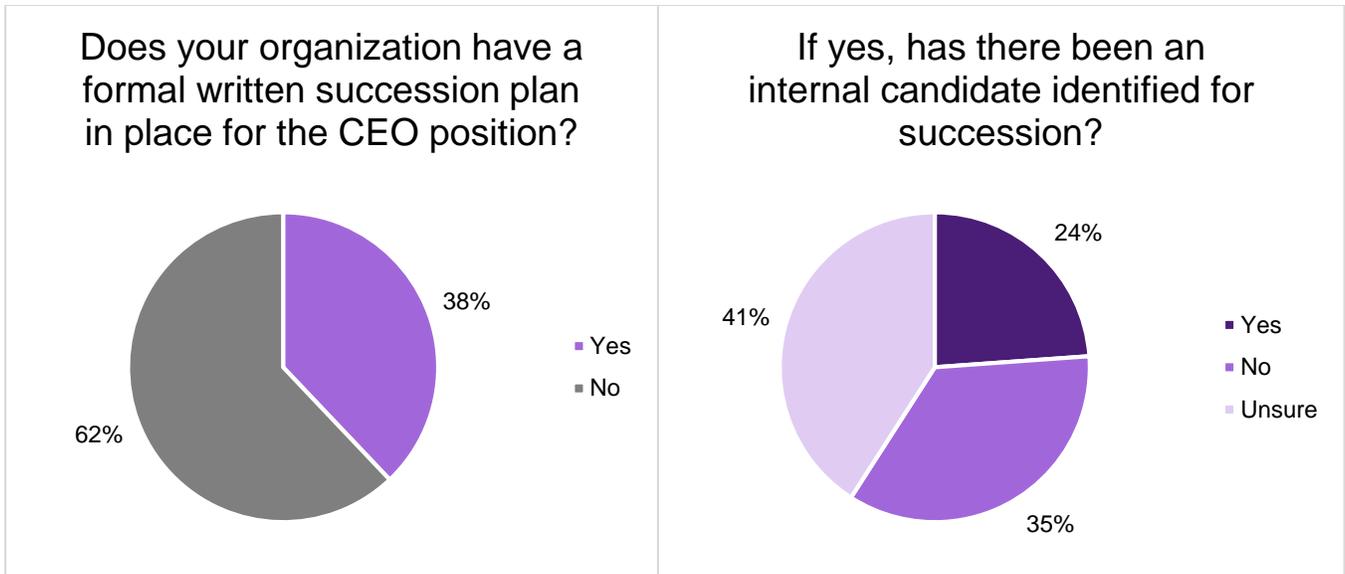


A follow-up question asked respondents to estimate how long the organization’s CEO has until retirement. As shown below, a third of the respondents indicated that their CEO likely will retire in less than five years. Another third noted estimates of retirement in the next five to ten years. Only about one in ten CEOs plan to remain in their role for the next fifteen years or more. See below for a historical comparison.



