

AN
Up-Close
Look

How The Latitude Group Helped Proaxis Therapy with a Succession Plan and Transition to a New Operating Model

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Proaxis Therapy is a physical therapy and sports medicine firm that spans 21 locations in two states. Founded in 1984 by two close friends and colleagues, for years the company operated much like a family-owned business. It grew organically based on

the hard-earned reputation of its founding partners. But as the two began to approach retirement, they knew they needed an exit strategy and a new operating model that would carry the company forward without their day-to-day involvement.



THE CHALLENGE



When Topper Hagerman and John (J.A.) Atkins founded Proaxis Therapy, the two already had a solid reputation for excellence in sports medicine – built while working with U.S. Olympic athletes. They decided to leverage that experience into a broader market by launching their own business.

The move paid off. Proaxis Therapy grew and soon began providing physical therapy and rehabilitation services for Stedman Hawkins, a major orthopaedic chain with clinics across Colorado and South Carolina.

“We were working hard and growing quickly, but without any real planning,” Hagerman says. “It was all based on word of mouth and personal relationships.”

To help manage the burgeoning business, three equity partners were added in the mid-1990s. Therapists Sean McEnroe and Burton Johnson launched the company’s South Carolina operations, while Steve Stalzer joined Hagerman and Atkins in Colorado.

By 2009, Proaxis Therapy had mushroomed, with 21 clinics and 185 employees in two states. Though business was booming, the partners knew there were important underlying issues to be resolved.

First was a misalignment of objectives. Hagerman and Atkins were nearing retirement and needed a strategy for transitioning out of the business. At the same time, the three younger partners were eager to build the company and invest more aggressively in its growth.

To add to the challenge, the company lacked a central corporate structure. The Colorado and South Carolina regions operated independently, with little cross-communication or teamwork.

“The five of us got together to try to figure out who we were as a company and what each of us wanted to be and to do in life,” Hagerman says. “It proved to be a catalyst that woke us up and made us recognize we needed help in deciding how to move forward.”

THE SOLUTION



The Proaxis Therapy team engaged The Lattitude Group to help with strategic thinking and business planning.

“We did quite a bit of research and talked with several companies,” Hagerman says. “Right away, all five of us had chemistry with Kathy Bowman Atkins and Dan La Perriere of The Lattitude Group.”

Sean McEnroe agrees. “They were a good social and cultural fit and presented a proposal with the right amount of detail for us,” he says. “We knew we would be getting a business partner and not someone who would present a plan and walk away.”

The Lattitude Group helped Proaxis Therapy:

- > Establish a corporate vision and values to guide the organization.
- > Set strategic objectives for the next 5 years, endorsed by the entire management team.

- > Establish an overarching corporate structure and new business model.
- > Create a first-year business plan with specific actions and timelines to bring the company’s new strategy to life.
- > Develop job descriptions and fill key positions.
- > Create a corporate communications plan to align employees behind a shared vision, values, strategy and operating structure.



“We signed up for a 12-month strategic planning package that involved three, in-person meetings and monthly business reviews to monitor our progress,” McEnroe says. “But in reality, we’ve gotten so much more. Kathy has served as a facilitator and coach who not only is keeping us on track with our strategic plan, but also is willing to jump into issues with both feet. We know we’re not alone in figuring out our problems.”



1 A shared vision and transition plan that meet the needs of all five owners

As Hagerman and Atkins thought about the next stage in their lives, they were eager to reduce their financial risk and to take cash out of the business to provide retirement income. They also wanted assurance that the business they had built through their own blood, sweat and tears would continue to move forward with the same patient-centered values that had made Proaxis Therapy a success.

The three younger partners – all in their 30s – preferred to reinvest in the business and pursue new growth opportunities, even if it meant taking on carefully considered debt. But even they had varying ideas about precisely how to proceed.

“Though we’re not a family, in many respects what we had was a family business issue,” McEnroe says. “We had divergent interests and divergent views on what needed to happen next. It was fairly simple to figure out the money side of the equation, but without a shared vision of where the business was headed and how, it was simply a financial deal that might have fallen apart.”

The team’s business planning and strategy work with The Latitude Group has made all the difference.

“We thought that in the end, each of us would have to compromise, with nobody getting precisely what they wanted,” Steve Stalzer says. “But in fact we ended up with a much better outcome. Dan and Kathy were instrumental and asked all the right questions at the right time. She encouraged us to take a look at what each of us wanted and then find a way to make it happen. That’s precisely what we were able to do.”

“I had never been involved in strategic planning before, but now I tell my friends in business to do it and do it now,” says Topper Hagerman, founding partner, Proaxis Therapy. “It really has taken our company to the next level.”

