

Today's Agenda:

Review 3 Case Studies

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Step 1: What is the client's goal?

- Take a minute and review your 2013 goal and your 3-5 year goal.

- How does your business and/or professional career serve your greater life objectives?

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Step 2: Identifying Risks

- Today, what are the principal risks or short comings of your business to achieving your 2013 goal?
- The risks and challenges for your 3-5 year goal?

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“I hear a lot about risk, what does that really mean?”

- Financial Risk
- Regulatory Risk
- Risk of doing something you would rather not do,
- Risk of violating a contracting, including:
 - the sacred contract with your patients,
 - the contract with your family or yourself,
- Relationship risk
 - Staff
 - Referring Veterinarian

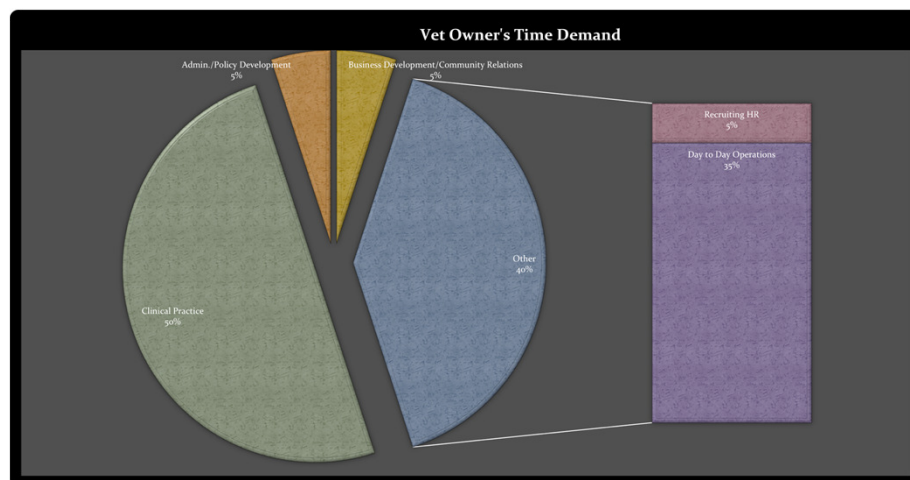
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Major Risk: Wasting time on what does not matter

- So, how do you spend your time

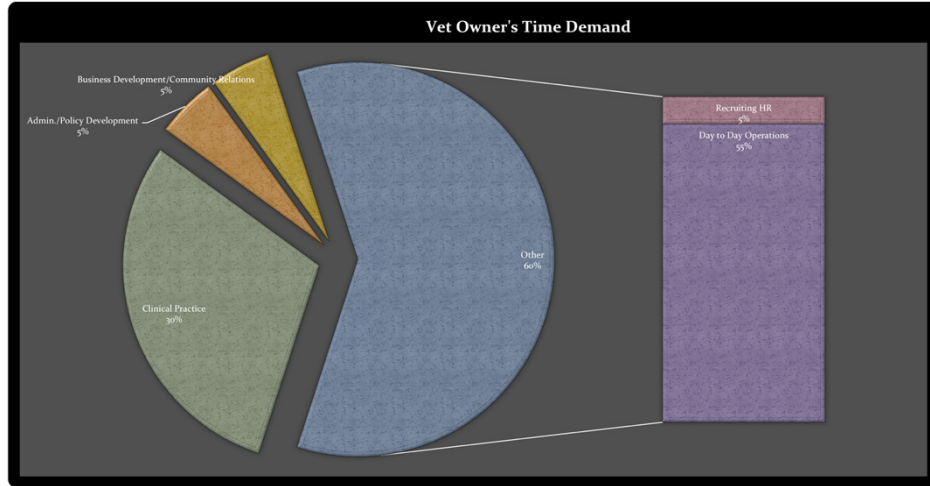
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Do your goals match how you spend your time?



