

July 31, 2014

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What's Next? Succession, Sale (or Acquisition), and Strategy

Years ago, a client, let's call him "Bob," not his real name, owned a Porsche/Audi dealership. (Before focusing on representing clients in healthcare, I represented clients in dozens of industries, bringing a unique perspective to my work.)

Bob developed a successful business over the years and was by then in his late 70s. He had a private plane, several new and classic Porsches, and money in the bank, but he didn't have a succession plan. His family wasn't interested or involved in the business, and none of his employees were motivated to make an acquisition.

Many physician groups, from solo practices to large groups with hundreds of physicians and other providers, are in a somewhat similar position. They face the \$64,000 or perhaps \$164 million question: What's next?

If you're smart, "what's next?" isn't simply a question you ask toward the end of your career, you ask it all the time. That is, unless you want your business to die along with your interest in running it, which might be fine, except these days there's generally some equity in it, equity that you'll just be leaving on the table.

Succession plays a part in large groups, too, just succession of a different type. How are promising members within the group being trained to take on the mantle of leadership? What are the economics of buy-in and buy-out? Is the group's culture one of building equity at all?

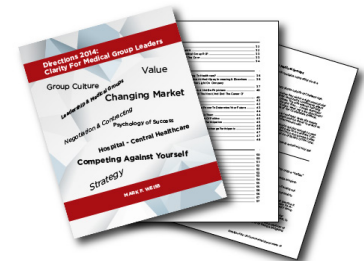
Many physicians bemoan the growth in employment by hospitals, the rollup of independent practices by national groups, and the other elements of the increasing commercialization and commoditization of healthcare.

But on the positive side, these trends bring more options to groups of every size. There are more buyers in the event that your strategy is a sale. There are more groups seeking protection if your strategy is to seek to grow by way of merger. There are more hospitals interested in dislodging currently contracted groups if your strategy is organic growth and, there are new opportunities to deploy lesser understood strategies transplanted from other industries.

You can bemoan the lack of time or the fact that you should've started two weeks ago, two months ago or 12 years ago on this quest for where your business and you are headed. But we all have 24 hours a day – there really no lack of time (just as there really is no lack of money to invest in your future) it's only a question of prioritization. So, while we certainly can't prioritize time that is already past, you can get started now.

Many things in life have a way of working out. But generally, things work out the best when we take an active role in determining our own future. Now's the time for you to get serious about your own.

And, oh, for Bob, the car dealer, we developed a deal with factory level automotive executive and, because he lacked the necessary capital, a wealthy longtime dealership customer with automotive business dreams. Bob drove off into the sunset.



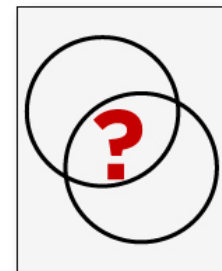
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The healthcare market is changing rapidly, bringing new sets of problems.

How can you find a solution, how can you engage in the right development of strategy, and how can you to plan your, or your group's, future without tools to help clarify your thinking?

Directions 2014 is a collection of thoughts as thinking tools, each intended to instruct, inform, and even more so, cause you to give pause to instruct and inform yourself.

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Wisdom. Applied. 67 - Venezuela Rice Farmers and Doctors in Dallas

Models. No, not the skinny kind in a magazine. But conceptual frameworks. Like global warming “models” or even Obamacare.

Mark's article ***Doctors Rush To Employment as Corporate America Lays off Workers*** was published in the December 2013 issue of General Surgery News and Gastroenterology & Endoscopy News. Read it [here](#).

Mark's article ***Anesthesia Profits Are Off-Limits*** was published on page 32 of the digital edition of Outpatient Surgery. Read it [here](#).

All Things Personal

Tom Peters popularized the style of business management in which the manager cruises the workplace observing and interacting. He referred to it as “management by wandering around.”

The same observational style applied to instances within and, equally or even more so, outside of your specific practice specialty, or business, or industry, provides a tremendous amount of information that can be applied to your benefit.

Henry Ford developed the automobile production line after observing the way that hogs were “processed” in a slaughterhouse.

Walk-in clinics owe as much, actually more, to fast food operations as they do to operating room operations.

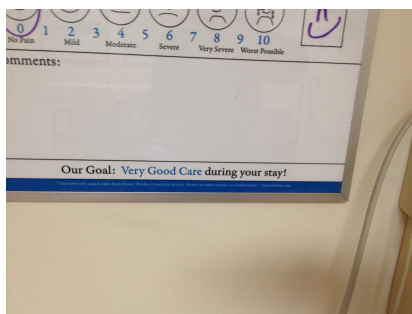
The key is to always be observing and learning. A trip to the dry cleaner or to the pharmacy becomes fun: what can you learn, what can you see, what do you never want to allow to happen in your business operation?

For example, on a recent visit to a chain store pharmacy, I saw bottle caps strewn on the floor behind the counter, wadded up paper on the floor next to the trash can, overheard an employee complaining that the line of customers was unending, and overheard customers complaining that they were going to find a new pharmacy. A virtual treasure trove of business lessons.

Or for example, while touring an emergency room, I noticed this bizarre business goal (see the sign pictured below) touted by the hospital:

Very good care? Why not excellent care? What message does this send to the scared and nervous patient or to his or her family? That the E.R. staff is going to be doing good enough work?

The idea of course is not to simply notice and chuckle (or cry if you are waiting in that pharmacy line or your little Johnny is the E.R. patient). It's to take what you observe on your wanderings and apply the lessons learned in your own business or practice. It's easy, that's why no one does it.



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