



Going Private: What you need to know when thinking about starting your own physio practice.

Before making the move into private practice you need to know why you're doing it. What is your individual risk profile? How comfortable are you (and maybe your family) with putting everything on the line? Are you comfortable with having to commit to personal guarantees and working longer hours (often unpaid)?

Practice owner and chair of Physiotherapy New Zealand’s Private Practitioners’ Advisory Group Grant Chittock says you need to answer these questions before you make the move into private practice.

Why

“To paraphrase author Simon Sinek, everyone needs to start with the why,” Grant says.

Advice

Once you have your “why”, you need good professional advice from your lawyer, accountant, banker, and insurance broker. Trying to do everything yourself is false economy – use the experts. BDO Takapuna advisory partner Andrew Hill says people sometimes try to save money by doing tasks like drafting employment agreements or sorting their accounts. Andrew Hill advises that physiotherapists’ skills are best suited to dealing with patients and attracting new work rather than trying to do everything themselves.

Another good thing to do is find a good business mentor who can introduce you to other professionals. The mentor does not have to be a physio – just someone who understands start-up phase challenges and has good contacts.

Decisions

You need to decide whether to start a new practice or buy into an existing one. There are pros and cons to each option.

Account director with HR consultancy, Humankind, Sarah Cantwell, says you need to assess whether your values are aligned with the practice. Talk to existing staff and, if applicable, current partners about the culture. “Where do the responsibilities of each partner lie? Is there a possibility of being involved in the business first before becoming a partner?” Sarah says all partners need to be on the same page. Get advice about legal obligations and an exit strategy if things don’t work out.



Grant Chittock at his weekly management meeting. From left to right: Brent Williams - Finance Manager, Grant Chittock - business owner of Motus Health, Fi Baxter – EA, Delwyn McConnochie – Ops Manager and Sarah Barnes HR Manager

Derek Timmins is the principal physiotherapist in three private practices. He has done it all – bought into an existing practice, started one up and started with other partners. He says your lawyer or accountant can advise on the pros and cons of a sole trader vs a partnership vs a company.

Starting a new practice	
<p>Pros</p> <p>You can use good experiences from clinics you have worked in to make decisions about:</p> <ul style="list-style-type: none"> • Staffing • Location • Layout • Clients • Equipment • Systems 	<p>Cons</p> <ul style="list-style-type: none"> • There is significant cash burn for a longer period with a start-up. Grant says this requires good lines of credit or being prepared to work for minimal remuneration.

Buying into an existing practice	
<p>Pros</p> <ul style="list-style-type: none"> • You have a client base from day one – you’re buying goodwill, not just physical assets. In a saturated physio practice market, this base can give you comfort. 	<p>Cons</p> <ul style="list-style-type: none"> • You may pay more up front for that goodwill. • How do you put a value on the goodwill? It could walk out the door with the previous owner. • You have existing staff who need to be managed through the change process and may see a new partner as an outsider. • You need to be careful about due diligence, so you know what you’re getting. Expect to pay anything between \$10K and \$50K for good advice on an acquisition, depending on size.

Andrew's business plan tips

1. Keep it brief – one page is ideal.
2. Align it to your overarching goals. If you have a goal for how many staff or clients you want in a certain amount of time, the business plan should outline how to achieve that.
3. It should include things important to you. "If understanding cash flow is important, then you need that in your plan. If how you're going to market your business is important, you need that."
4. Look online for business plan templates; they will get you thinking.

Andrew advises people against going into partnership: "Very, very few of them stand the test of time. There's often an event that causes a partnership to start to drift apart." If you do decide on a partnership, get professional advice about the agreement: "The devil will be in the detail. You don't want to find two years down the track that you've got something that is really expensive for you to get out of, or that you can't get out of."

Think about a management strategy too. You need to consider roles and responsibilities between the owners, the managers and the employees. "It can be as simple as to who



Derek Timmins

RULES FOR SUCCESS



In his presentation to PNZ's 2017 Business Symposium on running a successful business, Andrew Hill highlighted the rules for success.

reports to whom right through to the systematisation of the business" says Derek. Grant adds that the massive conflict that most new business owners struggle with, is the inability to differentiate between the different roles, responsibilities and expectations of being a shareholder, director and employee of the business. He says it is crucial to understand which "hat" you have on when decision making.

Business plan

Once you know how you are approaching being your own boss, you'll need a business plan – a living document outlining your goals and vision for the business, as well as how you intend to achieve those goals.

