

Structuring A Partnership

Northeast Dairy Production
Symposium

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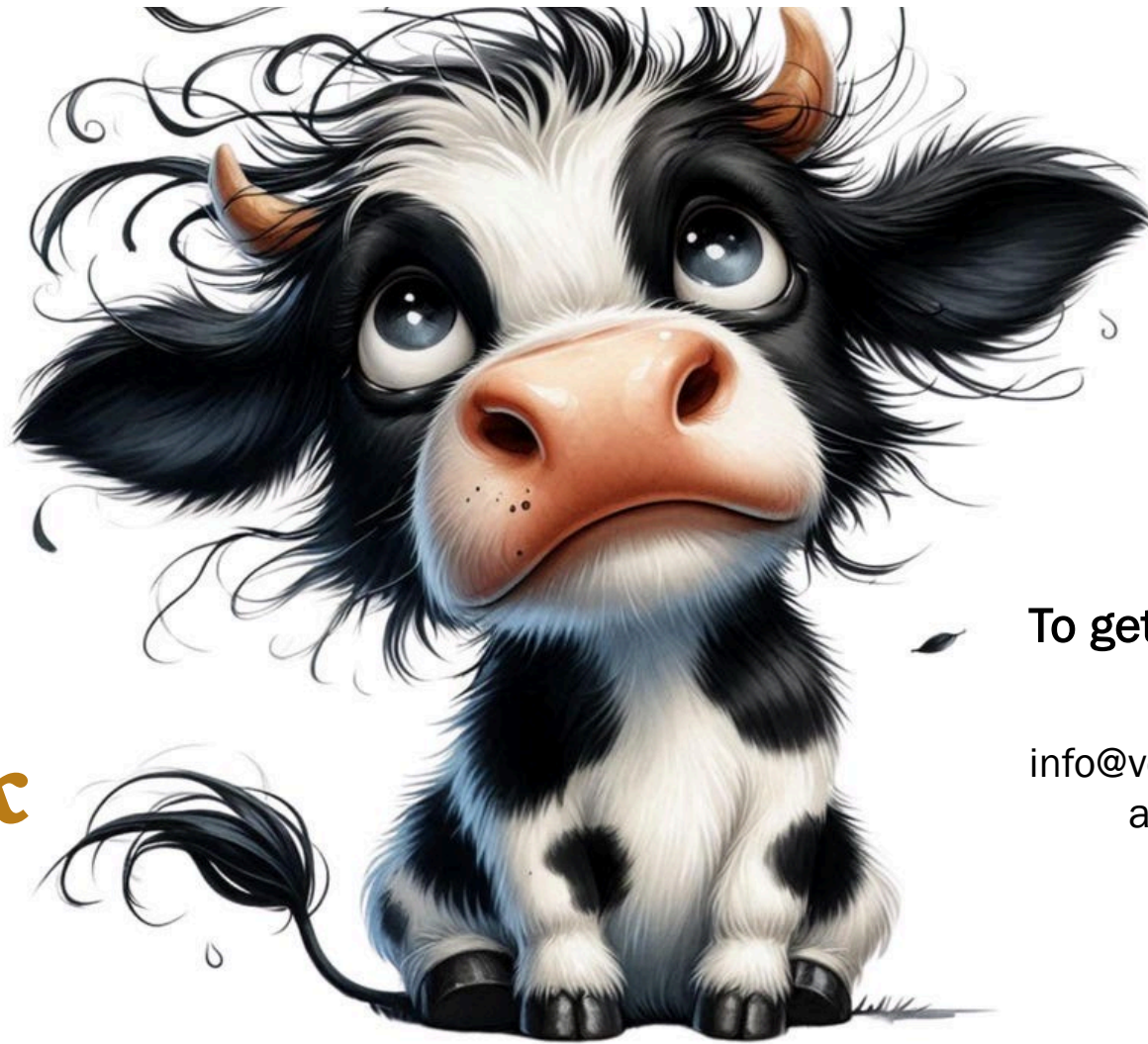
VBA's Mission Statement

Veterinary Business Advisor's supports members of the veterinary industry as they navigate the complex web of risk management, business strategy, and the growth and development of their organization. As highly qualified professionals with a broad spectrum of experience, we provide the highest level of comprehensive business and legal advice in the profession.

