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By GRAHAM MIDDLETON, BA, MBA, AFAIM

The Associateship that Blew Itself Apart!

The names in this story are fictional, and any confusion with actual dentists is accidental.

Mark and Michael drifted into an associateship without any real thought. They had worked for Eric, a wise old dentist of retiring age for three and four years respectively. Eric has spent the last couple of years with them winding down and as they each got busier, it seemed natural to buy him out. By the time Eric retired, it was effectively a two and a half dentist practice. Mark and Michael each looked after their own patient load and employed a third dentist, Trish, on an initial part time basis to replace Eric who had gradually reduced his sessions.

Incompatibility

Both Mark and Michael had been too busy whilst working for Eric to realise that they were incompatible. Eric had spotted their differences, but wisely kept them each at arms length. He organised things such that Mark's surgery was at the northern end of the suite and Michael at the south end. Eric's surgery and the spare surgery and various administrative facilities filled in the gap. Eric had floated the idea of them buying the practice, and each saw it as a sensible step without giving it a lot of thought.

Alien Style

What Mark and Michael missed was that each had a practice style that was alien to the other. Eric had recognised this and had quietly ensured that the patients likely to be able to afford and want "up market dentistry" were directed towards Mark. At the other end, Michael, a person of "*different temperament*" dealt with many more patients, but concentrated on "traditional procedures". Michael was a far more efficient dentist than Mark, who used up a lot of support. Mark did the courses on presentation and practiced his sales line, but his dental efficiency and his gross fees were regularly less than Michael's. Eric encouraged him and each was kept in the dark as far as possible in respect of the others fees.

Eric the Fox

Eric needed to sell his practice and assign the lease on the premises which had a number of years of a current lease period to run before its renewal option. Eric had quietly sacrificed more of his own patients by reducing a session to ensure than both Mark and Michael were fully booked and therefore satisfied. He also kept discussions of basic practice issues one on one so that neither Mark nor Michael perceived the degree of difference in

practice style that had developed. Neither Mark nor Michael stopped to realise that they were incompatible with the other.

Non Expert Advice

In contemplating purchasing Eric's practice, they had each more or less come to accept the outcome before seeking business and accounting advice. While each took separate advice, in neither case did the accountant/business adviser have a client base of dentists. Both advisers saw an opportunity to acquire a new client, and both made approving noises after viewing Eric's financials. In truth, neither adviser understood what they were looking at. Neither asked searching questions about the practice, the nature of its clientele or the type of work prevalent in it.

Inevitably, Mark's style of practice was going to clash with Michael's. Mark saw the big picture, or at least he thought he did, whereas Michael was content to be a little picture person, so long as it was profitable.

Early Differences

After a short period into their associateship, several things had become apparent:

1. Mark wasn't interested in practice management.
2. Michael filled the void to ensure that the practice flowed smoothly.
3. As each associate had kept the patients they had previously treated, Michael had a much bigger patient list. This occurred not only because Michael has faster patient throughput, but he had also stretched his working hours, often being willing to stay and complete an extra procedure for a patient after the normal knock off. While both attended a required amount of training, Mark had regularly taken extra study leave.
4. Mark had assumed that he would quickly take his part of the practice up market, but he found that this involved more effort and more down time than he had anticipated.
5. Each was working their own surgery and banking their own fees but jointly paying the net practice overheads after Trish's contribution. It rapidly became apparent that Mark was struggling to earn as much as he had when working on commission for Eric, whereas Michael's efficiency meant that he was now quite a bit more profitable.

Resentment Sets In

Mark began to resent the success of Michael who he considered to be an inferior dentist. While there appeared to be plenty of patients for both, and about 5 sessions worth of work for Trish, Mark wasn't receiving enough of "the

right sort of patient". He believed that Michael had lots of patients who could have been referred across to him for a more expensive treatment plan.

Michael may not have been a super salesman, but he was likeable, hard working and efficient. There were lots of personal referrals since his patients felt that they got value for money. It was particularly irritating for Mark that Michael's patients were prepared to book in several weeks in advance, whereas his book often had last minute gaps.