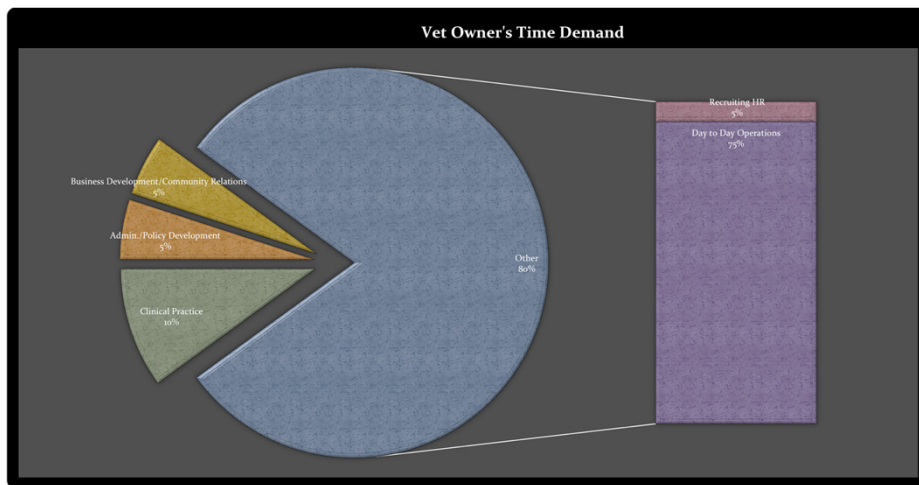
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Do your goals match how you spend your time?



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Do your goals match how you spend your time?



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Balance your Time to Align with your Key Goals

- Exercise:
 - Pick up your date book and pick two random weeks from 2012 and 2013
 - Categorize your goals
 - Categorize your time into categories (e.g., clinical, family, personal, managerial, day to day operations, etc.)
- Goals and Time Spent: Is there alignment?

This “alignment” is the first driver, there are more.

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Case Study 1

“The two professional positions of Dr. Smith”

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The Presenting Problems.....

- “ I spend most of my day preparing for and performing surgeries. By five, I leave surgery and there is a line outside my office door. I take off my surgical scrubs and put on my managerial hat and my day begins again.”

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The Presenting Problems.....

- “ I have a good team, a loyal team, but I seem to be repeating myself all the time. Is anyone listening? Every year when I step back, I am proud that we have had a good year, but we could do better. It seems like the same patterns of obstacles and behaviors prevent a good year from becoming a great year.”

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The Presenting Problems.....

- “ I love what I do, but I don’t want to do it at this accelerated pace forever. In fact, I would like to work part time and work for the love of it. It would be great to achieve that goal in 3-4 years.”

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The Presenting Problems.....

- “I deal with risk everyday and I am very mindful of reducing risk for my patients. But no one ever talked to me about business risk. I don’t really manage my business with that in mind: what are the risks?”

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The results of the diagnostic work up.

- Decision making centralized at the top.
- Problems move up, not down and out.
- Desired performance clear at the top, misunderstood throughout the organization.
- Lack of clarity on specific performance metrics. What is success?
- Patients/Pet Owners health experiences are highly variable; referring physicians remain uncertain of clinical capabilities.
- Adding managerial resources has been tried again and again: "I guess only I can manage the practice."

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So how do we move from.....



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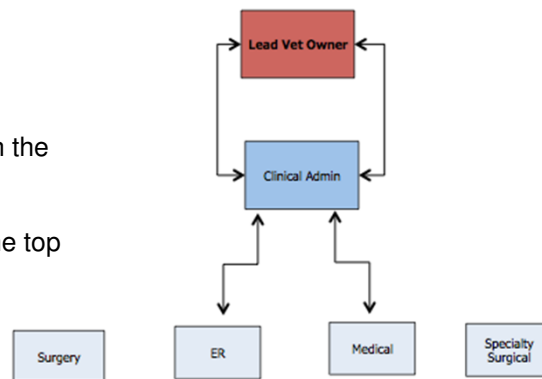
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Traditional Organizational Structure

Problems discovered on the bottom,
Decisions are made at the top



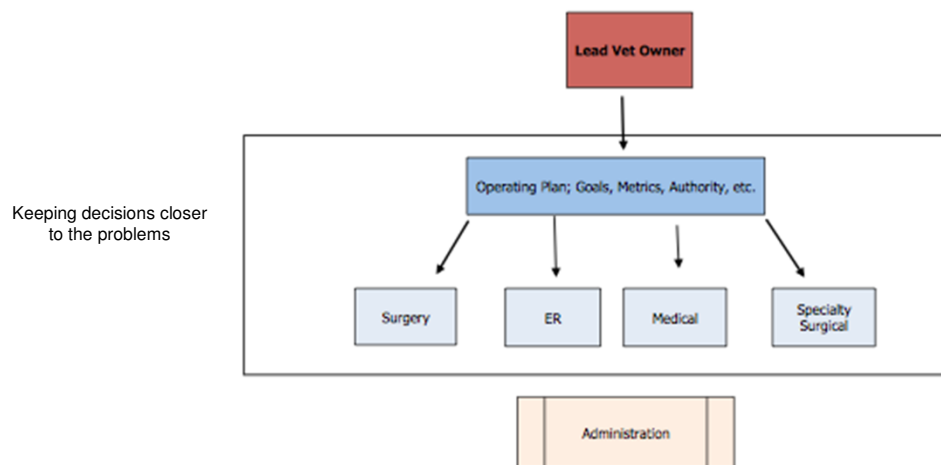
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Pushing Decisions Downward Toward the Point of Care