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***You Have
Homework***

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Path to Partnership

This presentation aims to lay out a pathway for practice owners to bring in partners who 1) will contribute to the practice and 2) when the time comes for owner's retirement, be fully prepared to take over.




Two Species of Partnership

1. Race to retirement
2. Succession planning



Exercise: What are the Challenges of having Associates as partners?

1. Generational differences in communication and “work ethic”
 2. No money...does it matter?
 3. Business acumen
 4. Emotional intelligence
 5. Risk tolerance
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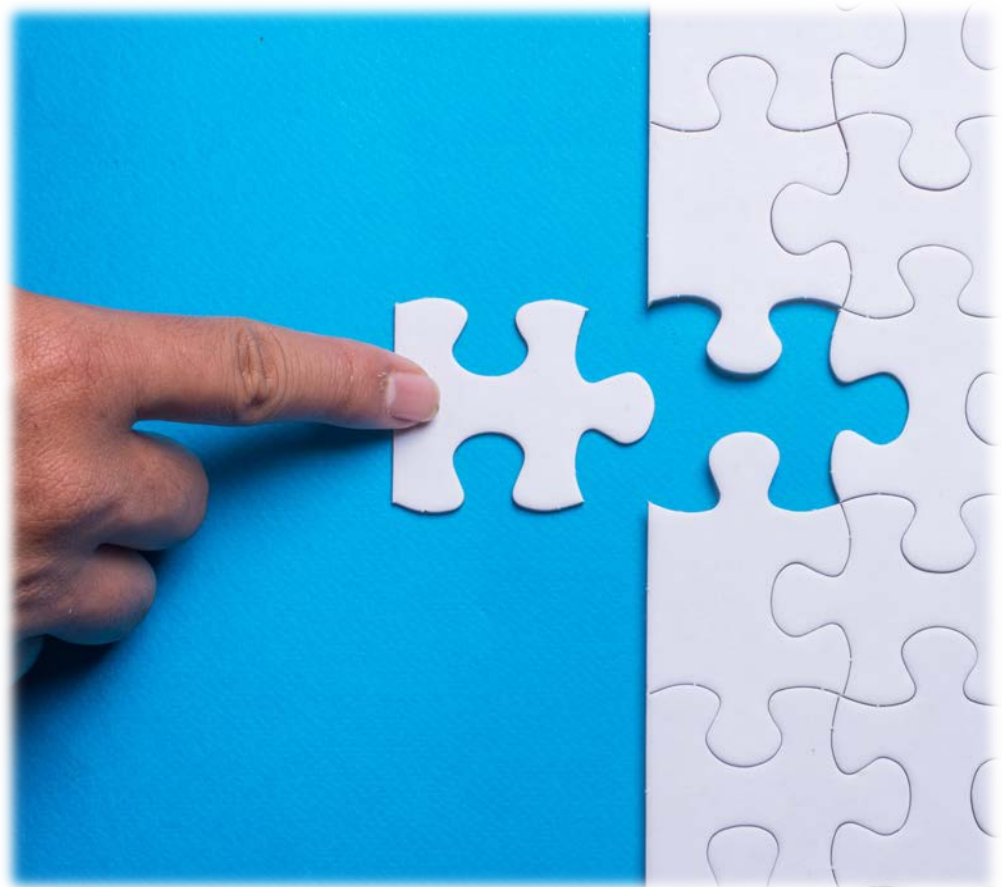
Types of Partnerships

Equity vs. Non-Equity
Partner

Profit Sharing Only

Voting vs. Non-voting vs.
Limited voting

Phantom Stock “partner”





Questions To Consider

- Why do you want an associate as partner?
- Why does your prospective partner want to be a partner?
 - Job security
 - More money
 - Build equity
 - Control
- ...and maybe not so much?
 - Invest money, time and resources
 - Be at risk for liabilities associated with business ownership
 - Increased stress from responsibilities
- What do you each bring to the partnership? Now? In the future?
- Is it the right “personality” and “communication” fit?
- Substantially similar visions?