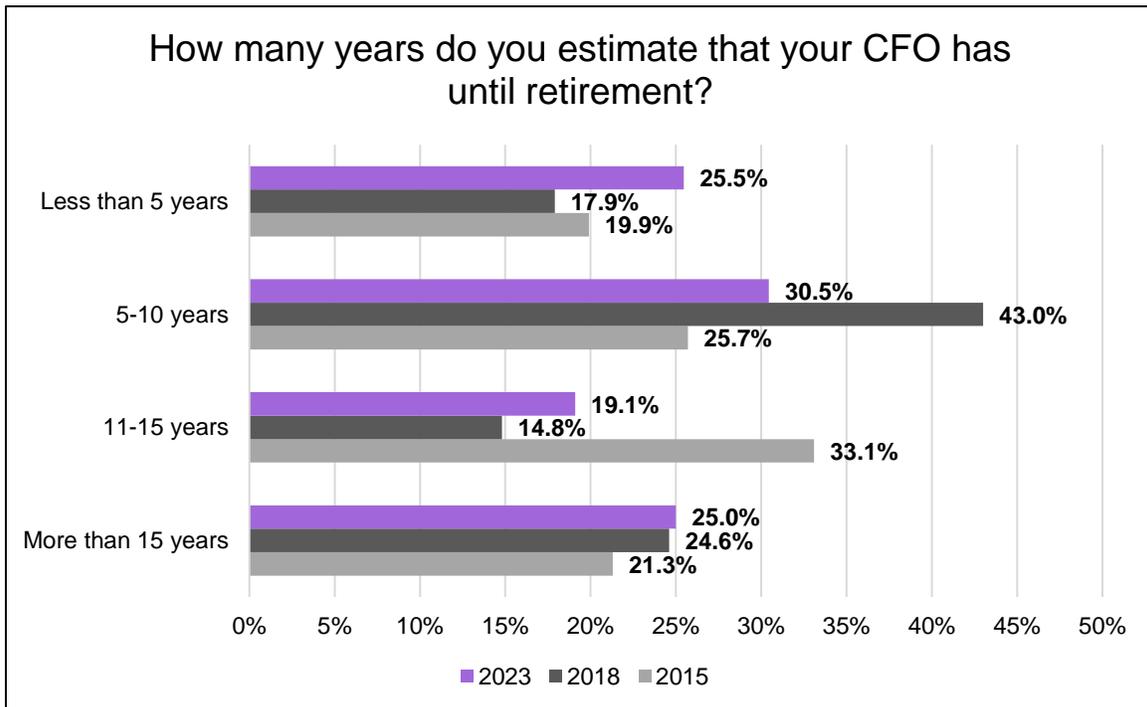
Only 38% of organizations have a formal, written plan of succession for when their CEO retires. Of that 38%, only a quarter affirmed that their organization has plans for a specific internal candidate to step into the CEO role. When asked which role that candidate currently holds within the company, the most common answers were Chief Operating Officer, Chief Financial Officer, and Vice President/Executive Vice President, respectively. See below.

Top 3 responses for internal successors	
Role	# of Mentions
COO/VP Operations	10
CFO	5
VP/EVP (role unspecified)	4

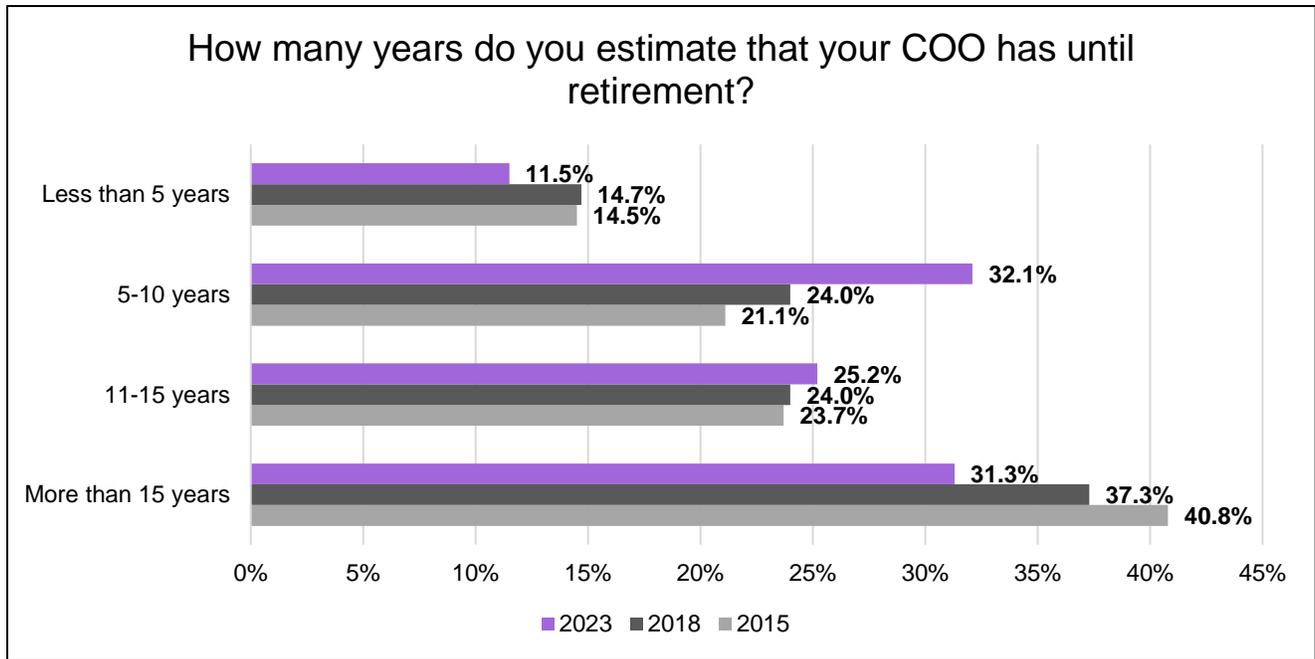


The vast majority of organizations (80%) have not considered affiliation as a plan for after their CEO retires. Ten percent have discussed this option, while the remaining ten percent are unsure whether or not affiliation is a possibility. This statistic was fairly similar across both multi-site and single-site organizations.

