

RESEARCH & FORECASTING UK

MANAGER CHURN KPI



PERFORMANCE Why the Manager Churn KPI?



- EXCELLENT**
- GOOD**
- AVERAGE**
- POOR**

“In any business stakeholders are looking for motivated and incentivised managers who can build the business and maintain high standards; if they are recent appointments it is recognised that they will take time to become effective and if they have been in the job too long experience and studies reveal that their performance will or could (there are exceptions to any rule) stagnate.”

Jeremy Tasker | Head of Healthcare
Colliers International

We are specialist property consultants who value trading assets in the healthcare sector and in making our decisions we are hugely focused on tangible factors, including:

- Location location, location!;
- Competition; and the
- Suitability of the asset for the delivery of the required care need.

As specialist business consultants and analysts we also utilise sophisticated benchmarking tools which enable us to review the historic performance of the healthcare business and place it in the context of peer group performance as a tool to assist in assessing sustainable trading and profit levels.

In doing so, we consider the level and qualification of the staff needed to deliver the service, and the wages and other staff costs required to deliver the care and sustain the income stream. We recognise that in all businesses, and especially those where staff interact directly with their customers (both those that purchase the service and those that receive it) throughout their working day, staff members and in particular senior staff, need:

- Comprehensive training, which is time consuming and costly at appointment and needs to be maintained throughout the employment;
- To build skills and maintain relationships with their customers at both ends of the supply chain;
- Specific training to add business skills to their existing care delivery skills;
- Ongoing support to maintain the skills developed.

The provision of this training is expensive and when the training is given we are confident that both the trainer and the trainee hope that the new job holder will remain in the position for many years, growing expertise and business skills to deliver additional profitability to the company.

If we concentrate on the most senior employee in a care home, the manager; what is the optimum time that she or he should stay in the job? Until retirement? That would, in theory, provide the maximum return for the training input. Studies of senior managers in major corporates (not just healthcare) suggest that the optimum time for a manager to hold a single post is seven years, as after that period they have achieved all that they can do in that role.

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Common sense tells us that if the average length of service of home managers is only a few months then the business will not be as profitable as an average length of service of many years. Recently appointed managers will not be used to company systems, will not know the staff and will almost certainly not have the links with purchasers to the level that ensures high occupancy. It's not just common sense either. Most reports of the pre-collapse of Southern Cross indicated that they were haemorrhaging managers, which was most likely a major cause of occupancy levels and reduced profits.

Is there a link between length of service of the senior manager and the profitability of the business? That is the question that this research will answer in time and offer a measuring tool that we hope will be of assistance to our contributors and some headlines of interest to the wider marketplace.

Clearly there will be managers who have been in the post for a few months who are very effective and others who do not find the position challenging and are waiting for the next opportunity. Instinct suggests to us that in the healthcare sector you should strive to retain good quality staff that are

effective in their management roles and provide continued trading and support to maintain manager involvement and interest in the role that they have, incentivising them to recognise continued success.

What the initial research output tells us

In H1 2012, we began to collect data from our Healthcare Valuation teams and from selected operators relating to management churn asking the following questions:

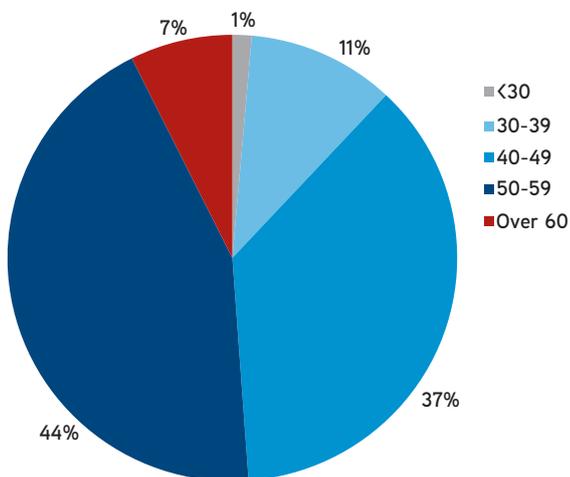
- How long has your manager been in the post?
- How old is she/he (within a range of age bands)?
- Was she/he an internal or external hire?
- How do you incentive your manager?

We now offer the results of this initial survey of in excess of 250 units as a new key performance indicator adding to our already market leading healthcare sector analysis. We recognise that this is not a particularly robust sample of the whole industry, but it is a start. We believe it to be a good indicator of the age and experience of a typical manager in the UK elderly care home sector. In subsequent publications we intend to measure how the age and number of years in service of a manager impacts on the five long-term elderly KPIs; which include occupancy rates, average weekly fees, payroll and non-payroll costs as well as EBITDAR.