How To Bring in a Partner



Determine why you want a partner



Define the sort of Partner you want and your Practice needs



Define the competencies and skills needed



Define the metrics or measurable baselines which candidates have to achieve to be eligible



Set up a rigorous assessment process



Make sure it is aligned with your short and long term business strategies and personal goals

Path to Partnership



Business management is one of the greatest challenges to veterinarians in the business of private practice ownership



Little formal training is available in veterinary education

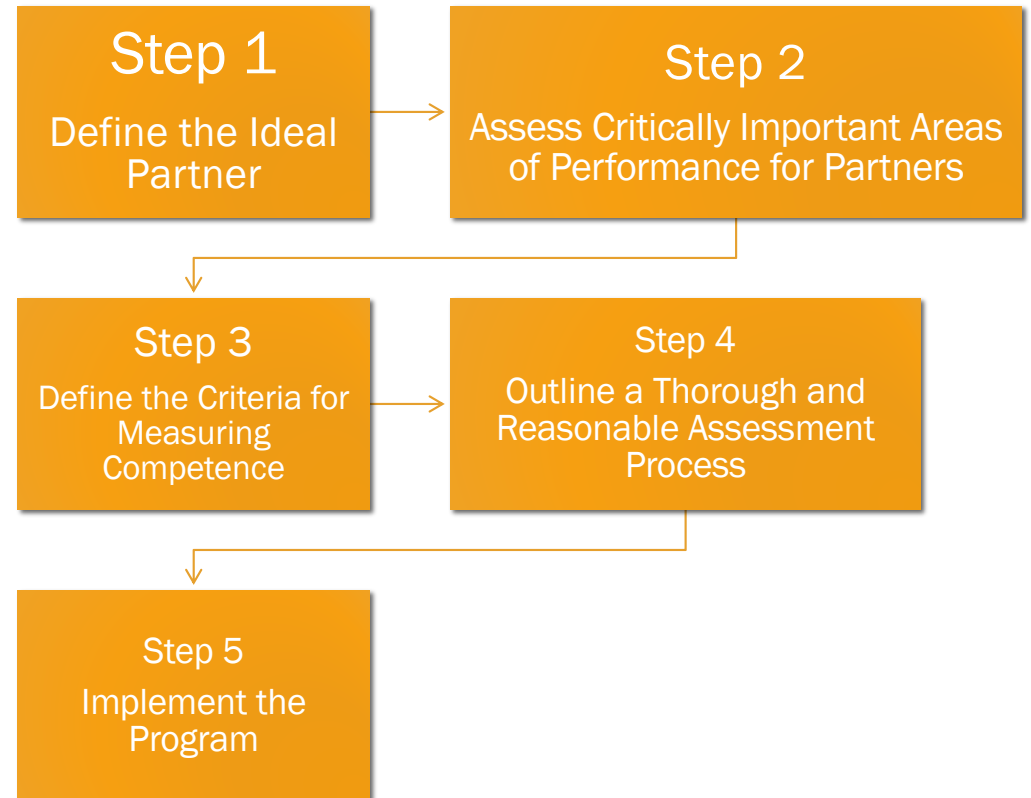


Knowledge on how to run a business must be sought out independently



By the time she becomes familiar with the daily ins and outs of practice ownership, she may be ready to retire

The Roadmap



Step 1: Define the Ideal Partner

1. It is tempting to employ favoritism or seniority when selecting a partner
2. Colleagues that you personally identify with may not be the best partners
3. Determining a set of characteristics ahead of time is better
4. An excellent veterinarian may not make a good partner



