Money Matters

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.

Technically I’m broke. Physically I’m tired. Emotionally I’m drained. Sound familiar? You would be surprised by how many principals 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 retirement plan; claw back is on the horizon; new patients just aren’t arriving as quickly as you needed 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 in their way leaving you with very little of the sale proceeds and no entitlement to the profits that would inevitably be generated in the future. 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 purchase offer is most likely based on what we call EBITDA – Earnings Before Interest and Taxation, 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 intended buyers can see a very different future to the one you envisaged. 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 superb, you may not be as adept commercially. The people acquiring your business will run it with you in it, and because of business 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 profitable rewards yourself.

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 profitable. 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 maximise your payday; rely on something more tangible than luck, or turn debt and uncertainty into a planned and profitable future, business planning offers the solution.

Transforming poor performance yourself 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 certainty that it is subject to the same universal laws of business as every other enterprise. Business owners who are initially sceptical come to understand how effective business planning provides the platform for converting vision into something real: a profitable, well-managed business.

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 business planning software from PC World. Your business plan is akin to incorporate fingerprints because it is unique to you and your circumstances. 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 planning 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 negotiation, so that if you want to sell, at least you get the sales value you truly deserve!

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

Andy McDougall

Andy McDougall has over 25 years experience of business planning and brings to businesses and expertise from a wide range of commercial and competitive business sectors. Andy now delivers business planning services to help members of the dental community to respond to the dynamics of an increas- ingly commercial and competitive environment. He helps businesses reach the next level and to turn around poor performance. To find out more contact Andy at Andy.mcdougall@trim depressiveplanning.co.uk or call 07719 962599.