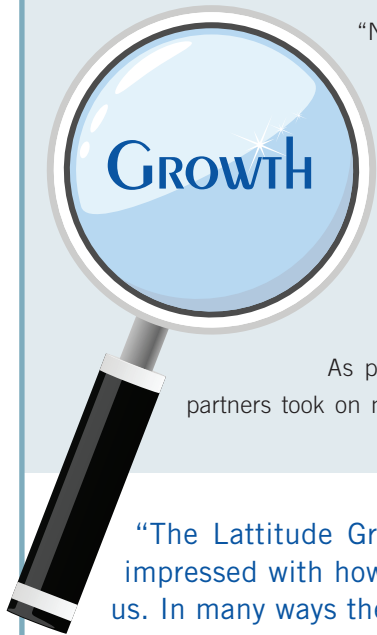
2 A new business model

Prior to strategic planning, Proaxis Therapy’s regional operations in Colorado and South Carolina operated independently, each with its own management structure. But the partners decided there was much more to be gained by replacing that silo-like approach with a new consolidated business model.

now CEO of the consolidated organization. Burton Johnson is VP of Business Development, while Steve Stalzer is Regional President of the firm’s Howard Head Sports Medicine Centers. Founding partners Topper Hagerman and J.A. Atkins serve on a newly formed advisory council, providing each with a seamless path for transitioning away from the day-to-day operation of the business.

A communications plan was developed to apprise employees of the changes and align them behind the new vision, values and operating model.

“Now we have a company with two regions – not two companies with independent operations,” Burton Johnson says in describing the outcome. “With functional vice presidents and regional presidents who interact on a regular basis, we’ve opened up new efficiencies and opportunities for idea-sharing.”



“Now we’ve taken the strengths from each region and are using them companywide,” Stalzer says. “We looked at the unique talents of our VPs and realigned responsibilities. It has really helped us collaborate, streamline our efforts and create a more unified company.”

As part of the restructuring, the equity partners took on new roles as well. Sean McEnroe is

“The Latitude Group has been just right for us,” says Sean McEnroe, CEO. “I continue to be impressed with how they add value, even though the intense part of the planning process is behind us. In many ways they are delivering more value to us now than ever.”



3 A focused approach to growth

During the planning process, all five partners agreed to a more focused approach to growth. Rather than waiting for opportunities to crop up, the partners now are proactively pursuing strategic acquisitions that will support their business goals.

“We came out of strategic planning committed to a realistic type of growth, taking a structured approach to asking the right questions, getting the right information and seeing if the firm we’re interested in is a good fit,” Hagerman says.

To aid in the search for new acquisition opportunities, The Lattitude Group recommended a specialized consulting firm to scan an ever-changing market landscape and identify promising targets.

“Our business has grown, but this is the first time we’ve focused on how we want that growth to happen,” Burton Johnson said. “Now we’re proactively choosing what the future of our business will look like.”

4 A renewed commitment to patient satisfaction

Through the years, the personal relationships Hagerman and Atkins built with their patients were instrumental to Proaxis Therapy’s success.

“They are very unique people, and they designed the business around their philosophy of life,” Johnson says. “They realized that making therapy fun would keep patients motivated and totally engaged in the process. They would get healthier and would be charged up mentally to be accountable for their own health. It

was important for us to find a way to maintain that personal touch they were known for, even if we grew more aggressively.”

As an outcome of strategic planning, Proaxis Therapy is establishing new processes that recommit the firm to the relationship-based, patient/therapist model that has been the company’s hallmark. They are standardizing training for new therapists and creating better methods to track patient satisfaction.

5 A new focus on recruitment and retention

Like many healthcare providers, Proaxis Therapy faces a shrinking pool of qualified workers and competes aggressively for top talent. The issue moved to the forefront during strategic planning and now is being addressed proactively.

The company’s new business plan includes initiatives to make the firm an employer of choice – measured by employee satisfaction, improved retention rates and a shorter hiring cycle. Executives are revamping recruiting and hiring processes and establishing new tools and metrics to support the effort.

The Power of Process

Burton Johnson gives The Lattitude Group high marks for its planning process.

“We worked with a consultant previously who failed to include everyone, and it left us polarized on a bunch of levels,” he says. “The process Dan and Kathy used is great. Everyone is involved and has a voice, and by the end of the session we were really aligned.”

Johnson was especially impressed with the process used to achieve alignment during the team’s first strategic planning session. As a result, almost immediately they began to align behind a way forward.

“We were able to move through the planning process very efficiently and to accomplish a lot in a very short period of time,” Steve Stalzer adds. “What I thought would take us months to accomplish took us only days.”

To discuss how The Lattitude Group can help you address your business challenges, contact us today at information@tlgrp.com, call 336.855.3704 or visit www.lattitudegroup.com.

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