A wave of CEO retirements is about to hit the senior living industry. It is known that many high-profile chief executives are readying to exit, while industry estimates have suggested that one-third to one-half of senior care CEOs will leave their positions in the next few years. This presents an obvious concern within organizations and across the industry: Who will lead in the future?

To find out more about the scope of the issue and organizations’ preparedness to deal with it, Witt/Kieffer recently conducted a targeted survey of top industry leaders. Forty-seven individuals identified as CEO/President, Executive Director or Administrator of multi-site and single site organizations nationwide were polled. Questions covered executive tenure and plans for retirement as well as the status of organizational succession planning, succession planning philosophies and responsibilities, and institutional challenges faced in the process.

The following report presents data and opinions in response to these questions. It explores issues related to succession planning and opportunities for organizations to dramatically improve their readiness for the transitioning of leadership.
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Succession Planning for Senior Living CEOs

Introduction

Today's continuing care retirement communities (CCRCs) and other senior living organizations face the inevitable departure of key senior leaders. Industry consolidation, service diversification, and the push toward population health are just a few factors that are reshaping the senior living field – and organizations' leadership teams.

While significant executive turnover has not traditionally been a concern in senior care, a recent Witt/Kieffer survey suggests that a wave of retirement is coming. Meanwhile, the pool of qualified candidates to replace these outgoing executives is not sufficient.

A clear solution to this dilemma is comprehensive succession planning in senior living organizations. Succession planning is widely accepted as a means to ensure smooth transitioning among leaders and to develop a pipeline of up-and-coming executives. It also:

- is a sign of proactive governance
- creates confidence within the organization
- addresses outside stakeholders’ desires for planning; protects bond ratings
- initiates discussion regarding CEO and top leader competencies and responsibilities
- supports CEO and senior leadership evaluations

In short, succession planning is vitally important, and this is especially true in the shifting senior living sector today. And yet it is safe to say that the practice is not nearly as entrenched as it should be.

The survey by Witt/Kieffer of chief executives at CCRCs and other senior living organizations found that, while nearly all respondents believe in the need for good succession planning, not enough have made it a priority (illustration).
The Urgent Need to Plan

There is a clear need for greater emphasis on succession in the industry. Senior living providers are moving in different directions today, even reinventing themselves to accommodate changing market demands. They are consolidating, partnering with general healthcare providers, diversifying their services, exploring affiliations, and raising capital for new initiatives. To meet the growing interest in population health, they’re taking important roles in local well-being efforts and providing services to keep seniors in their homes.

Amid this activity, the Witt/Kieffer survey found remarkable stasis at the top: More than half of the CCRC leaders surveyed have been in place for 10 or more years (Figure 1). It is not unusual to find senior care CEOs who have been in their positions for more than a quarter century. This reflects an extraordinary level of longevity. Of course, continuity can be valuable. The danger is that organizations may, understandably, become complacent with their status quo leadership when they should be strategically anticipating retirements to come and developing a foundation for future leadership teams.

The survey discovered that over two-thirds of respondents believe their organization would be in good hands if they were to leave now. However, only about one-quarter of them could identify anyone being groomed as their successors. True, many organizations do handle chief executive transitions without groomed successors — but the discrepancy in these numbers is enough to raise concerns. In a tight talent market, organizations cannot depend on the ability to recruit dynamic new CEOs from the outside and have them transition quickly and seamlessly.

Anticipating the Future

Respondents’ comments reveal varied institutional philosophies as to how succession should be done, and who should be in charge. Some CEOs and boards are addressing succession planning together, while some boards are divided on whether the CEO should take a role in the process.

Responses to the question “How are potential successors to the CEO role identified at your institution?” offered further indication that succession planning is approached on an informal, as-needed basis. Formal efforts comprised only 19% of the replies. The survey shows that the majority of institutions represented by the respondents were treating succession planning as more of an impromptu process.
While opinions differ as to whether a board should execute a succession plan without a CEO's involvement, it is absolutely clear that the process is vital and must be driven by the overall strategic plan. Succession planning is an extended activity that prepares the next generation of executives and allows the organization to sustain its culture and operations during leadership changes.

**Obstacles to Consider**

As noted, the survey suggests that succession planning for the senior living CEO role (and other C-suite roles) may not be receiving the attention it deserves. Some respondents stated that their boards don’t see the urgency of succession planning. Instead, they focus on more immediate business matters. Other boards prefer to recruit proven CEO leadership rather than commit resources for the development of internal candidates.

Bench strength is a recurring concern. Lack of depth in the quality and diversity of skills among the next generation of leadership was noted, with the pool being especially shallow for organizations with strong mission orientations. One survey respondent lamented the difficulty of “finding someone who has the skill to run a large operation with the faith-based background that meets the mandate of the sponsoring denomination.”

Even if a plan is in place, execution is everything. Asked about challenges to succession, one respondent replied succinctly: “Losing successor to another CCRC provider.” Indeed, the entire process of identification, mentoring, and grooming future leaders must be handled well — and even then, there are no guarantees. Nevertheless, not planning for leadership transitions is not a viable option.

