Five more of the top 10 reasons why associateships fail

By Eugene W. Heller, DDS

The “American Dream” is still to own a home. The “Dentist’s Dream” continues to be the ownership of a practice. Thirty years ago, the “Dream” was to graduate from dental school, buy equipment, hang out a shingle and start practicing. Today the road to ownership is a little different. Due to extensive debt, most new graduates enter practice as associates to improve their clinical skills, increase their speed and proficiency, and learn more about the business aspects of dentistry. Most hope the newfound associateship will lead to an eventual ownership position.

Instead, many find themselves building up the value of their host dentist’s practice, only to be forced to leave. This forced departure is the result of a non-compete agreement when the promised buy-in/buy-out didn’t occur. The following reveal the next five most common reasons many associateships fail to result in ownership or partnership.

Reason No. 6: access to patient base

Insufficient access to the patient base by the associate can take different forms. Perhaps the senior dentist never intended to turn over existing patients, but rather to give the associate new patients or patients obtained only by the associate’s own efforts. Under such circumstances, the productive capability of the associate would be greatly compromised.

If the intended result is a partnership between the dentists, one of the most important things that the associate is buying is “equal access” to the existing and new patient base.

The patient base comprises the goodwill value of the practice and typically constitutes 70 to 80 percent of the value of a practice.

If the senior dentist fails to recognize the need to turn over existing patients to the associate, then the associate will be frustrated by his/her efforts to develop dentistry, earn his/her salary and improve skills.

It is usual for the senior dentist to be concerned about turning over existing patients; however, this must occur if the relationship is to blossom into ownership.

Reason No. 7: letting go

This problem is related to the senior dentist’s unwillingness or inability to “let go” and turn treatment responsibility over to the new dentist. In the case of a senior dentist who is close to retirement, this may be a very emotional decision. When the senior dentist has identified retirement pursuits, there will be a greater ability to turn over practice responsibilities to another dentist.

The new dentist who is considering an associateship should investigate the senior dentist’s outside interests and activities in support of an easier transition. Good signs indicate that the senior dentist will have no problem “letting go.”

Conversely, the senior dentist who is proud of the number of hours “lived” at the office or who has no other interests in life, should raise serious concern on the part of the new dentist as to whether or not this dentist is willing to let go.

Reason No. 8: philosophically speaking

Different business and/or practice philosophies may reveal incompatibilities that may retard successful completion of the practice sale. This particular problem deals with integrity issues as well. It is important for the new dentist to ascertain the attitudes and philosophies demonstrated by the senior dentist.

A senior dentist who is willing to share his/her practice numbers, profit and loss statements and tax returns with the new dentist generally indicates a dentist who is open and honest. A dentist who is unwilling to share numbers and personal financial information will probably not change.

One important question to ask a dentist who has been in practice for more than 20 years is the status of that dentist’s retirement plan. If the senior dentist is having financial stresses after 20 years of practice, the partnership will probably not occur.

A dentist who has a well-funded pension/profit-sharing plan and is of the senior dentist’s financial accomplishments, provides a strong indicator that the practice will be strong enough to launch the new dentist into a similar state.

Reason No. 9: a good match

Unfortunately, personality conflicts are a frequent reason for associateships failing to lead to buy-ins/buy-outs. If two dentists have conflicting personalities, there may be stress and friction within the practice, which will spill over onto the staff and patients.

Some common-sense rules can easily determine whether a potential for conflict exists. The assessment for personality conflicts will be ongoing during the initial interview process.

If there are significant concerns about compatibility for dentists who will be in a partnership arrangement spanning from three to five years, the warning signs should be carefully evaluated at the outset.

If a long-term relationship is intended, it may be prudent to seek professional personality assessments.

Reason No. 10: good advice

The final reason has, in fact, nothing to do with the dentists or the practice. Instead, individual attorneys have proceeded to cause problems in the relationship.

It is extremely important that both dentists realize the boundaries that must be set relative to their attorneys’ involvement in finalizing the buy-in/buy-out arrangements. Attorneys should be your advisors, not your decision-makers.

The negotiations relative to the proposed buy-in/buy-out were conducted at the onset of your relationship as detailed in the Letter of Intent.

Attorneys are not hired to “renegotiate” the transaction. Attorneys’ personalities and styles should not spill over into the dentists’ relationship.

Problems occurring while producing the Employment Agreement and the Letter of Intent may be an indication of significant problems that can be anticipated at the conclusion of the employment period and during the prepayment of Partnership Agreements.

Summary

This article has been aimed primarily at a one-dentist practice evolving to a two-dentist practice; however, the issues apply equally to larger group practices.

One-to-two year associateships with the senior dentist retiring at the end of the associateship and a three-to-five year partnership ending with the new dentist purchasing the remaining equity position of the senior dentist at the end of five years can also benefit from the insights provided in this article.

Unfortunately, nothing can guarantee a successful outcome. However, by identifying the potential pitfalls at the beginning of the relationship, chances of success can be greatly improved.

About the author

Dr. Eugene W. Heller is a 1976 graduate of the Marquette University School of Dentistry. He has been involved in transition consulting since 1985 and left private practice in 1990 to pursue practice management and transition consulting on a full-time basis. He has lectured extensively to both state dental associations and numerous dental partnerships. Heller is the national director of Transition Services for Henry Schein Professional Practice Transitions. For more information, please call (800) 750-8885 or send an e-mail to hsfs@henschein.com