

WHAT'S MY PRACTICE WORTH? WHY SHOULD I CARE?



When plastic surgeons and cosmetic dermatologists understand the value of leadership and teamwork, they move closer to building a successful—and valuable—business.

BY EDWIN F. WILLIAMS, MD

Most small businesses fail. In fact, most small businesses fail within the first year, and 95 percent fail within five years. The two most common reasons for failure include a lack of capital and a lack of experience in running a business. There is a misconception that medical practices are not likely to fail, and that is indeed not true for an aesthetic practice. This is especially not true during a recession, as the business landscape is littered with failed aesthetic and plastic surgery practices after the downturn of the market in 2008. In other words, the “build it and they will come” approach is not a strategy. Additionally, most physician owners will eventually reach their “glass ceiling” and chug along at sub-optimal performance because of lack of expertise in the small business arena. Those physicians might not necessarily go bankrupt, but they are certainly not living the dream that they intended when they opened their business. If they were a division of GE under Jack Welch 20 years ago, their inability to perform in the top 10 percent of their industry would result in the termination of their job.

For those who are in the top 10 percent and crushing it, what is their practice worth and why should they care? The reason they should care is because they are very successful and have taken a tremendous amount of risk that most physicians do not have the intestinal fortitude to take...and they are winning! Risk is the topic of an entirely separate discussion but cannot be minimized given the statistics of small business failures.

Thinking of this a different way, you should look at the business as an asset. It is a statistical fact that the biggest asset that most Americans will own is their home. As a concept, for most small business owners, their biggest asset is potentially their small business. However, unlike the average American who owns a home, most small business owners never get paid the full value of the equity that they had estimated or planned on, so they come up short at the time that they eventually sell to retire or exit.

The aesthetic plastic surgery or aesthetic dermatology practice is essentially no different. As someone who is a planner and has always had the end game in mind, this makes no sense to me at all. I have given a tremendous amount of thought as to how and why this occurs as well as potential solutions, recommendations, and food for thought for the aesthetic practitioner or entrepreneur as they continue to take the necessary risk to grow revenue year after year. Based on my observations and experience, it is an exception for the founding physician to have a well thought out succession plan in place that will sustain itself long after the physician departs.

PITFALLS AND SOLUTIONS

By far, the shortcoming for most aesthetic physicians is a lack of business experience. Physicians are an extremely educated group of individuals, but their extensive education is in the field of medicine and not business. By the time that most physicians decide to run a business, many are not interested in additional school, and that's under-

standable. Furthermore, they might be thinking “How hard can it be?”

It is a fact that there are a lot of successful men and women in the world who do not have near the amount of education of the average physician and for that reason, it seems that this is something that the average physician could easily learn.

To follow are some broad categories and some common pitfalls as well as a few potential solutions from my many years of observations and research.

Job vs. Business. A well-run business has value and is salable in the marketplace. A job has no value, yet most successful aesthetic practitioners have worked exceptionally hard to start a practice, take the risk, grow it year after year and then find themselves in the unfortunate situation whereby they are that indispensable employee who the business could not function without or would not be financially sustainable if they stepped away from the business for a period of time. This is very unsettling and disturbing if you think about it.

Furthermore, it is too common to find the aesthetic physician overwhelmed to the point that they are the hardest working employee due to the lack of intelligent systems, policies, the right people, and a healthy business culture.

Failure to create a culture that effectively fosters winning and accountability by all. This scenario not only results in physician dissatisfaction and burnout but has failed to create a business of value, let alone a business that is scalable. For anyone considering a small business, a must read is *The E Myth Revisited* by Michael Gerber (the small business version not the physician version). I could literally

BOTTOM LINE

Look at the medical aesthetics business as an asset. Most small business owners never get paid the full value of the equity that they had estimated or planned on, so they come up short at the time that they eventually sell to retire or exit. The founding physician must have a well thought out succession plan in place that will sustain itself long after the physician departs. Leadership and teambuilding are fundamental.

expand upon this as a separate topic, and there is a reason why so many businesses talk and focus on the importance of their culture. Our training tends to emphasize the performance of the physician, which is incongruent with creating a culture of winning and accountability for all. This scenario not only results in physician dissatisfaction and burnout but has also failed to create a business of value.

