



Talk to your associate about transition

Many dentists are hiring associates to help in their practices. As part of the initial interview, the topic of future equity or purchase is briefly mentioned. For the majority of practices, little or no further discussion of transition takes place after that. Thus, instead of having a future buyer, the result is a messy breakup.

There are many reasons why practice owners choose to have an associate:

- To provide coverage when the owner is on vacation
- To help with a busy practice and provide growth
- To provide procedures or services that the owner does not want to perform
- To prepare for transition

Since the graduation rate of dentists is only 4,000 annually — and nearly 4,500 retire, die, or are disabled each year — future dental practice owners have more choices. Today, it is more important than ever to discuss and have a written plan for a transition with your associate.

Examples of associateship failures

① A successful and busy owner had an associate for seven years. The topic of equity being available to the associate was briefly discussed, but never acted upon. There was no contract in place when the owner found out that the employee had opened up a practice directly across the street. The owner lost 500 patients who had been regularly treated by the associate.

② An owner of a multidentist practice employed three part-time associates and only worked 20 clinical hours a week. One of the associates worked for 10 years, three days a week, and produced \$500,000. There was no discussion of an equity position in the practice during this 10-year time frame. The owner decided to sell the practice and the associate wanted to buy it. The practice was valued and the associate was shocked at the price. Due to the lack of planning, the associate left this practice and both parties are starting over.

Examples of associateship successes

① A 45-year-old owner hired an associate to help with his growing practice. After 18 months of success with the younger dentist, the two dentists decided to formalize a buy-in, buy-out plan. The junior dentist was given the task of finding a transition consultant to facilitate the process. In just three months, a fair win-win agreement was completed and the transition began in the following calendar year. Both parties have been extremely happy with the result.

② A 60-year-old owner moved to a new expanded location to prepare for her transition. An experienced associate candidate, ready to own a practice, was identified. Before beginning the associateship, the owner had her practice valued and hired a transition specialist to create a financial model for the future purchase. The two dentists decided upon a deferred sale. A sale price and timeline was established for the transition. The sale took place 36 months from the beginning of the associateship. In this case, the owner chose to remain as an employee of the buyer for two years after the sale.

Planning for a healthy transition

- ① Have open discussions about current and future plans.
- ② Choose a person who has philosophies of patient care and management that are consistent with your own.
- ③ Choose a professional organization to facilitate the transition and provide the following:
 - a practice valuation
 - realistic financial models and cash projections
 - facilitation skills to negotiate on your behalf
 - key points to be included in an agreement
- ④ Create a growth plan for the practice to ensure the transition's success.
- ⑤ Have a written updated financial plan.
- ⑥ Be proactive.

The time to plan your transition to your associate is *now*. Too often, good people have painful breakups because of a lack of communication and planning.

Benefits of a successful transition

- Peace of mind
- Increased profitability
- Higher practice value
- Less stress
- Shared leadership
- Earlier retirement

Don't wait! Talk to your associate before it's too late.

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