Step 1: Define the Ideal Partner

Skillful
Veterinarian

Entrepreneurial

Leader

Relationship
Management
Experience

Practice
Management
Experience

Dependable

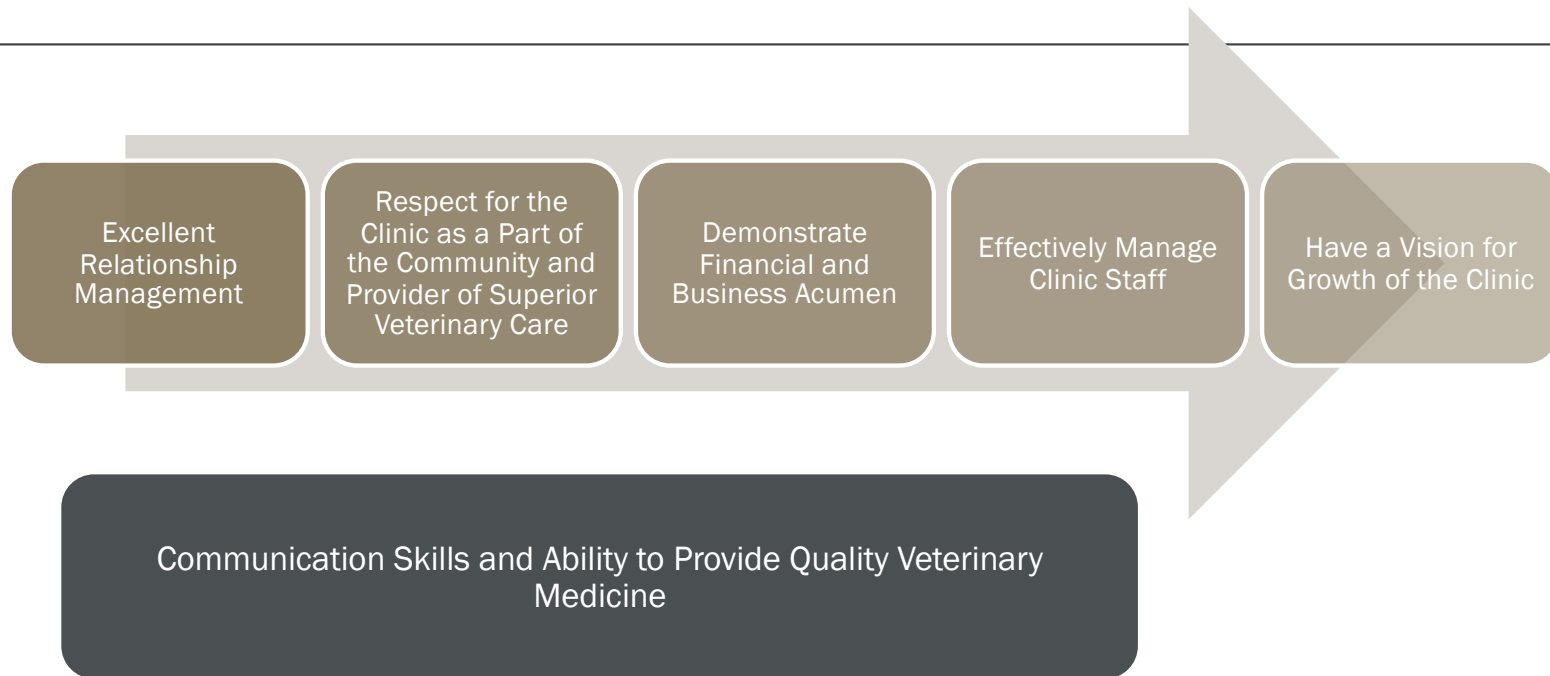
Amiable
Personality

Conflict
Management
Skills

Communication
Skills

Emotional
Intelligence

Step 2: Assess Critically Important Areas of Performance



Step 2: Assess Critically Important Areas of Performance (CAP)



- To measure the veterinarian's success in these areas, you need to identify the **competencies** you value
- This list may vary among practices
- The following slide contains an example

Step 2: Assess CAP: Excellent Relationship Management



Example Competencies:

- Demonstrate ability to respectfully disagree
- Tactfully raise and discuss difficult issues
- Be liked by clients
- Contribute to excellent client experience

Step 2: Assess CAP: Respect for the Practice and its Role in the Community

Example Competences:

Support practice efficiency
and IT

Dedicate time explicitly to
building the business

Ensure practice has a role in
supporting the community




Step 2: Assess CAP: Demonstrate Financial and Business Acumen

Example Competencies:

- Understand basic tools of measuring financial performance of the practice
- Demonstrate ability to delegate management tasks. Not being in control of everything
- Willingness to take financial risks to expand the business

Step 2: Assess CAP: Effectively Manage the Clinic Staff

Example Competencies:

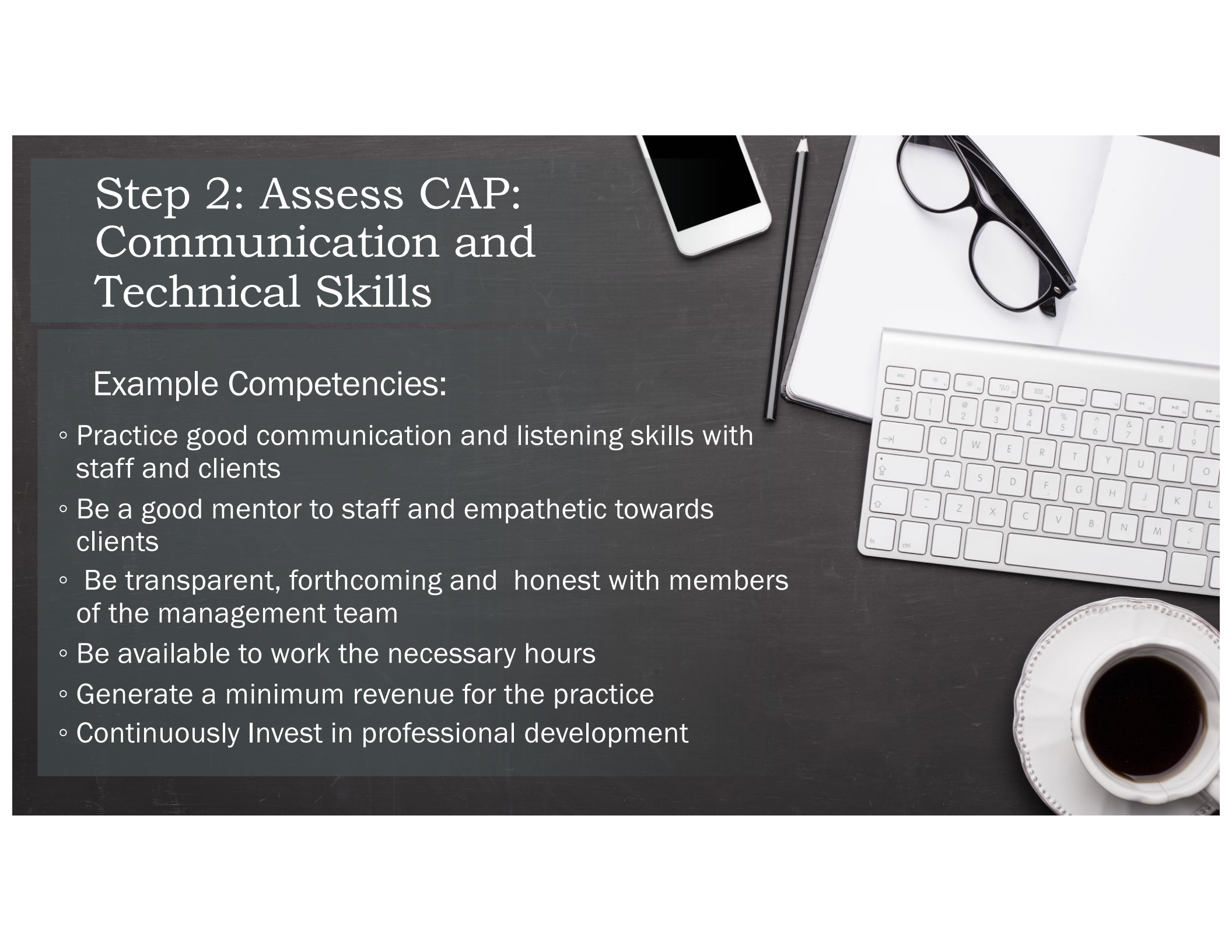
- Private criticism/public praise/no shouting or abuse
 - Keep partner's personal business and business of practice confidential and separate
 - Communicate instructions clearly and completely
 - Never speak negatively about staff members to other staff members
 - Utilize staff as team members and co-workers
- 