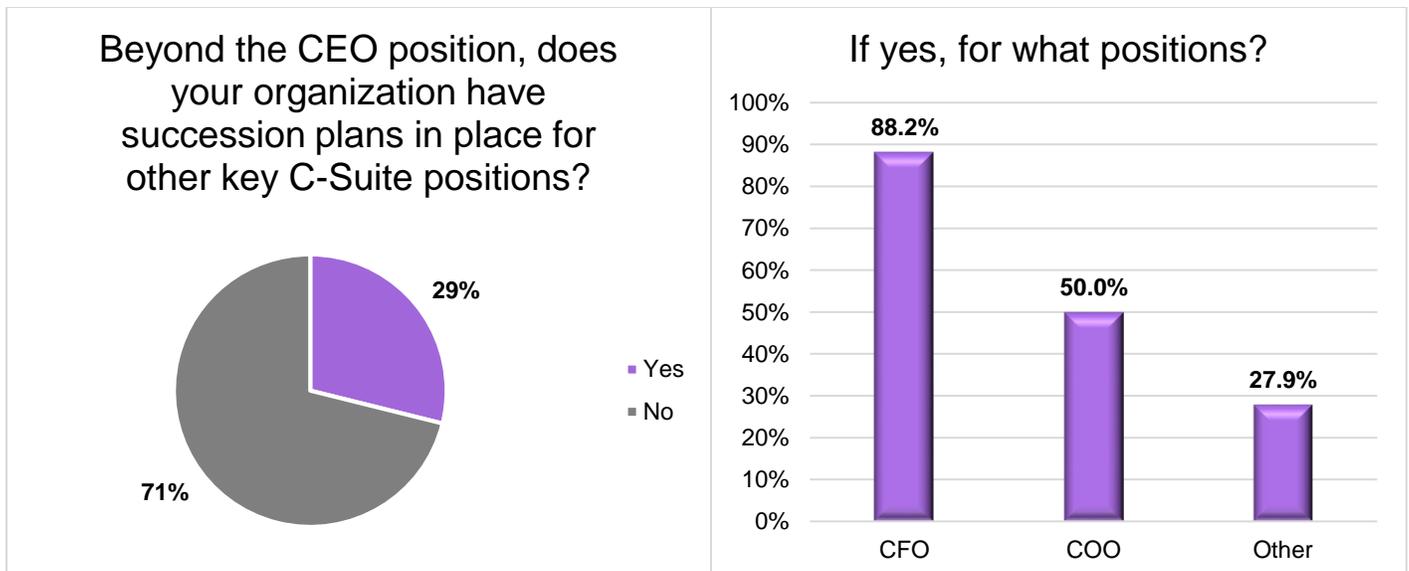
After estimating how long their CEOs had until retirement, respondents were asked to answer the same question regarding when their CFOs planned to retire. Other than the small percentage of organizations that did not have a Chief Financial Officer position, the answers were split fairly evenly, with the highest percentage (30.5%) of CFOs having held their role between five and ten years. See below to compare the answers to the same question posed in 2018 and 2015.



The same question was asked regarding COOs, a position which 44% of respondent organizations do not have. Of the remaining respondents who do have a Chief Operating Officer, the most common estimate was five to ten years until retirement. See the current and historical breakdown below.



Nearly 30% of respondents indicated they had succession plans in place for leaders other than the CEO. The vast majority who answered “yes” had a plan in place for the CFO, and half had a plan for succeeding the COO. Those who answered “other” were invited to specify. The most commonly mentioned “other” role was the Human Resources officer/director.

