

Can you find me an associate?



John F. McDonnell

During the course of each week in our full-service dental consulting and transition practice, we receive numerous requests for assistance in locating an associate dentist.

After listening patiently, we explain that the search should not be for an associate, but for an *heir-apparent* who will buy in or buy out the practice in the future.

When I ask why the client wants an associate, the typical explanation is:

- ✓ To help with an overflow of patients
- ✓ To keep the office open and available
- ✓ To generate revenue during vacations or illness
- ✓ To share treatment-planning ideas
- ✓ To increase profit

Frequently, the client is replacing an associate who has left the practice. Many times, the owner dentist has had multiple associates over a long period of time. Dentists are surprised when we point out the difficulty and headaches they are creating by continuing this swinging-door approach to hiring associates.

Dentists in rural communities are finding it nearly impossible to find a candidate. Dentists seeking positions

in rural, suburban, or urban areas are increasingly interested in a position that leads to equity.

The associate candidates with excellent clinical skills, a healthy work ethic, and a positive attitude now have many choices and want an opportunity to earn equity when they select a position.

Well-meaning and good people hire an associate and tell them, "One day, you can buy the practice." Few, however, commit to a process to discuss price, terms, and transition issues. Because of this lack of a clear path, associates do not stay at these practices, but move on instead. I suggest that the time has passed when an owner can easily fill an associate position.

We encourage owners to plan their heir-apparent strategy as early as possible due to the following:

Factors

- ❶ Solo practice owners still make up 75 percent of practicing dentists.
- ❷ Baby-boomer dentists are changing careers and leaving dentistry at an alarming rate.
- ❸ Fewer dentists are graduating from dental school than in the 1980s and 1990s.
- ❹ Most new dentists want to be in an upscale city or suburban area.

Recommendations

- ❶ Seek an heir-apparent, not an associate.
- ❷ Plan ahead by having a valuation prepared by a qualified expert to show the candidate that you are serious about future equity.

❸ Prepare a written growth business plan to ensure the success of the candidate.

❹ Differentiate your opportunity from others by updating your clinical skills and patient services.

❺ Be prepared to discuss process, price, terms, tax allocation, and transition timing.

❻ Seek out qualified advisors to integrate the accounting, management, financial plan, and transition strategies. Get everyone on the same page.

❼ Monitor the transition process with frequent check-ins once the candidate is on board.

❽ Include your dental team in the process to ensure their future commitment to the practice.

❾ Start the process when your practice is growing and thriving.

❿ Be sure that your legal business entity suits the buy-in or buy-out and ensures the proper tax consequences.

Benefits

- Eliminate the revolving door of multiple associates
- A long-term plan will assure a healthy exit at an early age
- Increased profits
- Peace of mind
- Clinical and management support
- Higher value for your practice
- Better coverage for your patients
- Increased vacations and time off

Don't make the mistake of calling and asking for a good associate. Prepare instead for growth and transition by asking for a quality, heir-apparent candidate.

John F. McDonnell is the founder of The McNor Group, a dental brokerages, appraisal, accounting, financial-planning, and practice-management firm. He is a member of American Dental Sales and can be reached at (888)273-1014, mcnor@mcnor.com, or by writing to 1301 York Road, Suite 800, Lutherville, MD 21093. See the ADS classified ads for names and phone numbers of ADS members in your area.