



WHITE PAPER

Transitioning the Practice to your Children: Family Member Succession Challenges

Recently I was contacted by a physician regarding his desire to do succession planning. He has two sons that are physicians who currently work at the practice and he is looking to start the arrangements to eventually hand off the reins. In my experience, succession planning with family members is *usually* straightforward, but it is *always* more sensitive of an endeavor. Conversations around the next generation of leadership are inherently more complicated and emotional due to family dynamics, individual expectations, and financial concerns. In the end, there are several major reasons that transitions from the founding physician to the succeeding son or daughter tend to fail:

- Lack of will - - the founding physician simply doesn't want to give up control
- Lack of viability - - the practice is so dependent on the founding physician that it cannot operate without his or her continued, active participation
- Lack of planning - - the successors aren't prepared, trained or experienced enough to take over management of the practice

So, how then should you start the succession planning process and transitioning of the practice to your children? Consider these key focus areas:

Begin an open conversation about the future of the practice

A lot of uncertainty and confusion can arise from the assumptions when family dynamics mix with business operations. As such, the first step to developing a robust succession plan for your medical practice as a family business should be to sit down and have a candid conversation with the physicians that are family members of the practice. It's important to have a clear sense of who would like to take over the reins, and who would not. Working with family is rarely easy, and some degree of conflict is bound to arise. Just because you are family doesn't mean you all have an identical set of core values, and having a core set of values that everyone agrees on can help guide you through these challenges. Remember that any decision your practice makes should be in support of its values and mission. That way, even if there are disagreements in style and process, all family members will be working in the same direction towards shared goals.

Establish a talent development plan

Once you have a sense of who is interested in taking on leadership of the practice, it can be helpful to provide some structure around a path for onboarding into the practice. This process can help to clarify the expectations for each family member who joins the group. If you have

more than one child who is a physician, then identifying the right successor is one of the most significant steps in succession planning. The primary successor should be identified by competence, not by any other considerations and compulsions. One way to do so is to first identify the qualities or attributes a successor must possess to succeed in the practice. The family member who possesses the maximum of so identified attributes should be selected for succeeding you. If you are handing off the practice to two children, then setting up clear governance will be extremely important.

Formalize the succession process and prepare an exit plan

Having a talent development plan in place for onboarding family members into the practice is important, but it is not sufficient for ensuring a successful transition of power from one generation to the next. Adding structure and accountability to this plan by having a formal succession plan in place is key as it also communicates your plan for the future to all staff members of the medical practice. Bringing in an external consultant who has experience with physician group succession planning is a great way to add some objectivity to this process, thereby increasing the perceptions of fairness around how you make various decisions. Clarify in advance under what circumstances the succession plan will take effect: whether on retirement or unplanned departure or changing financial situations. These questions help determine what the succession plan should detail most. Keep in mind that an early or late exit of the physician owner can have advantages as well as disadvantages for this medical practice as a family business.

Groom the successor and respect the transition of power

Once you are prepared to have your son/daughter succeed you, he/she needs to be groomed and developed to assume the helm of the business. It can be done through various ways like giving on-the-job training, working under mentors and advisors, and delegating some authority to the successor much before the actual passing on of the baton takes place. Of course, grooming more than one member to become the successor of business is not a bad idea, but at times it may create confusions and complexities leading to strenuous succession battles; therefore, if you are handing the practice off to two children at once, clear governance will be paramount. The last step in handing over control to the next generation is respecting the process. This means taking a step back when necessary, and letting the new leadership take over. It can be difficult for some to let go of a practice where they have spent most of their medical career, or perhaps even built from the ground up. If you have followed the steps of a formal succession plan, and spent a good deal of time gradually making this transition, you can leave confident that your successor has the skills and expertise necessary to move the practice into this next phase.

Final thoughts for your success

I cannot stress enough the importance of clear communication and the cooperation and commitment of everyone involved. This includes key staff members such as your administrator, nurse practitioners and physician assistants, but also trusted advisors such as your accountant.

For those contemplating succession planning, remember it's never too soon to start. Succession planning helps you balance both personal and business interests and helps ensure that your family-run medical practice gets through the transition successfully. Without formal succession planning, these practices run the risk of not being sustainable. Some physician owners regard succession planning as simply a question of informally handing over the practice from one generation to the next. They do not want to plan or think about their withdrawal from the business. This reluctance typically arises from a strong sense of attachment to the practice, an aversion to letting go of control and power, fear of retirement, and also the inability to make

succession choices between their children. Financial factors often also play a part. Just remember, if you want your practice to survive and your patients to continue to be cared for, you will eventually have to hand off the reins.

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P.O. Box 1465

Valrico, FL 33595

www.abisallc.com

info@abisallc.com