- Typical structure of the practice organization?
- Mid-managers are authorized to.....
- Daily meetings: Symptoms of the need to insist on performance or meetings as a vehicle to control middle managers?
- What are the performance metrics: what is success?
- Managing to success at the top.....

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Empowering Operating Units



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Performance Metrics

- Performance Metrics are not only financial indicators
 - Referral rates
 - Quality of Care measures
 - Patient Satisfaction indicators
 - Turn around times
- Financial Measures:
 - Real time measures
 - What are the people and behaviors in back of those numbers?

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Linking Performance to Rewards

- Performance based compensation: Does the team get rewarded when you do?
- Tying bonus or other rewards to performance metrics
 - Everyone?
 - Frequency
 - Meaningful reward
 - Clarity
 - Mentoring, creativity, resources
- One size does not fit every personality

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Imagine Each Department is a Small Business....

- The Core Top Management and its support services exist to make each of the small businesses successful.
- Ask your middle manager or small business leaders to define success and what resources they need to be successful.
- Resources?
 - Accounting and Performance Metrics-- what are the goals?
 - Scheduling and reception: what is the desired patient/owner experience?
 - Marketing and Promotion, but what and how?

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Imagine Each Department is a Small Business....

- Resources?
 - Staffing Needs: Perhaps you have an in-house staffing agency for peak needs?
 - Facilities: What physical space do they own? How does its look and function to support its success?
 - Business Owners: How does the business serve their personal and professional needs?

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Imagine Each Department is a Small Business....

- What does the Master Vender, the Executive Management, pursue to foster success?
 - What is your plan for each business and how do you define success?
 - Lack of clarity inhibits growth
 - Lack of professional and financial rewards: do you lose people because there is no way for them to grow?
 - Coordination: what does that mean to support each small business and the whole?

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Imagine Each Department is a Small Business....

- Do you have an operating plan? Do you know what success is?
 - Proactive toward productivity and goal attainment? Or reactive to daily challenges?
 - Do you share your plan?
 - Do you require your business owners to have a plan and incentivize them to manage their business to their plan?
- If you don't, you react to what is in front of you instead of planning to your needs.
- So, what is a good operating plan?

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The Role of the Executive Manager

- Managing an Executive; managing a department head
- Seeking greater granularity and clarity
- Leadership versus dictatorship
- Finding the right people
 - making the quick call when managers can't perform
- Managing so that positive reinforcement is more visible than negative

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Return to the Time-Goal Alignment Exercise

- What tasks are most important and what can be pushed downward
- Pin point responsibility and define clear performance metric
- Tie Metric Achievement to valuable reward
- Define Career Advancement for Middle Manager
- Positive versus negative reinforcement
- Leadership: control versus training/mentoring

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***To move forward and grow, what was once
intolerable must become tolerable.***

How you manage your team.....

How you manage yourself.

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Case Study 2

“Time to Position my Practice for Sale”

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The Presenting Problem

- “ I spoke to the national operators and they made an offer but it was too low. What is the right number?”

- “I have wanted to sell several times, but then the business really started picking up. Why sell when I am doing so well?”

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The Presenting Problem

- “ I used to not mind when I missed vacations but now I need a break. Yet there is no one here I’m confident can run the business in my absence.”

- “ Over the years, I have noticed a pattern. The heavy work load and the long hours cause me to want to define a long term plan for myself, my financial and professional future and the business. Then I get too busy to follow up on my own pressing needs. A year or so later, the cycle repeats.”

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When, why, how?

- Don't think about positioning the business while you are pounding the "for sale" sign in the ground
 - ideally, begin positioning 12-36 months before you begin the sales process
- Positioning the Business is specialized skill - don't operate on yourself.
- Organizing the Team of Professional Service Providers

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When, why, how?

- Who is the team?
 - Lawyer, accountant, tax, "broker", and consultant who has proven track record positioning and selling businesses.
 - Evaluate their experience
- The cost of making a mistake versus the cost of hiring experienced talent

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Who is your buyer and what is he/she buying?

