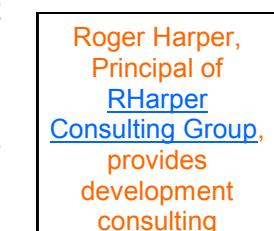




RHarper Consulting Update

Considering Growing by Acquisition?



The economy and tight capital markets have severely curtailed and effectively stymied the expansion plans of most senior housing organizations, particularly in new campus development. Successful organizations have been repositioning their existing campuses to capture a greater share of what has been a decreasing market; many are now fueling their growth by acquisition.

Growing by acquisition takes many forms. A competitor may take over a struggling adversary, or an organization may expand into new lines of business, broadening the array of services it provides to the market and opening new doors for revenues. Regardless, growing by acquisition requires new skill sets and resources in order to implement an effective acquisition strategy.

Organizations accomplish successful growth through careful preparation, and through rigorous examination of how potential acquisitions could fit the organization's mission and strategic plan. Too often, we see acquisitions executed for the wrong reasons – "it was a great price," or "they were in trouble and needed our help." Motivating factors, certainly, but not strategically prudent.

Things to consider as you consider an acquisitions strategy:

Prepare your organization – How will your current management team and organizational structure handle a new acquisition? If you currently operate multiple sites, it's not such a huge leap, but if you are a single site highly centralized management structure, start working now on how and who will be tasked with operating a new acquisition and transplanting your culture to a new organization.

Look internally first – Looking at an acquisition opportunity should prompt questions about how you might accomplish the same goals without the risks that come with acquisitions, such as additional leverage, human resource issues, and operational challenges. Is there a way within your current organization that you can accomplish the same goals, or does the acquisition present a unique opportunity? If the acquisition opportunity presents your organization with the best avenue for smart and sustainable growth, then commit yourselves to pursuing it. Our industry has a number of barriers to entry, such as Certificates of Need, where acquisition presents the only viable opportunity for growth.

Be Opportunistic – At the risk of sounding contradictory to the points above about strategic planning, acquisitions require you to be opportunistic. Acquisitions will take their own form, and will not come to you in neat packages that meet your long term planning goals. They come with problems – otherwise, they probably wouldn't be acquisition opportunities. Waiting on the perfect acquisition, or losing the opportunity due to management or your Board not being ready to act, often leaves organizations on the outside looking in as more opportunistic players move in and successfully execute the transaction.

Acquisition currently presents the best growth opportunity for senior housing organizations. However, it is a new paradigm for most of us, and there is much to learn from others who have grown by acquisition. Take a hard look at some of the for-profit organizations which have absorbed large acquisitions over the past few years, primarily in the assisted living industry, and consider how they have dealt with both opportunities and problems. Learn from their mistakes and their successes, and apply those lessons when you consider growing by acquisition.

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