Physician Ego and Coachability. This can be a real challenge and has several dimensions that limit the value of a small business. I have personally coached and guided hundreds of physician entrepreneurs and it is my estimation that approximately 30-40 percent of physician entrepreneurs are just not coachable. I continue to believe that much of our training is responsible for this dysfunctional ego and is limiting our ability to run a small business well. Many of us endure college, medical school, and even residency without having played team sports. As a result, our primary focus is on individual success that has been rewarded and celebrated year after year. This can result in a lack of understanding of the importance of a team and building a healthy culture in a business. Because a “degree of success” has been achieved with this, it fosters an attitude that does not celebrate teamwork and results in a business that is too dependent on one individual.

Aesthetic surgeons who are coachable and understand the importance of a team can eventually realize the importance of creating a culture of winning and accountability in their practice, making an individual no longer indispensable to the viability to the team and/or value of the business.

Love of Profession. Let’s face it, medical school residency is not easy, and it takes a tremendous amount of hard work, determination and commitment to become a successful doctor or surgeon. For many of us, it may be our only passion in life. Who we are as a professional in our community may be our entire identity, and we might not have any other outside interests. Some of us spend all of our “free time” working on our profession at the expense of our family relationships and friendships. This behavior often results in a very financially successful practice but is not healthy and can lead to “burnout.”

One can see why it is difficult to set up a practice for succession whereby the technical aspect of what we do or our professional industry is actively transferred to another individual. One of the best quotes that I’ve even seen about leading a growing business comes from a former CEO of a publicly traded company: “One should never fall in love with one’s business but rather understand that the whole reason for having the business is to figure out how to add value, grow it effectively, sell the business, and get out.”

It has been my experience working with colleagues that doing so is psychologically different for the extremely dedi-



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cated physician or surgeon. Furthermore, since many aesthetic physicians or surgeons have not necessarily planned for retirement, this complicates matters. While most physicians like the thought of bringing individuals to share overhead expenses, and to give themselves more flexibility and time off, there is often an unwillingness to relinquish the revenue, surgical cases, or even control. This attitude is incompatible with creating a business and culture that is transferable or the value that will result in a well-executed succession or exit plan.

Furthermore, when this is executed incorrectly, there is no real value in the business, and the founding physician will ultimately close the practice or allow the business revenue to dwindle until the business no longer has any financial value.

Leadership Shortcomings. All too frequently we hear the term “leadership” thrown around loosely, and we ascribe leadership skills and attributes to individuals who really don’t deserve it. I have been a student of leadership my entire professional career and the complexity and effectiveness of a “world class” leader cannot be underestimated.

Without elaborating on all the details, just observe what has happened to General Electric since Jack Welch stepped down as CEO in 2002 and the shortcomings of

failed world class leadership by Jeff Immelt.

Those who follow competitive sports understand how effective a good coach can be in delivering a consistently winning team. I could elaborate on this for pages and pages but for those who take effective leadership seriously, I encourage you to read Jim Collins work, including his classic book, *Good to Great*, whereby his extensive research has proven how and why “Level 5 leaders” are so valuable and add such value to a company’s business and bottom line.

DEVELOP LEADERSHIP

The good news for physician leaders or aspiring business leaders, according to leadership expert John Maxwell, is that leadership skills can be developed over time for those who are receptive and coachable. In other words, leadership is not just an inherent quality that is possessed

by a few great individuals but has the potential to develop in all of us.

Given how much is on the line with running a small business, taking risk and growing a business, and finally constructing and effectively executing an exit plan, why wouldn’t one take this aspect of running a business very, very seriously?

There is absolutely nothing in business that is more effective than having a Level 5 leader in a key position. Said another way, I don’t think that we, as physician entrepreneurs, can afford not to work on our leadership skills. There is a plethora of resources available for those who are interested. ■

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