- Market Position

- EBITDA, Revenues, Revenue Growth

- Business model

- Referral dominance

- A Career

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Molding your Business for your Buyer

- Buyer: a Team of Physicians who work for you
 - Issue: Seller Notes
 - Issue: Have you reduced your risk?
- Buyer: Large Publicly Held Corporate Consolidator
 - Issue: Term of the real estate lease and the impact on their earnings
 - Issue: Management alignment?
- Buyer: Private Corporate Consolidator
 - Issue: Trading Stock: How do you sell the stock received?
 - Issue: Alignment of key shareholder goals with your goals?

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Molding your Business for your Buyer

- Buyer: Private Equity
 - Issue: Your continued Role as a Vet and Manager
 - Issue: Medical Management?
- Buyer: Your competitor
 - Issue: How might your employees be treated in an operational consolidation?
- Other Issues: (there are others)
 - Cash, Stock and Notes
 - Identity

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Case Study 3

“The Two Businesses of my Practice”

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What are the two businesses?

- The practice..... the provision of diverse health services.

- The place where these services are provided: the real estate
 - Owned real estate
 - Leased real estate

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The Presenting Problem

- “The only way to control my facility is to own it.”

- “Initially, I built or bought the facility for tax benefits, but now the maintenance of the building is a real expense. Is depreciation an actual expense?”

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The Presenting Problem

- ““My business is growing and I could use some more capital to fund growth.”
- “ Retirement is just around the corner. I need to start preparing for my retirement.”

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Owned Real Estate: Common Ownership Structures

Operating Entity: LLC,
Partnership,
Sub S corp,

The Lease

Real Estate: Closely Held
Partnership

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Managing Risks

- Both businesses are directly impacted by one business risk
- Cross collateralization of real estate and business loans: rates, security, terms
- Personal guarantees on these loans
- Single Purpose Real Estate

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Managing Risks

- Single Purpose Real Estate
- Create Shareholder Value: The Lease
 - Impact on the operating entity
 - Impact on the real estate entity
- Each business should have a plan to realize value and reduce risk

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What is the best return on your capital?

- Operating businesses rarely own real estate during periods of growth.
- Real Estate is not a liquid asset. How does that impact your retirement goals and personal financial needs?
- Many banks now prefer business to real estate risks in their portfolio.
- Control, pride of ownership, corporate identity, etc. can all be built into a lease.

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Real Estate Sale and Lease Back

- Think of it as NOT selling your real estate and losing control.
 - It is a financing transaction.
 - It provides cash for growth for diversification.
 - The Lease provides control and long term security.
- It diversifies your risk: if you like investment real estate, why not invest in the apartment building down the street-- its operating success is not tied to the practice.
- Simplifying your banking guarantees

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Interesting Partnership Incentives Using the Real Estate

- Gross or net revenue lease: Maybe you own some of it with key employees: In House physicians and Senior Executives.

- Referring physicians: A method to tie them into the business without being in the practice.

- When buildings age, they need new roofs and repair--
 - Depreciation is an expense.

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If you lease your real estate.....

- The new real estate world: What is happening out there?
- Revisiting your lease
 - resizing it for your business
 - gaining needed flexibility
- Your landlord is your partner: understand their business position
- Don't be shy: if we don't ask, you don't know what is possible.

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Where is the Industry Going?

How Do these Trends Impact your Personal and Professional Goals?

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Speciality Vet Industry Outlook

- More corporate consolidators will occupy a larger market share within five years
 - Large private equity firms will be driving Industry ownership trends.
 - Creating value through local growth versus growth through acquisitions?
- Consolidators will also change ownership hands.
- Attracting skilled labor will grow increasingly more competitive?
- New service model will grow from increased local competition.
- What Industry Trends do you see?

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Execution Plan to Achieve your Goals

- Return to your 3-5 year goals? Measurable Goals?
 - Are you positioned to achieve them?
 - Is your team, inside and outside, in place to execute?
 - Do you have a plan to minimize your risk?

- How much time are you spending to obtain these goals versus other activities?
- Do you believe you have the skills to lead the implementation of this plan?
- What is your investment toward attaining these goals?

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Using Your Professional Discipline and Leveraging Your Experience

- Achieve what you dream.
 - “The times they are a changing.” Today’s trends are tomorrow’s realities- be prepared.

RESULTS DO MATTER

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