Financial Matters

Five more of the top 10 reasons why associateships fail

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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 doesn’t occur.

The following reveal five more of the 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 produce dentistry, earn a salary and improve skills.

It is common 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 plans. 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 proud of personal 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 associate-