

# Study explores when nursing home chains should customize or standardize

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A new study by a University of South Florida researcher found important revelations that could provide chain-operated nursing homes with crucial implications for operational goals and strategic findings that

carry over to other service industries.

The biggest takeaway for nursing home operators is that having a similar percentage of Medicaid patients among its mix of residents while having a staff ratio adjusted to the community leads to increased [financial performance](#).

With about 60 percent of the 15,600 nursing homes in the U.S. chain-operated, companies often face a strategic dilemma when opening new facilities, whether through expansion, acquisition or a merger.

Do new nursing homes under the same brand give residents the same look and feel of services found at the company's other existing sites? Or should chain-operated companies customize some services and tailor them to local demand and competition? And how does the degree of uniformity impact performance outcomes?

"All service chains must decide how unique or standardized each of their units should be," said Lu Kong, an assistant professor in the School of Information Systems and Management at the University of South Florida's Muma College of Business.

The comprehensive study looked at 11 years of U.S. nursing home data and came away with three main findings:

- Nursing home chains that customize service delivery and standardize customer mix tend to see an improved financial performance.
- A standardized customer mix leads to better clinical outcomes.
- Chains that customize service delivery tend to experience increased resident welfare.

Kong is the principal investigator for the study, which was recently

published in *Manufacturing & Service Operations Management*.

While the nursing home industry is highly regulated, there is room for chain-operated facilities to adapt some aspects of their operational procedures to the local market.

"To our knowledge, our study is the first systematic multidimensional assessment," Kong said.

Research has shown that a standardized strategy is associated with [high efficiency](#), brand consistency, reduced costs, and less waste. On the flip side, customizing some services is positively linked with service quality, customer satisfaction, and loyalty.

Kong said the USF study looked at how much nursing home chains should standardize their facilities in three areas—the percentage of Medicaid residents, service offerings such as a special care unit, and the staffing ratio—and what impact it has on a facility's clinical care, financial performance, and resident welfare.

The results give chain-operated nursing homes and policymakers guidance for operational goals, as well as [investment decisions](#) in acquiring new properties, Kong said.

The study also noted that the COVID-19 pandemic brought the importance of a standardization strategy among chain businesses to the forefront. Besides having uniform infection control, nursing homes also followed the standardized guidance from the Centers for Disease Control and Prevention.

**More information:** Lu Kong et al, Service Chains' Operational Strategies: Standardization or Customization? Evidence from the Nursing Home Industry, *Manufacturing & Service Operations*

*Management* (2022). [DOI: 10.1287/msom.2022.1111](https://doi.org/10.1287/msom.2022.1111)

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