

What Exactly Is a Practice Transition?



ABOUT THE AUTHOR

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Mike Elster is the National Manager for Mercer Transitions, a division of Patterson Dental, and has more than 20 years of industry experience. He has coached thousands of dentists on identifying and optimizing their practice growth, and finding opportunities for a successful, win-win transition.

Mike and his team are the “initial diagnosticians” on the Patterson Connect team. He ensures that all initial inquiries about Mercer Transitions services are addressed with an initial phone consultation and works with clients during that first consultation to discover what the vision and goals of the practice owner are, determine if a practice transition is a fit, and if so, what that would look like for the specific needs of the doctor.

The term “practice transition” is arguably one of the most misunderstood phrases in the world of dentistry.

Ask 100 dentists in private practice what word or phrase they associate with “practice transition,” and 99 of the responses will be something like “retire,” “sell,” or “broker” – followed by such comments as “... but I’m not ready to retire yet.”

While there will always be a need for specialists who broker the sale of dental practices, there is a conceptual difference between the immediate straight sale of a dental practice and a true practice transition.

SO, WHAT IS A TRUE PRACTICE TRANSITION?

Simply defined, a true practice transition is the comprehensive and systematic process of incorporating another provider into your practice with the mutual intent being to eventually either share or transfer ownership of the business at an agreed-upon point in the future.

Unlike an immediate straight sale, a transition may be executed as either a practice growth strategy or an eventual (but not immediate) ownership exit strategy, and is, in fact, oftentimes an evolutionary combination of both scenarios.

One of the most important distinctions between an immediate straight sale of a practice and a practice transition is that the former is a **transaction-driven** dynamic and the latter is a **relationship-driven** dynamic. Transitions are relationship-driven because both the owner-doctor and the associate who intends to transition to ownership of the practice, either through a partnership or eventual buyout, will be working together for a while, often for several years or more.

WHY IS THE TRANSITION PROCESS SO HARD TO DEFINE?

Each transition process is entirely unique because no two practices are exactly the same, nor are there two dentists who are exactly the same. That’s why it’s imperative that the transition process begin with and be framed by the unique vision of the owner-dentist initially and, once the associate dentist has been identified, that their shared vision is in alignment.

At a high level, a transition for an owner-dentist should begin with these steps:

- Defining goals for doing more of the dentistry that you enjoy at this point in your career
- Defining an ideal work-life balance
- Examining how you feel about being a mentor to a less experienced dentist (your associate)

What should happen next is a type of “reverse engineering,” where the owner-dentist creates their vision, defines their goals and then goes back and sets up a strategic, written game plan that defines how to go from where they are now to where they want to go.

For a successful practice transition to occur, the owner-dentist must be open to the fact that his or her management style must shift from personality-driven to business- and systems-driven initiatives and philosophies. In other words, the owner-dentist must be willing to evolve, which can be relatively easy for some and more difficult for others.

WHAT’S THE SEQUENCE OF EVENTS WITH A PRACTICE TRANSITION?

Proper planning for a transition requires and takes time. Ideally, planning should begin before the transition gets started, meaning before interviews with associate candidates even begin. At Mercer Transitions, our approach is to work with the owner on this critically important owner preparation phase first. Once that is complete, we help identify an associate who then works in the practice for about six months to a year (this timeline is very flexible and different for each doctor) to make sure it’s the right fit for everyone. Then we conduct final planning and structuring of the transition to partnership or full ownership transfer.

Final planning includes things like practice valuation, cash flow modeling, tax planning and document creation, and typically takes several months to complete. We feel it’s imperative to allow enough time and freedom to plan effectively, ideally with a practice transition planning advisor team to help along the way.

Conducting a transition is often one of the most important decisions that owner-dentists make, both emotionally and financially. For the greatest probability of transition success, it’s best to work with an outside advisor who understands all the components that comprise a transition, not just parts of it.

A CPA, for example, will focus primarily on the financial and tax implications of the deal and an attorney will focus on formal documentation of the deal that protects your best interests. But optimal transition success is achieved through the integration of these various ancillary elements into a single source of consistent, multi-disciplinary advice that supports your practice and unique vision. In other words, the skilled and dedicated consultants at Mercer Transitions.

With the right mindset, intent, context and advisory expertise, a practice transition – either for growth, as an eventual exit strategy or both – presents an exciting business opportunity only limited by the parameters of your unique vision!

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