Up Market vs. Down Market

Mark constantly pointed to the advantage of being more upmarket, but Michael hesitated to take the practice down a route with which he felt uncomfortable. Mark got a marketing consultant in, who advised on spending a lot of money on an over the top practice makeover supported by expensive brochures, advertising in a cinema and to get a receptionist with lots of appeal. When the proposals were put to Michael, he was unimpressed and uninterested beyond having the waiting room repainted. Michael was as busy as he could be, and he wasn't going to get a significant return on the expenditure.

Conflict over Practice Strategy

Mark liked complexity, and Michael simplicity. When Mark suggested buying a CEREC machine, Michael thought about it briefly, and indicated that he didn't need or want one. However, he had no objection if Mark purchased one for himself. Inwardly, Mark raged, because he knew that it would only be economical if two busy dentists shared it. Mark felt that Michael was holding him back.

Michael recognised that Mark was untidy administratively and used up more than his share of resources. However, he had the patience to deal quietly with most issues.

Mark's belief that Michael had patients who could be referred over to him for expensive treatment plans became more pronounced and he began to resent Michael holding him back.

Michael felt uncomfortable about Mark's sales pitch, which he believed was over the top, and his instincts led him to become more protective towards his own patients.

Truthfully there should have been room to cooperate, with Mark moderating his dentistry back towards realistic treatment plans and Michael passing over a few cases to maintain harmony.

Effect on the Staff

The receptionist became haunted with Mark constantly checking the book and indicated to Michael that she felt pressured. Mark presented a contrast in his

demeanour. He inherited a few public figures among his patients, and whenever he dealt with one of them it inflated his ego. For days afterwards, he was much more pleasant to deal with. Michael treated all his patients with good humour and courtesy and didn't care who they were.

Michael's Expanding Patient List

Michael was receiving many more personal referrals and was now booked well ahead. He edged his fees up, but the list was as long as ever, and he decided to expand to a Saturday morning session. Michael and his wife Susie had recently renovated their home and he decided that he would make a determined effort to earn more income and reduce the mortgage. He was strictly fair ensuring that the extra overhead costs related to his extra session were paid in full by him. However, his action was resented by Mark who felt even more strongly that some of Michael's patients could have been passed on to him.

Impact on Personal Finances

Mark's personal finances reflected his untidy business habits. Possibly to compensate for his frustrations, he spent too much on an expensive car that he didn't really need and his mortgage was at an unhealthy level. Needless to say, his business overdraft was always near its limit. Michael's overall financial situation was improving at a healthy rate, whereas Mark was barely keeping up. It didn't help Mark that he attempted to solve his overall situation by making unwise investments in an attempt to pick winners.

On Collision Course

Usually their differences of opinion had been smoothed over, but they were becoming more frequent, and sooner or later something had to give. Mark kept pointing to "up market" practices and undoubtedly some of them were profitable, and very well run.

Michael had long recognised the inadequacies of the accountant who had advised him when purchasing half of Eric's practice. He was now getting proper business and accounting advice. His associateship, including half of the joint service entity was benchmarked, and he knew where his practice stood. The advice he was receiving indicated that his mode of practice was right for him. It was above benchmark efficiency, and the fees that he generated in his own surgery were comfortably above the norm. His was a nicely profitable formula.

Mark tended to wander from adviser to adviser seeking "guru status" advice. Usually the advisers recognised his mind set, took his money and told him what he wished to hear. Michael was uninterested in the reports which Mark pushed over to him, because they were always an echo of Mark's own view.

Mark suggested that they jointly engage one of the well known in practice consultants. Michael didn't say yes, but he did agree to make some enquiries.

The quite brash consultant met with them, advised them that she would send their fees soaring to the heavens and brandished a contract obliging them to pay \$45,000 over 18 months. Michael promised that they would get back to her. He had severe reservations figuring that any competent consultant would be prepared to work for a monthly retainer, which could be terminated at a months notice. He noted the glowing testimonials that they had been given and set out to find more information. He made a number of enquiries, and found out that while some dentists praised her efforts in their practices saying things like "*we are now a lot more profitable*" or "*she sorted out our practice for us*" these were matched by a significant number of others who made negative comments such as "*she added greatly to our staff cost*" or "*she had us filling in endless forms*", or the killer "*the staff threw a party the day after she left!!*".

Michael checked back with his accounting and business advisers, updated his practice benchmarking and they jointly reasoned that as he couldn't get a lot more efficient or profitable and still run a practice in the style he liked, there wasn't benefit to him of getting in the consultant, but there was a lot of downside potential and cost.

