RHarper Consulting Update

Spend the Minimum Amount to Succeed, or the Maximum Amount to Fail?

Roger Harper, Principal of RHarper Consulting Group, provides development consulting services to the senior housing industry.
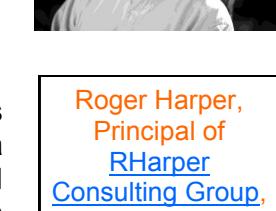
It's amazing how many owners and sponsors of projects lose sight of their goals developed once budget becomes a challenge. Too often key project components are sacrificed to meet budget demands when these components have been identified as essential for the project's success during the strategic planning process. This results in the value equation getting turned inside out – you end up spending your budget limit or beyond and still fail, because the strategic goals were ignored. Let's focus on how you can spend the minimum amount to achieve your critical strategic goals and still succeed.

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The strategic planning process must solidly establish and reinforce the project's goals. If these goals are properly established during the planning process, they won't be readily discarded if challenges emerge during the implementation. Other solutions will come to the table that maintain the integrity of the strategic planning process and of the critical elements for project success.

If your project is resource- or capital-challenged, here are some areas to focus on instead of abandoning key strategic goals:

- Evaluate Phasing Alternatives – Too often we see projects that are abandoned because the sponsor incorrectly assumes that if they can't do the total project now, they can't do any of it. The last few years have taught the industry that there is an appetite in the capital markets for smaller pieces of larger projects, provided the smaller project incorporates significant revenue drivers. The capital markets have readily accepted these smaller projects, such as adding more residential units, rehab services or new dining venues.

- Financing Alternatives – Determining a viable plan of finance during the strategic planning process is an important part of the process, but it must remain flexible due to radically changing market conditions. Maintaining a constant vigilance on the capital markets and being ready to change financing to achieve project strategic goals is essential in today's marketplace. Multiple smaller phases financed with different debt and equity products are much more common today than large financings designed to fund multi-year, multi-phase projects.

- Keep the Strategic Planning Process Active – Questioning the continued long term benefits of strategic goals may be challenging, but periodically assessing the validity of the project goals is a critical function that is often overlooked. Changes in health care administration requirements, reimbursement, accountable care organizations and other rapidly evolving changes may affect your strategic planning goals. Adjusting as this evolution occurs is essential to meeting market needs at project completion, not just as they were perceived or formulated at inception.

Determining strategic goals and creating a detailed plan to achieve those goals for an organization is a complex process which requires a significant commitment of resources. The goals and plan must be carefully examined throughout the duration of the project, and courses corrected as necessary. Spending millions to achieve outdated strategic goals is a miss – while adjusting to new ideas and incorporating them into updated and relevant goals is essential to long-term success. Sometimes, it is even cheaper!

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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.