



RHarper Consulting Update

Opportunity Cost.....What is Standing Still Costing You?



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Senior housing, like all healthcare-related sectors, is facing a time of great uncertainty about the future. But while we can't reliably forecast the outcome of healthcare reform and its impact on senior housing, this much is certain; standing pat is not a viable strategy. There are too many new products aimed at the more inviting parts of the senior care spectrum and taking market share from existing programs; many markets are seeing transitional care centers coming online that siphon off lucrative sub-acute and rehabilitation services, and a new wave of memory support and assisted living centers, particularly from for-profit providers, are threatening more traditional operations.

The established senior care and housing providers are recognizing these challenges in their markets – even so, current and more traditional operators seem to be very slow at crafting and implementing strategic plans to address that new competition. This is primarily due to the somewhat cumbersome approach to strategic planning most senior care organizations employ: study it, discuss it, study it some more, and wait too long to act. Eventually, sometimes years later, a large scale plan emerges, costing millions and requiring years of approvals and entitlements to implement; by the time the plan is fully executed, the market has changed enough to make the plan obsolete. I call this the “we must know everything before we do anything” syndrome.

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In today's market, a more streamlined approach is required. Establishing and understanding a priority list of the opportunities and threats in your market is the critical factor. Determining the most executable strategy for addressing these needs is the next step. Note that I did not say “the most cost-effective” – while cost is an important factor, preparing your organization to take the right action at the right time is an even more vital task.

Standing still and analyzing all alternatives while the market deteriorates around us and competitors seize our opportunities has a tremendous opportunity cost, usually outweighing the apparent savings realized through endless deliberations and analysis. The goal is to determine the quickest way to address the item(s) highest on your priority list. Then, as you are implementing the first phase of your plan, be planning, addressing and implementing the subsequent phases.

Some key factors to consider:

- What are you waiting for? If there is an unmet need or an underserved niche in your market, someone will meet it – and that someone should be you. The market abhors a vacuum, and if you are not addressing your customers' needs, your competition will. Further, if a prospect in the market cannot find what they need, they will find a suitable alternative.
- Smaller is usually better – whenever I hear economy of scale touted as a justification for sizing a project, I always wonder what the cost of complexity may be. Bigger operations and projects are not always better. They require more capital and implementation time; they are more difficult to finance; and they often provide less personalized service to the residents. Find the smallest, most implementable, easiest to finance solution and move forward. If there are alternatives to delivering the service, such as leasing or borrowing facilities, seize the opportunity.
- Strategic planning has to be continuous and dynamic – every market is dynamic, and many are changing rapidly. Developing a set of primary objectives, implementing smaller components as opportunities present themselves, conserving capital to take advantage of emerging opportunities, and continuously evaluating feedback from the market are critical factors to providing a sustainable business model. Many organizations develop a master plan with a ten-year perspective, enter into a multi-million dollar financing to implement the plan, then falter as more nimble competitors beat them to the punch on the more lucrative market segments. Know your market, and be ready to move when opportunities arise.

Take a few minutes today and review where your organization's current master plan is pointing you. If your plan has a long list of interim steps to get you to the point where you are only then serving the most pressing needs, it may be time to re-prioritize and develop a more dynamic plan that can more readily address and respond to your market dynamics.

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RHarper Consulting Group provides development consulting, program management, and owner representation services focused on the senior living and mixed use sectors. In addition, Mr. Harper is also a listed mediator and arbitrator providing dispute resolution services for the construction and real estate industries.