The Explosion

Michael advised Mark of his decision. It may have been the straw that broke the camels back as Mark's control seemed to snap. He accused Michael of holding him back; of not wishing to renovate the practice and of practicing *out of date dentistry!* Both recognised from this point that sooner or later, they had to separate their practices.

Conflicting Visions

They both recognised the need for an update and renovation of the practice, but Michael was thinking in terms of a makeover which would suit his practice style and which was modest in nature. Michael had an expensive glitzy outcome in mind. Both were correct for their individual styles of practice. The only trouble was that they were incompatible.

Fortunately another suite became available nearby. When it came time to decide who would move and who would stay put, they tossed a coin. Michael called "heads" and elected to stay. Fortunately they had each recognised their distinct appeal and had run separate Yellow Pages ads with separate telephone numbers into their practice.

Mark's Future Practice

It was a struggle, but Mark was able to find a financier who would lend the expensive fit out he needed. However, due to his inadequate security cover, the lease was written at a punitive interest rate. He found going solo to be a real struggle because he was carrying a lot of financial burden. He had to get rid of his expensive car and severely limit personal spending. There was some benefit in that the amount of debt carried forced him to take more

administrative responsibilities than he had ever known, but without Michael to rely upon, he regularly had practice administration nightmares. He eventually got enough patients to be well booked providing the dental treatment plans that he wanted to. It took him several more years to achieve this end, and he never achieved a high benchmark rating on his practice because of the expense of the support he required.

Michael's Subsequent Career

Michael kept Trish, who had worked for both Michael and Mark jointly, with a financial adjustment to Mark. He refitted in the original location at a modest cost and in a sedate style. His patients seemed to be of a mindset that was in tune with what he did and were happy. Their numbers continue to swell. It was as if they recognised that some of the tension had been removed from the practice. Michael's practice and his personal finances improved steadily, although he never set any records. What he did do was optimise his style of practice.

Fact and Comments

In reality, there are a variety of styles of dentistry and there are dentists who are efficient and optimise within their practice style. There are some dentists who believe that they run upmarket practices, but whose practice efficiency and profitability is shocking, and there are some dentists running traditional style practices who are surprisingly profitable. Unfortunately, human nature and incompatibility of styles mean that in far too many cases those who practice together find that they are incompatible.

Some Lessons

1. One of the critical decisions a dentist buying a practice makes is the choice of adviser. While the accountancy profession likes to promote itself as being business advisers, the truth is that with respect to any professional occupation, only a handful of accountants and business consultants have the in depth knowledge required to give a professional level of advice. Unfortunately in a multitude of cases, advice is provided by accountants or business consultants who pretend that they understand the profession concerned.
2. A dental associateship is not far removed from a partnership in that there are many decisions which require compatibility of approach. When buying a practice, you may be expected to work with the other person for 25 or 30 years. If there are too many incompatibilities, it will either not last, or produce an unhappy working environment long term. Life is far too short to spend much of it in unhappy circumstances.

3. There are both efficient and inefficient dentists running practices which are regarded as upmarket or providing advanced treatment. Having business advisers and accountants who regularly benchmark your practice and who will understand the subtle differences in dental business strategy is vital to making correct business decisions.
4. Similarly, there are many dental practices where the services provided are of a traditional nature which have high efficiency and many which have poor efficiency. Once again, having accountants and business advisers with in depth knowledge of your profession and a comprehensive database against which to benchmark the practice is vital to making your business decisions.
5. Only deal with in-practice consultants who are prepared to offer their services on a month to month basis. Think carefully before signing a \$30,000 to \$45,000 contract in advance. In particular, don't hire them without checking carefully among dentists outside of the ones mentioned in their testimonials.

By GRAHAM MIDDLETON, BA, MBA, AFAIM

Graham Middleton is a director of Synstrat Management Pty Ltd and Synstrat Accounting Pty Ltd. The Synstrat Group is an independent data-based organisation providing management, benchmarking, valuation, financial and accounting services to the dental profession. Synstrat Management Pty Ltd is a Licensed Dealer owned by its directors who work within the Synstrat Group.

Tel: (03)9843 7777

Fax: (03)9843 7799

Internet: www.synstrat.com.au

Email: dental@synstrat.com.au