Step 2: Assess CAP: Have a Vision for the Growth of the Clinic

Example Competencies:

- Be responsible for the future of the practice
- Don't just work 9-5
- Be passionate about the possibilities and how they are achieved
- Pursue new opportunities such as use of tele-medicine and AI





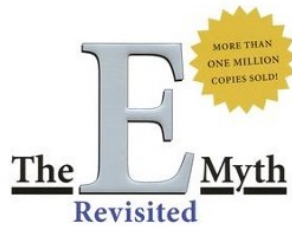
Step 2: Assess CAP: Communication and Technical Skills

Example Competencies:

- Practice good communication and listening skills with staff and clients
- Be a good mentor to staff and empathetic towards clients
- Be transparent, forthcoming and honest with members of the management team
- Be available to work the necessary hours
- Generate a minimum revenue for the practice
- Continuously Invest in professional development

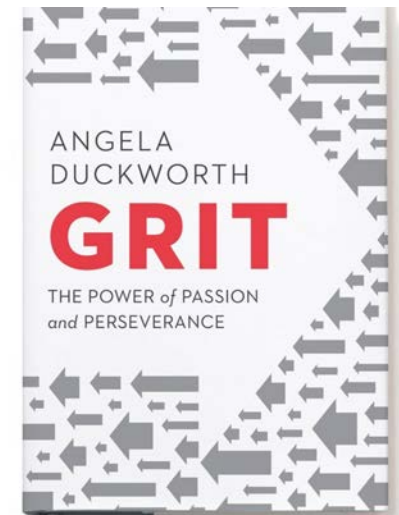
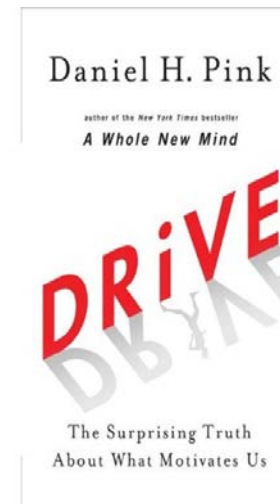
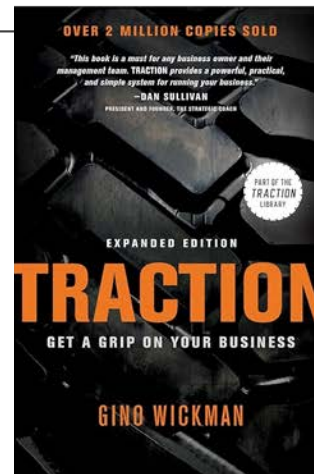
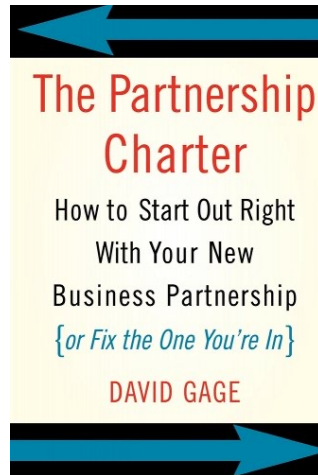
Read and discuss books with your prospective partner...see how you think beyond veterinary medicine

What Every Successful Entrepreneur Knows



Why Most Small
Businesses Don't Work
and What to Do About It

MICHAEL E. GERBER
The World's #1 Small Business Guru



Step 3: Define the Criteria for Measuring Competence



The particular criteria that are important to the practice owner will vary on a case by case basis

