

A spotlight on staff

As part of a series of articles considering potential pitfalls of practice sales or acquisitions, **Luke Moore** shares the key issues to be aware of regarding staff.



Dentistry is a people business, so it makes sense that a dental practice is only as successful as its team. They control the quality of clinical treatments provided, how comfortable patients are made to feel and ultimately, what type of reputation the practice develops. Most principals therefore spend extensive time and

resources on creating and maintaining a good practice team, as this can make a huge difference to the long-term success of the business.

For this reason, the professional team is a crucial asset when it comes to selling or buying a practice, but there are a number of possible issues that can arise.

Changing personnel

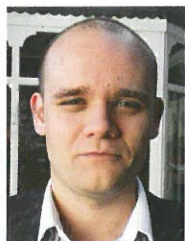
Perhaps one of the most feared problems for a vendor is that staff will up and leave when they get wind of the business sale. It is not uncommon for individuals to take this opportunity to change jobs and, while it can create extra work for the vendor, it's not the end of the world. Members of the team simply need to be replaced with someone who can fulfil the same role for the same money, as quickly as

possible. In this way, the value of the practice will be maintained and buyers shouldn't be too concerned.

While this can all be avoided by making the sale confidential in the first place, a lot of practice owners feel guilty about misleading the people they work with on a day-to-day basis. However, the other way to look at it is that not telling them means you aren't sharing all the anxiety surrounding the success of the practice sale with them, which can cause uncertainty and push them to leave without meaning to. Sometimes ignorance can be bliss!

Employment contracts

Employment contracts can be a big area of contention for vendors and buyers alike. The key to avoiding any problems is to ensure that all contracts are correct and up-to-date as part of



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the initial checks by both sides.

Every member of staff – from dentists to dental nurses and support staff – needs a contract in order to protect the buyer from unexpected claims by individuals after the transaction is complete. For example, associates could hold the new owners to ransom if no contract exists to legally bind them to the existing conditions.

It's also worth checking any potential for assumed contractual benefits. For instance, members of staff may have received a certain bonus once a year for a prolonged amount of time. The regularity of the act could make it an assumed contractual benefit that the buyer would be expected to continue and so needs to be aware of it.

Pay rises

A vendor may attempt to protect or appease members of staff in the lead up to a sale by increasing their pay. While a positive sentiment for the individuals and absolutely necessary for long-term staff retention, the timing of pay rises must be carefully considered. Increasing outgoings will reduce profit and this could affect the goodwill value of the practice. If any significant pay

rises are implemented during a sale transaction, the buyer would have grounds to re-negotiate the asking price.

It is also important to ensure that existing employees are paid at rates comparable to the market average for the area. There has to be a good reason for paying anyone much over this as it will ultimately cost the buyer more in the long-run to make that person redundant or simply continue paying them above average wages. For example, older employees can not be paid more than their colleagues simply due to their age.

Employment claims

For any practices that are incorporated, the buyer will purchase the entire entity and therefore could become liable for any pending claims or issues facing the business. If any problems arise during the sale process, it's important that the vendor advises the buyer at the time. However, in the presence of any potentially large pending claims, an indemnity could be offered for a certain amount of time as a form of insurance for the buyer. If and when something happens, an

indemnity allows for a specific amount of the purchase price to be refunded without the need to sue, giving a buyer comfort.

Headcount

Too many employees in a practice can be a cause of concern for a potential buyer. Not only does this mean that the business is not running at its most efficient, but it can also be difficult and costly to remedy. For example, they either have to wait for natural decay as people decide to leave to retire, or they incur the costs of redundancies. It's therefore necessary for vendors to be aware of their staff headcount and manage this in the years leading up to a sale.

The right people for the job

These are just some of the possible staffing issues that can be faced when selling or buying a dental practice. At the end of the day, it's important to have the right people in the right jobs so as to encourage efficiency within the business and make the transfer of ownership simpler. Working with the right people during such a transaction can also make a huge difference.

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