



YOUR PRACTICE

Every DC Needs an Exit Strategy

WHY AND HOW TO BUILD YOUR BUSINESS TO SCALE IN FIVE STEPS.

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The ultimate success of an entrepreneur is building a business that has an exit strategy. Most sole proprietors realize in short order that rather than being business owners, the business owns them. For the majority of licensed chiropractors, the sole proprietor business model is still the predominant method by which practices are owned and operated. In today's health and wellness landscape, preventative health care options are taking precedent and attracting both the interest and financial resources of private and commercial investors.

For the DC looking to multiply their patient base, impact and profits, understanding the critical components of building a business to scale that could be sold is a skillset few know, yet all can benefit from. With that said, let's discuss the five steps to building your practice to scale.

1. Clarify Your "Why"

The first step in building a business to scale is answering the most important question of all: *why?* As a sole proprietor wishing to increase your patient base, revenue and profits, you could choose to either grow your own office or invest in opening multiple offices. Both will exact a personal investment of time, energy and resources.



If you realize your personal, professional and financial goals are greater than what you can do on your own, opening multiple practices becomes a powerful and viable option. Opening multiple practices alone can be done with sheer determination, grit and passion when going from 2-5 offices. After five, it starts breaking down quickly. Some pointed questions to ask yourself in clarifying your "why" are:

- Am I willing to remove myself as the primary provider of care and move into leadership and management?
- Am I willing to risk the loss of production short-term for the benefit of increased production long-term?
- Am I willing to risk reduced income short-term for the benefit of increased revenue long-term?

If your "why" is big enough and you answer yes to all three of the above questions, step two is...

2. Create Systems for Success

To remove yourself as the primary provider of patient care and move from a personality-based office to a true scalable business, you must establish, adhere to and train religiously on standard operating procedures (SOPs). Every procedure and protocol in your office needs to be documented and put in manual form. This is the only way you can replicate predictable results repeatedly while training and developing your staff to do the same. This includes processes and manuals for:

- Clinical operations
- Marketing
- Training and development
- Information technology
- Billing and collections
- Finance and accounting

- Human resources
- Facilities

3. Clarify Roles and Responsibilities

As a sole proprietor, you have to wear multiple hats to operate a successful enterprise. As a successful business owner of scale, you cannot be a jack of all trades - master of none. Investors look for business models that have proven leadership and expertise, based on results, in all of the aforementioned areas.

It's imperative that you either hire or place those with the highest levels of specialized knowledge in the departments that need their skillsets; and then give them the responsibility of producing the results necessary for growth. In many cases, fractional leadership (i.e., outsourced management talent in HR, IT, marketing, finance, etc.) may be the best route to accomplish this without having to keep it all in-house.

Regardless of the path you choose, appointing a person whose sole responsibility is to focus on their strengths and expertise will make or break your business's ability to scale and attract investors.

4. Measure and Know Your Key Performance Indicators (KPIs)

The timeless statement, "It's business; not personal," couldn't be more apropos here. At the end of the day, especially to investors, business success is measured by the numbers, not emotions. Whether it be private or commercial funding sources, they will want to know and understand your KPIs.

For both knowing exactly where you're at daily and achieving your goals, it's critical to know your numbers better than anyone else. Some examples of KPIs to measure and know exactly are:

- *New patients monthly* - How many new patients do you average per month?
- *Patient conversion %* - What percentage of new patients convert to care plans?
- *Patient visit average (PVA)* - How long do your patients stay with you?
- *Charges per visit* - How much on average do you charge patients per visit?
- *Net collections* - How much total insurance and patient revenue do you collect?
- *Revenue per patient* - How much on average do you collect per patient?
- *Gross revenue* - How much do you collect from all sources?
- *EBITDA* - What are your earnings before interest, taxes, depreciation and amortization?

5. Never Forget That Cash Is KING

Financial reporting is the essence of predictability in building a business to scale. Knowing the distinctions and measurements of the core financial statements is imperative to manage cash flow. Cash is king and you'll need to have a budget for both revenue and expenses so you can stay on top of the resources needed to invest into growth. The three core financial statements that tell a company's financial status at a point in time are:

- *Income statement*: Revenue - expenses = income; shows the performance of your business during a specified time period (month, quarter, year).
- *Balance sheet*: Assets - liabilities = shareholders equity; a snapshot picture in time (month, quarter or year) of a company's equitability.
- *Statement of cash flow*: Cash in - cash out = cash flow; displays the change in cash flow per period, as well as beginning and ending balance.

In a world of now 7.8 billion people, as a doctor of chiropractic you have a specialized skill set that only .0002 percent of the world expresses, yet 100 percent of human beings need. Though arduous, building a practice that has an exit strategy and could be sold is worth all it takes to accomplish. Humanity gets the benefit of receiving life-changing chiropractic care; societies get the benefit of fulfilling gainful employment; and you receive the benefit of realizing your full potential personally, professionally and financially. The planet needs you now more than ever.

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