Age of manager

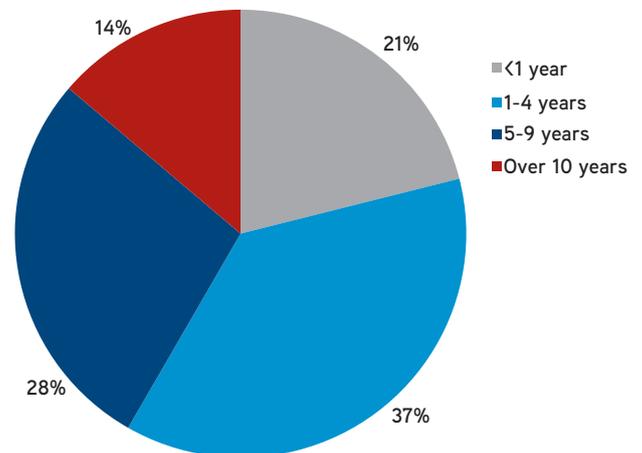
We split our analysis of the typical age of elderly care home managers into age brackets. We found that the majority of the care home managers fell into two categories, between 40-49 (37%) and 50-59 (44%) years of age. Younger, less experienced managers (aged less than 30 years) accounted for only 1% of our sample and 7% were 60 years and older (see **Figure 1**).

FIGURE 1: AGE OF MANAGER



Source: Colliers International

FIGURE 2: YEARS OF SERVICE



Source: Colliers International

Years of service

The majority of care home managers in our sample have been in service for between one and four years (see **Figure 2**). The majority of managers in this category (46%) were aged 40-49 years and those between 50 and 59 years accounted for 38% of the sample.

What is interesting to note is that managers with between five and nine years' experience and those with less than a year's experience were almost equal at 28% and 21% respectively. In both years of service brackets, the greatest percentage of managers were aged between 50 and 59 years.

Of the managers who had 10 or more years of service, 48% were aged 50-59 years. 29% of the managers in the same category were aged 40-49 years.

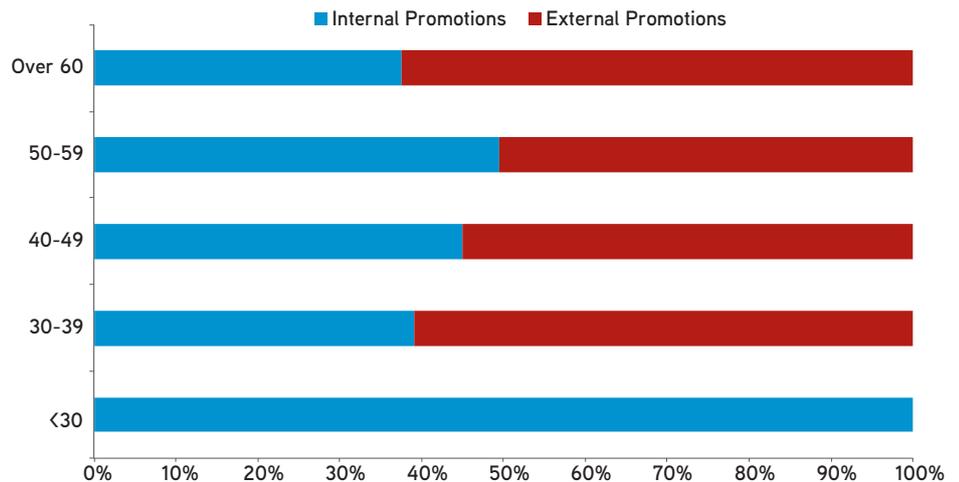
In a regional context, we took the median number of months that a manager was in service rather than the average as the average was being skewed by managers with more than 10 years of service. To put it into context the UK median for our sample is 41 months in service. Five regions had managers who have been in service less than the UK median of 41 months; whereas six regions, which included Wales and Scotland, saw a median months in service greater than 41. Of those six regions managers in the North East saw the longest at 80 months (6.6 years) (see **Figure 3**).

FIGURE 3: MEDIAN NUMBER OF MONTHS IN SERVICE BY REGION



Source: Colliers International

FIGURE 4: PROMOTIONS BY AGE BRACKET



Source: Colliers International

Promotions

We also looked at manager promotions, whether they were internal or external and by age bracket. More than half the number of managers were promoted to their current position externally. Our analysis of promotions by age bracket shows us that managers under the age of 30 are promoted internally. As the age of the manager increases the data indicates that external promotion was more prominent. For managers in their 50s, there are equal numbers of managers who were promoted internally and externally (see **Figure 4**).



Initial conclusions

What can we learn from this initial research? Were we surprised that the vast majority of care home managers in the survey were between 40 and 59 (81%)? Probably not. Were we surprised that of the 21% who have been in the post less than one year that a significant minority had been in post for only one month! Yes we were. Were we surprised that one manager had been in post for 25 years? Yes we were; the sector was a very different place in 1987! If you believe the management school scripts about the seven year cycle of competence then probably approaching 30% of units surveyed would benefit from moving the manager on.

Our review of the statistics on a regional basis was going to be left out of the research because of the validity of the data, but we were interested in the results and on balance decided to keep the table in. The median length of service was 41 months with London at the lower end (22 months) and the North East at the higher end, in excess of 80 months. We can think of a number of reasons why that might be the case, but we will await the results of our more comprehensive research before we comment further. We also want to work further on the internal versus external appointments data and the responses to the incentives question were too varied to plot, but we will persevere!

We have started the research process and we certainly want to move it on as described and to link profitability with length of manager service. We need more data sets and we hope that a wide range of operators will work with us to make that link and use the Manager Churn KPI data for the benefit of their business.

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We wish to thank those operators who have contributed data to this research project from the countless individual owner/operators to corporates large and small who have provided live examples from their portfolios including: Barchester Healthcare, Saffronland Care, Westgate Healthcare and Care Homes of Distinction.

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