

### Exhibit 6–10: Guidelines for Divestiture of Services

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1. Were the actual financial results equal to or better than those anticipated in the strategic plan?
2. Has the organization been in operation less than 18 months?
3. Is there at least an example of a known profitable operation of approximately the same size as your operation?
4. Have utilization targets been achieved?
5. Is your payor mix the same as or better than you expected?
6. Is this a high fixed-cost operation with excess capacity?
7. Can you quantify spin-off benefits to the system?
8. Can you identify any real competitive advantages this service has in the marketplace?
9. Can you identify specific management actions that can reverse the losses?
10. Is this an early stage in the PLC or a new market?
11. Would you use your own money to invest in this venture?

**Source:** Adapted from Jay Greene, "A Strategy for Cutting Back," *Modern Healthcare*, August 18, 1989, p. 29; developed by the Society for Healthcare Planning and Marketing, American Hospital Association.

**Exhibit 6–11: Rationales and Relative Risks of Contraction of Scope Strategic Alternatives**

<b>Strategy</b>	<b>Relative Risk</b>	<b>Rationale</b>
<b><i>Divestiture</i></b>	Low	<ul style="list-style-type: none"> <li>• Industry in long-term decline</li> <li>• Cash needed to enter new, higher growth area</li> <li>• Lack of expected synergy with core operation</li> <li>• Required investment in new technology seen as too high</li> <li>• Too much regulation</li> <li>• Unbundling</li> </ul>
<b><i>Liquidation</i></b>	Low	<ul style="list-style-type: none"> <li>• Organization can no longer operate</li> <li>• Bankruptcy</li> <li>• Trim/reduce assets</li> <li>• Superseded by new technology</li> </ul>
<b><i>Harvesting</i></b>	Low	<ul style="list-style-type: none"> <li>• Late maturity/decline of the product life cycle</li> <li>• Consider divestiture or downsizing</li> <li>• Short-term cash needed</li> </ul>
<b><i>Retrenchment (personnel, markets, products, assets)</i></b>	Moderate	<ul style="list-style-type: none"> <li>• Market has become too diverse</li> <li>• Market is too geographically spread out</li> <li>• Personnel costs are too high</li> <li>• Too many products or services</li> <li>• Marginal or nonproductive facilities</li> </ul>