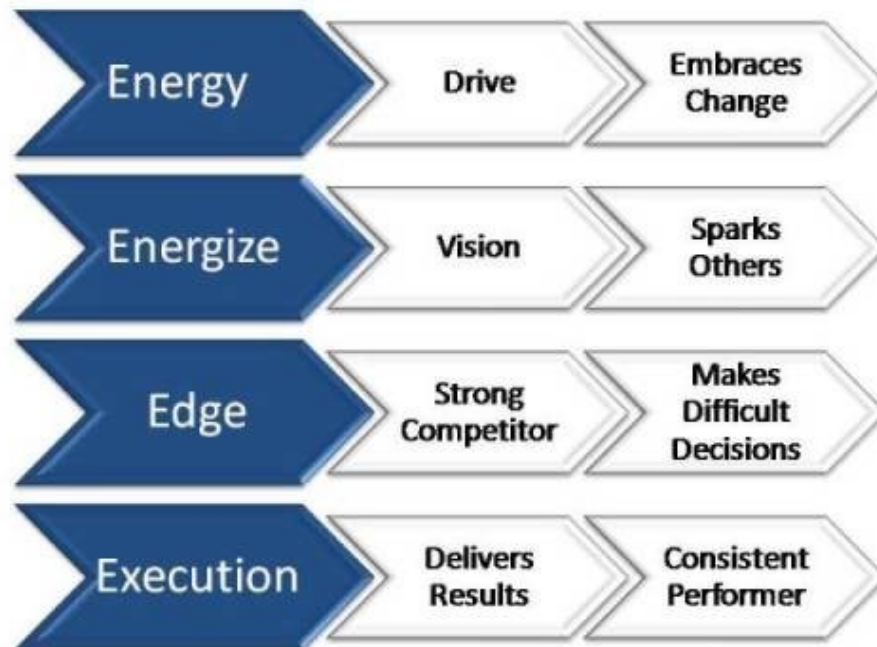


Will help facilitate constructive discussions between candidate and the owner



Ensures that assessments are fair/consistent between individuals, in the event that multiple candidates are being considered

Jack Welch 4E's of Leadership



JACK WELCH AND THE 4E'S OF LEADERSHIP



HOW TO PUT GE'S
LEADERSHIP
FORMULA
TO WORK IN YOUR
ORGANIZATION

JEFFREY A. KRAMES

BESTSELLING AUTHOR OF *THE WELCH WAY*

Adapted Jack Welch Quote (on hires) For Getting the Right Partner

“Your goal in partnering is to get the right partners on the field...It’s so easy to partner with people like you. After all, you’ll be spending the majority of your waking hours with them....But **friendship and experience are never** enough.

Every person with whom you partner must have **integrity, intelligence and maturity**. Once you’ve got those, look hard for people with the **Four Es²** and **passion**. Beyond that, look for **authenticity, foresight, the willingness to draw on others for advice, and resilience.**”

Energy, Energize others, Edge, Execution - Passion



Step 5: Implement the Program

- Identify candidate(s) after their first year

Minimum Qualifications:

- Work full time
- Generate a minimum gross revenue consistently
- Show evidence of savings for a down payment



Step 5: Implement the Program

Hold regular meetings with each individual candidate to review performance and progress along the way

- Discuss future plans
- Ensure associate's values are in line with the practice
- Establish goals to provide targets for the associate
- Give them projects to do, to test their competencies
 - New software, set up training, purchase equipment, implement new program

Step 5: Implement the Program

Continual mentorship and counseling from the owner will aid in the growth of the associate into a more suitable partner.



Step 5: Implement the Program



Inform new associates at the time of hiring of the possibility of future ownership



Interested associates may enter this mentorship program with clear benchmarks to meet over the course of the next 3-5 years



Once the associate has been consistently meeting and exceeding the criteria, the associate is invited to submit a written application which should include a career plan and personal SWOT analysis

Pitfalls



Forgot to focus on associate's ability to pay and discipline to save money and build a nest egg for this purpose



Getting derailed and not regrouping



Failing to adhere to criteria and predetermined timeline

Structuring the Buy-Out

1. How much should the associate buy?

- What can they afford?
- Do they have downpayment money?

2. How much will it cost?

- Valuation
- Will there be a discount? Should there be?

