Transforming poor performance

If you’re having a difficulty managing and financing your practice, Andy McDougall says there are options to consider before signing away your business.

Money Matters

The following scenarios can be responsibilities or your debts. This can mean an immediate end to your practice does not necessarily offer). Be aware that selling the practice does not chip away at the original price (assuming that the sub-sequent process of due diligence is then grossed up by a multiple to give you your of-fers). The question you have to ask yourself is would you accept their offer if you could see the same future as them?

If the future results of your business are attractive to others, why aren’t they just as attractive to you? The difference of course is that while you are clinically su-perb, you may not be as adept commercially. The people ac-quiring your business will run it with you in it, and because of busi-ness knowhow, they will reap the rewards that you once believed would be yours. If only you had that business knowhow you could transform the performance of the practice and reap the prof-itable rewards yourself.

Planning is the secret

Business planning requires a bit more thought than a budget spreadsheet based on last year plus 10 per cent and needs to be more specific than some generic busi-ness planning software from PC World. Your business plan includes incorporate fingerprints because it is unique to you and your circum-stances. It will help you to identify the key drivers that underpin your success and align your resources to focus on those things that will make the difference to you.

The results of sound business planning don’t result from luck; it’s a methodology that works. Why not consider business plan-n ing as a viable alternative to the offer you’ve just had on your practice – at the very least it will help you to clearly see what your intended purchasers can see and give you some scope for negotia-tion so that if you want to sell, at least you get the sales value you truly deserve!

The same vision

Ever stopped to think why someone would offer you good cash for a business that in the technical sense is broke? The an-swer of course is that the in-tended buyers can see a very dif-ferent future to the one you envis-aged. The question you have to ask yourself is would you accept their offer if you could see the same future as them?

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Transforming a vision

Yes every business must have a vision but having a vision is easy and fades quickly after the ‘rah rah’ away day. What many coaches seldom tell you is how to actually turn your vision into something tangible and prof-itable. There are no new truths. The way to deliver it is the way it has been done for many years, by every successful business under the sun – it is just new to dentists. Regardless of whether you want to take your business to the next level; plan your exit to maximize your payday; rely on something more tangible than luck, or turn debt and uncertainty into a planned and profitable future, business planning offers the so-lution.

Transforming poor performance is possible and not as difficult as you may think. Business planning is a proven process across every business sector and despite some believ-ing that dentistry is different, I can say with absolutely cer-tainty that it is subject to the same universal laws of business as every other enterprise. Busi-ness owners who are initially sceptical come to understand how effective business plan-n ing provides the platform for converting vision into some-thing real; a profitable, well-managed business.

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Would you accept their offer if you could see the same future?

Technically I’m broke. Physically I’m tired. Emo-tionally I’m drained. Sound familiar? You would be surprised by how many princi-pals are in this position and struggling with all that goes with managing a business. The bank manager is highlighting your precarious financial position; a tax bill is looming; you are not fulfilling your contractual obligations to your clients; there is no sign of cash coming back on the horizon; new pa-tients just aren’t arriving as quickly as you need or hoped they would. In such circumstances it’s no wonder that the offer of taking all that stress off your hands with the purchase of your practice can seem tempting. You could still work in the practice and receive a decent salary but someone else would own it and run it their way leaving you with very little of the sale proceeds and no entitlement to the profits that would in-evitably be generated in the fu-ture. So before you sign away your business, consider the other options available to you.

Determining the worth of your practice

If it is a corporate, the pur-chase offer is most likely based on what we call EBITDA – Earnings Before Interest and Taxa-tion, with depreciation and amortisation added back. The magic number is then grossed up by a multiple to give you your offer price (assuming that the sub-sequent process of due diligence doesn’t chip away at the original offer). Be aware that selling the practice does not necessarily mean an immediate end to your responsibilities or your debts. The following scenarios can be reflective of a practice sale to a corporate:

• You may not get all your cash from the sale straight away. Some may follow at a point in the future and may even depend on you delivering some specific targets (but at least you will be able to sleep without worrying about any further debt).

• Having sold the business you may not be able to simply walk out as in many cases it you the investment is being made in. The investor may expect you to stay on for an agreed period to ensure your clients don’t disappear with you.

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