



Create a Smooth Practice Sale Transition

Julie Weir & Associates is recognized as the premier consulting firm specializing in pediatric dentistry since 1996.

The psychology behind a practice sale often gets overlooked and underestimated. It is easy for doctors to get lost in purchase contract negotiations and feel overwhelmed by all the legal, financial, professional, and personal consequences of the sale and not have a future plan after executing the contract. The best way for the seller and buyer to avoid pitfalls during this period of adjustment is to have a good transition plan in place before the sale is completed.

TEAM OF ADVISORS

A team of experienced advisors can help doctors smoothly navigate a practice sale and avoid costly mistakes. It is recommended that the seller and buyer select separate advisors so each one's best interests can be served. Advisors can include an attorney, transaction broker, banker, certified public accountant with expertise in dental practice transitions, and a dental practice management consultant.

The seller and purchasing doctor should thoroughly complete their due diligence and different responsibilities ahead of the sale to assure a successful transition of ownership and maintain the practice's momentum and profitability.

RESPONSIBILITIES OF THE SELLING DOCTOR

- **Prepare financially and emotionally**

- Planning financially during the course of a career will allow a doctor to retire in comfort and inspired for the next phase of their life. A doctor should begin working with a financial advisor by the time they are 40 years old in order to understand what is needed to fund the desired lifestyle by retirement age. A savings plan should be put in place to achieve this financial goal and revisited each year. A financially successful retirement plan has a better chance of being achieved when in place for 20+ years.
- Practice ownership creates a sense of direction, focus, and purpose that needs to be transferred to something else to keep a sense of fulfillment. There is a saying that one should never retire FROM something, but TO something. If a doctor did not develop many outside interests while practicing, they should think seriously about how they will spend their free time and still have a sense of fulfillment before they consider a sale or completely stop working.
- If the selling doctor is going to stay on for a period of time, they must accept the practice will have a new boss. It can be emotionally difficult to let go of the reins and remove oneself from the decision-making and leadership side of the business. This can sometimes be the most challenging part of the transition.

- **Hire a dental transition broker or an attorney with dental transition experience**

Often the value of the Accounts Receivable (AR) is not adequately addressed in the following areas:

- What is the buyer going to pay for AR that is 0-90 days, 91-120, 120+?
- How are credits on the accounts going to be disbursed?

- **Working after the sale**

- Have a written agreement for what the post-sale working relationship will entail. Minimally, it should include what services the selling dentist will provide, what daily rate will be paid, how many clinical, hospital and/or IV sedation days will be worked and how long the selling dentist will practice until fully phasing out.

- **Decide when to tell the team**

- Before the sale is completed
 - Reduces the shock of when the sale finally happens. Team members may appreciate the doctor including them and recognizing they are an important aspect of the transition.
 - Comes with more risks of confidentiality not being kept in the community about a future sale.
- After the sale is completed
 - Minimizes the possibility of patients leaving the practice if they hear about a potential sale.
 - Protects the team from riding the emotional roller coaster of going through a number of potential buyers before a sale is completed.
- Since there are advantages and disadvantages to both scenarios, it is recommended that the selling doctor assess their team to decide which method would work best and confer with their practice broker/consultant.

- **Notify the patients of the sale**

- A well-written letter will begin to establish a sense of security and trust in the new owner. Letters and social media messages should be sent to families informing them of the sale and if the selling doctor is staying on and for how long. Introduce the new doctor with information about their career, family and interests. This helps families begin to connect to the new owner. The letter should also endorse the new doctor's skills and portray the selling doctor's confidence in the new owner's ability to take good care of the families in the future.

- **Transfer of trust and confidence**

- Empowering the team to be secure in the new doctor as their new leader is crucial. When the team sees the selling doctor supporting and endorsing the purchasing doctor, the team will have more trust and confidence in their new boss. They will be more enthusiastic when endorsing the new doctor to families in the practice.
- Take time to introduce the new owner to the families in the practice through an open house, introduction announcements in the local paper, social media, and personal introductions as patients come in for their appointments should the seller stay on for a defined time period.

RESPONSIBILITIES OF THE PURCHASING DOCTOR

- **Build leadership skills early**

- For most doctors, the purchase of a dental practice is often the first time they have been in an ownership position. The most challenging owner responsibility will be people management; motivating, holding team members accountable and helping the employee grow as a person in their career. Becoming a great leader requires practice and learning through trial and error. Attending leadership courses and seminars, reading leadership books, listening to podcasts, watching TED Talks and seeking guidance from the selling doctor and/or doctors in the community will help build a strong foundation of leadership skills.

- **Engage the team**

- Hold a team meeting after the sale and ask the team what is working well, what is not, and what things the team would like to change. This can give the new doctor valuable insight, especially if they were not an associate in the practice prior to the sale.
- Share your vision and the culture you would like to create with the team.

- As a new team, create two mission statements; a Practice Mission Statement that defines how the patients will be served by the team, and a Team Mission Statement that defines how team members will serve each other. The two mission statements will create an accountability tool for the doctor to help the team understand how they should perform their jobs. By creating these statements together, the team will feel a greater sense of buy-in and commitment to the new practice vision.
- Many new owners inform employees their skills, attitude and commitment will be evaluated over the next 6-12 months to determine if they are a positive contributor to the team. Typically, there is a learning curve for the new owner and it is important that each team member be fully assessed before any corrective action or dismissal takes place. However, it is not recommended to retain team members who have a negative attitude or are not performing their job duties.

- **New employee manual**

- Create or modify the Employee Manual to set guidelines for how the new team will be managed. Early on, have a team meeting to go through any changes to reduce confusion about what is expected. Each team member should read the Employee Manual and sign a document that they have done so, which is then placed in their employee file. These files are confidential and should be kept in a locked drawer.

- **Be patient and make major changes slowly**

- Using discretion in making changes such as dismissing employees, rebranding, redecorating, dropping of contracted insurances, and modifying systems will reduce stress for the team and will help retain families who were loyal to the previous doctor. Wait six months to a year before making drastic changes to the practice, unless it would be detrimental to delay making those changes. During this period, the new owner can take time to evaluate the practice and make an accurate assessment of which systems are working and which ones will need to be modified.

- **Post sale team of advisors**

- Certified Public Accountant (CPA) that specializes in working with dentists.
- Employment attorney to help ensure the accuracy and legality of the employee manual and employee forms.
- A practice management coach/consultant can assist in laying the foundation that aligns with a doctor's vision. They will evaluate the efficiency of the practice systems, and allow doctors to focus on what they do best while making personal and professional goals attainable. They can also help create a practice business plan and goals, train on proper verbal skills, hiring processes, leadership and team building. Lenders often feel more confident approving loans when informed that a doctor has partnered with a practice management coach/consultant.

- **Community outreach events and marketing efforts**
 - Doctors successfully grow their reputation by becoming actively involved in the community and associating themselves with the selling doctor's legacy. Selecting 2-3 people within the team to plan and execute internal and external patient and community relations will allow for more engagement. The marketing team should evaluate what marketing strategies should be continued and what new marketing actions should be implemented to increase new patient numbers.

There will always be challenges in the transition of a dental practice for both the selling and buying doctor; however, having a good relationship with each other and executing post-sale action plans will help ensure a successful transition. A recent purchasing doctor shared, "Although there is never a guarantee, spend time with the person you are buying from or selling to. It is easier to accomplish this amazing goal and achieve success during this period of transition with someone that you trust."

There are no secrets to success. It is the result of preparation, hard work, and learning from failure.

Colin Powell

Published four times a year, Practice Management and Marketing News is a featured column in Pediatric Dentistry Today.

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