

# What you need to know before becoming an owner

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**Key words:** ownership, business, management, finance

## Ready to be an owner?

Are you bored in the everyday grind of practice? Are you frustrated with your current boss and how things are managed? Is one of your goals to be a business owner? Are you ready for another challenge in life? If you find yourself answering yes to these questions, you are ready to start taking the leap. Being a large animal veterinarian is a truly rewarding, exciting and challenging job. With any job there comes some frustrations, but by being a business owner you can have a direct impact on what frustrates you. Yes, you will have more and different responsibilities as an owner, but you can make your work-life balance whatever you want it to be. It is never too early to start brainstorming about business ownership.

## First step

Start with goal setting and what you want your practice to look like. These goals can be very general to start. Start making a couple other lists such as things that are hard no's and things that you definitely want to include. By having these specific lists it will help develop more detail goals. The next most important step is to start assembling your team. A business partner is a marriage and should be well thought out. If you find the right person it is a dream, especially if your goal is to have a multi-doctor practice. The next team member to start brain storming is a practice manager-type person. This person can help propel your work life balance and practice forward. I had these people in mind years before I actually bought a practice. These people do not need to be your best friend, but should complement your weaknesses and share your same goals.

## People, people, people

Do not get hung up on current practice management strategies or clients; those things can change and they will change at even a faster rate with the right team. Especially in the current environment where large animal vets are getting harder for producers to find, they will mold to your practice style quickly. If you have found the key people to build your team and the land topography and market matches what species you want to practice on, go for it. You can mold clients through education, direct communication, charging appropriately, and educating some more. You also do not need to work for everyone in your area. There will be clients who do not fit your practice style and that is ok. Remember to protect your most valuable asset (your employees) and fire a client if actions warrant.

## Appraisal and finance

Weather you are buying into a practice or buying a practice outright, a recent appraisal should be done to help determine the value. The current owners should be responsible for this from cost and supplying all the information. Important to use

a vet specific company and plan a minimum of an 8 week turn-around. This value will give you a good starting point to start negotiating. As a buyer, you should also do your homework and familiarize yourself with the numbers of the practice. Some basic things to ask for are the P&Ls, balance sheet (including the owner's draws), and dive into the clinic's software. Ask for a minimum of the past 3 years. Completing the AABP practice management course is a great way to dive into these numbers while receiving some guidance. Things to consider when negotiating is how are you financing, is this a buy-in or buy-out, is co-operate an option for the seller. If you have been practicing in the area already and have some good clients, make sure to consider this and have the confidence to negotiate. Present offers in writing.

If seller financing is not an option, there are multiple loan options out there depending on your current personal financial status as well. In general, with federal small business loans, your down payment is smaller, but it does take a little more time to get everything together and passed paperwork-wise. You should interview bankers and be honest and direct in what you are looking for. Remember they are a business too, and interest rates are negotiable. We were successful at negotiating an interest rate for a federal-based loan. Be aware of fixed interest rates vs. variable-rate financing and the current market. This can be another negotiating term. When calculating the amount that you will need financing, do not forget to factor in accounts receivable especially if the practice is growing at a fast rate or depending on the time of year when the appraisal was done vs. when the purchase will be occurring. In our case, this was a big difference (well over \$100,000) that we overlooked. While interviewing for a banker this is a good time to start interviewing for a lawyer as well. You will need one to help with the closing paperwork.

## Team

You are not quite a business owner yet and you should have a pretty good start to your team including a possible business partner, practice manager, employees, banker and a lawyer. Some other key members to get your business going are an accountant and an insurance agent. You will want to have an insurance package ready for your business the day you take it over. The major insurance items should include workman's comp, business ownership, auto, liability and an umbrella policy. These policies can be done all as a package through larger insurance companies, but you can use a local agent. An accountant is not needed day one, but it is nice to get one on board soon. Depending on your comfort level and needs, an accounting office can offer multiple different services and can be utilized for more than just taxes. For an example, ours takes care of employee payments and everything is automatic from the deposits to the emailing the paystubs to the individual employees. This is nice not only from an efficiency standpoint, but also confidentiality as well with multiple employees in a busy office setting with multiple locations. Having an accountant early on before the purchase can help guide you to set up the best

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business structure such as an S-Corp vs. an LLC. Having the correct business entity can be a huge savings on the tax side. Clients can also be utilized as part of your team and should not be overlooked. Many of them operate very successful large businesses as well and can be key people to bounce ideas off of. Clients are also an instrumental at growing your practice for you.

## Change is constant

With a well-thought-out team in place, your business will be ready to propel forward starting on day one. It will also make business ownership and enjoyable and exciting process. Remember, owning a business is a process; things are constantly changing and growth is always occurring in different areas of the practice. Having open communication with employees and a handbook that your lawyer has helped put together are key things to help deal with constant change. Think of your handbook like a protocol book that you would have on one of your

farms. It should be something that is easy for everyone to refer back to when there are questions on clinic expectations. Make sure you give yourself and staff some grace as you take on this large endeavor and conquer another goal. Keep building your team and your toolbox so you can keep growing your practice if that is your goal. It is difficult to grow your skills or business if you are understaffed and it is very difficult to always be staffed “just right”. Do not be afraid to hire; when the right person comes along the work will follow. Practice management takes time and it is necessary for you to spend time in this category. Even though you may see it as billable time being taken away, but you cannot afford not to spend time on managing your practice. The things you will find out or skills that you develop will save you way more money than 2 calls you were going to run that afternoon. If you cannot find any time, then it is time to hire an associate.