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**What is your organization’s philosophy for succession planning?**

“Build a strong team internally with diverse talent while taking note of upcoming leaders outside the organization. Match current needs with the strategic plan, then address any talent gap with changes that occur.”

“We are training and preparing leaders at several levels.”

“Ensure a seamless transition when the time comes for change. The board wants a successor to come from within, so the latest COO hire was to ensure this could happen.”
Survey Snapshots
The section below takes a closer look at key data from the survey.

Figure 1. How long have you been in your current position?

Fully 51% of surveyed executives have been in place for 10 or more years, as shown in Figure 1. This is extraordinary, considering that CEOs in other industries typically have average tenures of five years or less. Stability can be good yet can cause organizations to shy away from change and fail to keep up with industry trends.

Also of note is that roughly one-quarter of the CEOs polled have been in their positions less than three years, suggesting the scope of turnover that is currently taking place.

Figure 2. If you have plans for retirement, when are they?

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While the tenure of senior living executives is impressive, many of these leaders will be exiting the scene soon. As Figure 2 suggests, 33% plan to retire within the next five years. With extremely experienced leaders coming to the ends of their careers, the issue of next-generation leadership comes into greater focus.

**Figure 3. What is your organization’s general approach to succession planning?**

Fortunately, there seems to be a good level of institutional interest in succession planning, as indicated in Figure 3. Roughly two-thirds of respondents believe that their organizations are taking an “active” or “very proactive” approach. On the other hand, this does mean that a sizable one-third of all respondents fall in the “not very active” or “severely lacking” categories. It is important for those organizations to ensure follow-through and to make succession planning systematic.

**Figure 4. Who is primarily responsible for CEO succession planning in your organization?**

“We have not focused on succession planning due to an immediate need to focus on current operational opportunities.”
The matter of responsibility for succession planning is important. Forty-five percent of survey respondents noted that they shared this responsibility with their boards, while 36% left it up to the board chair and/or board committees (Figure 4). In and of itself this is not unusual or concerning, as long as the CEO (or other top executive) works to ensure that the board is taking the initiative to plan.

Nearly one-fifth of those responding to the question in Figure 4 noted that they do not have a plan, which is certainly concerning. So while the CEO does not have to play a direct role in his or her succession, it is important that executives not assume that the board is automatically taking on this responsibility. Succession planning must be an organizational imperative with clearly defined roles and goals.

**Figure 5. How often do you review your succession plan?**

<table>
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<th>Frequency</th>
<th>Multi-site</th>
<th>Single site, Other</th>
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<tbody>
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<td>Every 6 months</td>
<td>4%</td>
<td></td>
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<tr>
<td>Every year</td>
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<td>42%</td>
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<td>Every 2-3 years</td>
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<tr>
<td>As needed</td>
<td></td>
<td>30%</td>
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<tr>
<td>Never</td>
<td></td>
<td>13%</td>
</tr>
</tbody>
</table>

Among organizations with plans in place, 46% review them annually or semi-annually. Approximately one-tenth review succession plans every two to three years, while three of 10 (30%) do so on an “as needed” basis, and 13% never plan for CEO succession. Because the industry is changing so rapidly, and because turnover within senior care leadership is expected to increase in the coming years, succession planning should be a scheduled and regular part of strategic planning. This prevents succession from becoming an afterthought or only taking place in emergency situations.
For further exploration, the survey presented the statements in Figure 6 to senior living CEOs to measure their reactions on a Likert scale. Their responses show some key opportunities and insights. Essentially everyone surveyed believes in the need for succession planning and wants to ensure a smooth leadership transition. Under these points of agreement, however, lie divergent ideas about how and when succession should be handled, and by whom.

Within Figure 6, it is important to note that just 37% of CEOs have planning for a successor as a stated part of their job responsibilities. This figure certainly can and should be greater. Finally, nearly half (44%) say that succession is taken more seriously when the organization is struggling. This is not surprising, perhaps, but it is revealing regarding the nature of organizations and how they operate during times of duress.
Important Actions

In order to avoid institutional inertia as the upcoming wave of senior living CEO retirements approaches, there are important areas of focus to consider:

**Getting ready.**
Timing is critical. Internal up-and-comers and external outside-the-box candidates may be ready to lead before your organization knows it. Are you ready for them? Succession planning involves many elements and needs time. Compensation packages for CEOs, for example, are getting increasingly sophisticated. Do you know what the market expects in this regard?

**Looking out.**
Succession management includes anticipating the needs of your future organization and the corresponding duties of the CEO and other top executives. These duties may be different than in the past. Have you considered looking outside senior living? Development and fundraising expertise, community presence, operations and financial excellence, governance experience, strategic vision, and relationship building are among the competencies expected of tomorrow’s CEOs.

**Moving forward.**
Succession planning should include a framework for the onboarding of new executives as well. A well-designed onboarding process in the plan will ensure that outgoing leaders are appropriately recognized and incoming leaders get off to positive, productive starts.

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Senior living succession planning in an age of great change is about much more than the CEO’s future or the transitioning of top executives. It is about securing the organization’s future and increasing the likelihood that it will retain strong, consistent leadership over time.
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About Witt/Kieffer

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