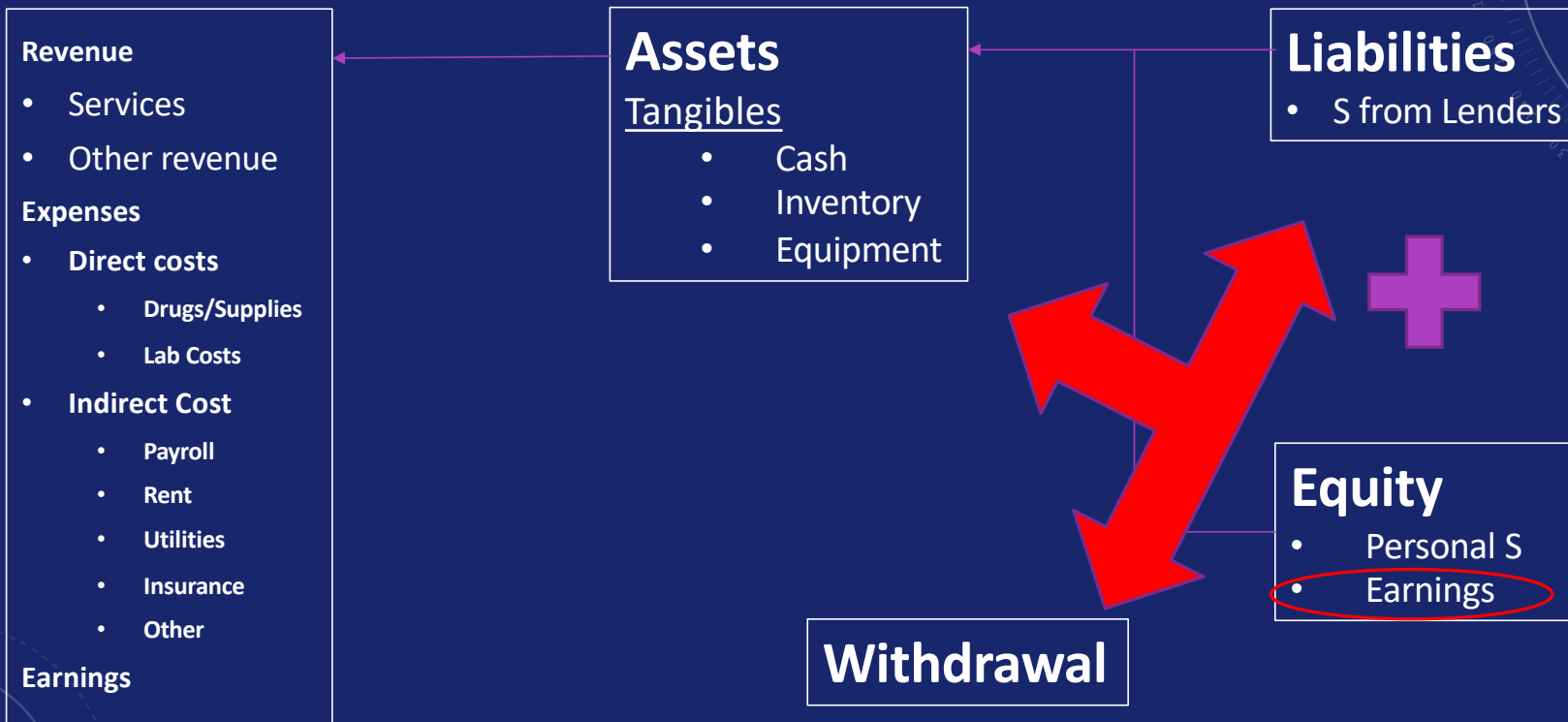


Practice Valuations:
Earnings = Gross
Revenue – Operating
Expenses (profits)
x Multiple

Estimates of Future Earnings
based on the past



THE GENESIS OF A SUCCESSFUL PRACTICE



Where Does Value Come From?

Type of practice

- Service type
- Inventory/prof service ratio

Client base

- Return rate

History

Product line

Location

Competition

Demographics

Management

Personnel

Economy

Structuring the Buy-Out

3. How will the associate pay for % of practice?

- Will you lend the money?
- Should the practice lend the money?
- Can the associate borrow the money?

4. If you own the real estate, will you also sell it?

- Where will the money come from?



Questions?

Thank You!

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