

Is your company's structure aligned with its strategy?

To be a great operator, all organizational elements must work in synchronization

By Adam Heavenrich

As the seniors housing industry matures, providers will need to become more sophisticated in competing and caring for residents and anticipating the needs of their customers. Formulating a strategy is a key step in thinking through the needs of your client base and staying ahead of the competition.

Strategy is about betting on the future, and like any bet there is an element of risk. While having a well-thought-out and executed strategic plan won't eliminate risk, it will help increase your odds of success in the market. A strategic plan focuses your energy and helps dictate opportunities you should not pursue.

The strategic plan typically includes three components: a vision or mission statement, initiatives and financial details.

The well-crafted vision or mission statement will help communicate the company goals to the executives, as well as the employees of your organization. It will be a useful tool to keep everyone focused.

Initiatives are the daily or weekly tactics that you intend to take to achieve your goals. These are measureable and assignable tasks that have a time frame associated with them and a person or persons responsible.

Financial details are budgeting costs associated with implementing the tactics. With some strategies, the financial details may require an extensive capital plan that will require a capital partner or equity raise.

Within a strategic plan, you will need to ensure your key organizational elements are fully aligned with your strategy. These elements include organizational structure, culture, compensation, operations, infrastructure, technology, and capital and capital sources.

Sources of strategic inspiration

A successful strategy can come about in many different ways. It can come through a sudden insight, or through the integration of comments and feedback from your employees and residents, refined in the field over time and realized through a formalized strategic plan.

If you are an independent living provider in a stand-alone community, identifying your customers and anticipating their needs may be a fairly straightforward proposition. You are in contact with customers daily and hear their feedback.



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The strategy may consist of implementing hundreds of constant refinements within the community, communicating those needs to the staff and making sure the staff is compensated to meet those needs.

New set of customers emerges

Dramatic market changes must be recognized and require a change in strategy. If you're a large post-acute care provider, your strategy and customer base may be more complex than an independent operator. This is partly due to the changes accelerated by the Affordable Care Act. Your customers, for example, are not only prospective residents, but are also the hospitals, doctors' groups or managed care organizations that provide referrals. These customer needs may be very diverse but critical to future growth of your organization.

With the implementation of accountable care organizations (ACOs) and the pressure toward scale, a stand-alone skilled nursing operator must recognize that its customer base has changed and adjust strategically to meet customer needs in the new environment.

In particular, operators need to demonstrate outcomes in care and quality, which requires investment in technology and staffing. In addition, hospital providers are abbreviating their post-acute partner list and

are seeking partners with multiple sites and proven outcomes. A stand-alone operator may well recognize that it cannot continue to compete without significant resources in technology, infrastructure and human resources.

Rather than try and build this infrastructure internally, a stand-alone operator might choose to enter into a joint venture or sell to a larger provider who has these critical resources in-house.

Addressing customer needs daily will always be the first priority of a good operator. A great operator will make the additional effort to align all its key organizational elements with the overall strategy.

Mainstreet retools for success

Zeke Turner, CEO of Mainstreet, recognized early on that the post-acute market was evolving into a distinct segment of care and that it was grossly underserved in both infrastructure and amenities.

"The post-acute population disliked the old, institutional nursing home with shared bathrooms and cafeteria-style dining," says Turner. "Our vision was to introduce a new facility model that would drive demand for post-acute rehab. Similar to the way hotels made a leap away from motels, the same could be done in seniors housing to provide a better consumer experience through a resort-style design."

Mainstreet found, in fact, that this better experience actually did drive demand for post-acute services that were previously unrealized. Mainstreet's strategy is to serve as the developer in creating a new product designed specifically for the post-acute sector across the country.

The company's expertise is on the real estate side where it identifies the locations, entitles the land and works with architects, operators and general contractors in designing and building the facility. In addition, Mainstreet has entered into joint ventures with select regional operators to run those facilities.

All aspects of Mainstreet's organization had to be aligned with the company's new vision of post-acute care. Not only did it need a new capital partner who could roll out the facilities and a development team with expertise in both entitlements

and the nuances of consumer-friendly design, but it also needed to create an entrepreneurial, flat organizational structure to execute its vision for these facilities across the United States.

Maximizing sale value

A good strategic plan will always maximize the value of your assets when it comes time to sell or sale-leaseback. ⁿ

Within a strategic plan, you will need to ensure your key organizational elements are fully aligned with your strategy. These seven elements include: 1) organizational structure, 2) culture, 3) compensation, 4) operations, 5) infrastructure, 6) technology, 7) capital and capital sources.

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