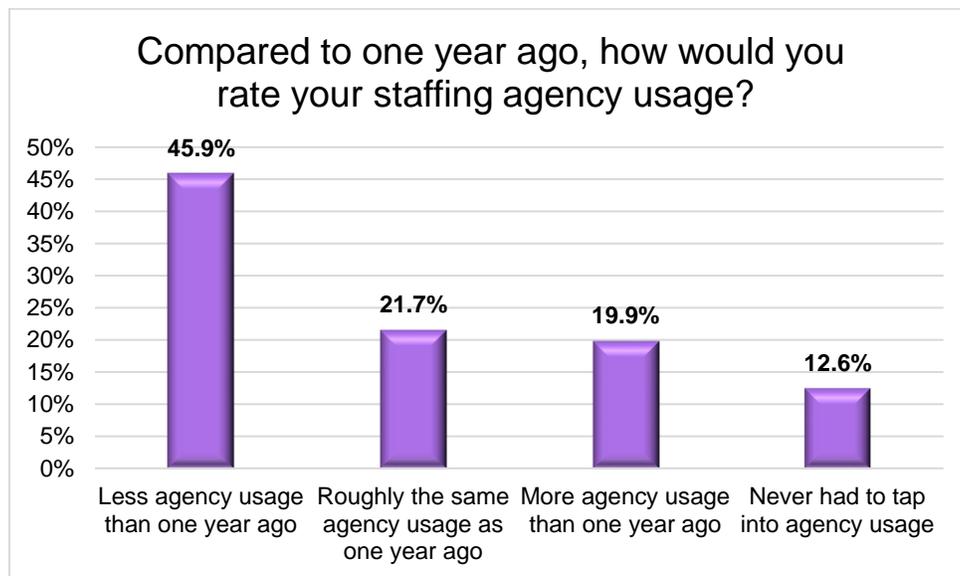


About half of the respondents also noted they were worried about replacing other roles within their organizations. Below is a breakdown of the most common roles (five or more mentions).

<b>What positions (other than CEO, CFO, &amp; COO) do you worry about replacing?</b>	
<b>Role</b>	<b># of Mentions</b>
Clinical/Healthcare Leaders	25
HR Leaders	18
IT Leaders/Staff	13
Other Directors	11
DON	8
Marketing/Sales Leaders	8
NHA	6
Facilities director/staff	5

***Bonus Question***

The CFO Hotline<sup>SM</sup> surveys now include a random question that is generally unrelated to the theme of the month. Thus the surveys can gather feedback on additional topics suggested by CFOs that may not necessarily require a full survey devoted to that topic. This month’s question regarded staffing agency usage. Almost half (46%) of respondents indicated they would rate their agency usage as less than it was a year ago. Roughly 20% each said their usage was up from last year or had stayed the same. Only 13% indicated they have never used a staffing agency. See the chart below for details.



### ***Open-Ended Response***

Respondents were also able to share additional comments regarding Succession Planning. Below is a sampling of these. Comments may be edited for length or minor grammar issues.

- *Being a single-site with limited employees, it is difficult to have internal candidates available. We will have to go the external route to get a candidate.*
- *The Board has an emergency plan for the CEO should an urgent need occur. It is a temporary interim role.*
- *It is our goal by the end of this year to have a succession plan in place for both the CEO and CFO.*
- *Also important are the number of leadership positions that are of retirement age concurrently. Here, the CEO has 4 key executive level positions ready to retire within the next two years.*
- *We have a short-term emergency operational plan in case the CEO cannot function and part of that plan is to begin if necessary a search for a new candidate.*
- *Very difficult to bring new/younger people into this industry.*
- *Affiliation will impact future succession planning but unknown as to what positions other than CEO will be impacted.*
- *We executed our long-standing succession plan during 2021 and the beginning of 2022, when all executive leadership roles in the organization transitioned. All were filled by internal candidates. The plan was executed relatively seamlessly and our subsequent work has been to rebuild the succession plan.*
- *Succession planning is informally considered when making hire decisions, but the organization is managerially thin making succession planning relatively difficult to achieve on a practical level.*
- *Everyone is tired. I believe retirement will come sooner than later.*
- *There has been a recent renewed focus on succession planning at the board level. Board and executives are currently very pleased with the composition of senior management and realize that succession planning to maintain managerial strength into the future is a key element of corporate strategic planning.*
- *Our Board had the foresight to have management create a succession plan and to have it reviewed annually to be sure our Community can develop future leaders and minimize issues when an executive position is vacated.*
- *We have identified internal candidates where possible as we prefer to promote from within.*
- *This is something we are working on, just don't have it formalized yet.*
- *There has not been much leadership turnover, however, that's why it appears it's going to hit us all at once.*

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