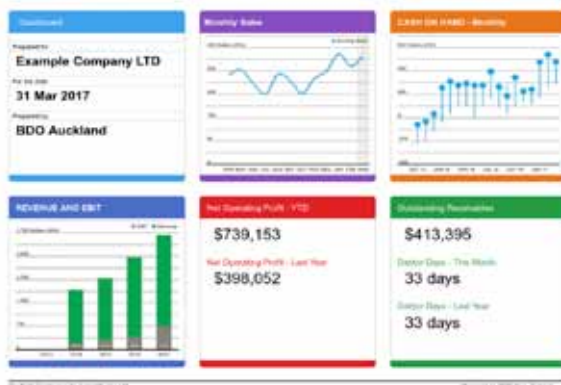
In his presentation to PNZ's 2017 Business Symposium on running a successful business, Andrew Hill highlighted the rules for success.

Derek says a business plan ideally begins early in the process and may include your pre-purchase start-up goals and plans and then creates a road map for your longer-term goals and strategies. "It's my experience that physios are really good at creating goals for their patients but find it difficult when it comes to business and marketing goals," Derek says.

Finance

You need to establish how to fund your plans. In a nutshell: you will need more money than you think, and it will take longer than you think to organise. Talk to your accountant! Derek says you need a cash flow forecast if you're borrowing money. "Engage with the bank as early as you can. In my experience setting up a business loan and an overdraft can be a lengthy process. You also need to be realistic about what start-up capital you need because there are a lot of expenses you won't have thought of. Allow a bit of a buffer."

Don't just think about the purchase price. Grant says you need to understand how the repayments will be structured, what (if any) flexibility there is, what the working capital requirements will be, what your pro forma balance sheet will look like and truly understand what the bank covenants will be. "Commercial lending is not like most people's experience of getting a house mortgage!" he says. Take it from Andrew, an accountant with 25 years' experience: "Finance is honestly like diving into a murky pond; you just don't know what's underneath. I can say to somebody, 'Okay, have you considered a hire purchase, a finance lease, or an operating lease, or should it be a term loan, or what about balloon



Think about insurance for:

- Building and contents
- Professional indemnity
- Public liability
- Directors and officers
- Business interruption
- Permanent disability
- Income protection
- Key person
- Employee disputes, and
- Employee dishonesty.

“Finance is honestly like diving into a murky pond; you just don’t know what’s underneath” – Andrew Hill. In his presentation to PNZ’s 2017 Business Symposium on running a successful business, Andrew covered the sort of financial information you need to keep on top of.

payments, or personal guarantees?’ Their eyes will glaze over and they’ll go, ‘Oh, my God. I never thought there was that sort of stuff to consider.’ That’s why you need to find an advisor.

You also need finance that suits your business personality. If it’s important to your business to be seen driving a flash car, then a finance lease where you replace your car regularly makes sense (and is a form of marketing). Or you may be happier to hang on to a car for several years.

Records

There is no excuse for not keeping accurate records thanks to systems like Xero, MYOB or Reckon. Andrew says they alleviate a lot of stress and worry. “The beauty with online systems now is that you may not need a room full of files, because your invoices can get scanned into your accounting system as you go. If you don’t have a bent for numbers, make sure you’ve got a good bookkeeper who can look out for that side of things for you.” Grant thinks all physios should learn to fully understand a balance sheet. “I would encourage everyone to upskill in their financial literacy – it’s the aspect that lets many physio businesses down.”

Regulatory requirements

The need for advice applies again here. You can set up a company within a matter of hours by going on the Companies Office website, but Andrew says it can be costly to unwind it if you make a mistake.

“You may find that you might not have the right structure, the right shareholding.”

There is an awful lot to think about, whether it’s statutory reporting requirements; having correct employment agreements; a payroll system that accurately calculates pay and accrued leave and allows you to keep accurate time, holidays and pay records; or ensuring all employees are safe at work and not discriminated against, bullied or harassed. Get advice! Also, while it’s not a requirement, Sarah recommends you have a basic HR framework with policies such as leave, recruitment, health and safety, disciplinary and others relevant to your business.

Insurance

You should also plan for worst-case scenarios. After bemoaning

the significant annual amount of money his business had been paying in business interruption insurance for many years, Grant discovered its importance after the Christchurch earthquakes. “It literally saved our business and enabled all the staff to continue to be paid despite there being no work done. We literally got more than a lifetime of premiums paid in one fell swoop.”

Insurance is important for your physical assets, but also your biggest asset: you.

“Without your ability to generate income if you become sick, how do you survive or pay your staff, and rent or mortgage?” Andrew says. “Your insurance broker is absolutely critical in understanding what insurance you need. While we don’t want to have too much insurance, we don’t want to be underinsured. I’ve seen some disaster situations where people don’t have enough insurance, and I’ve see some fantastic outcomes where people get crook and the insurance has kicked in, and it’s just taken a whole heap of pressure off them.”

Derek says that if you’re in a partnership or have multiple shareholders, you need to think about what happens in the event of your death or disablement; get advice about a shareholders’ agreement.

“In the case of our businesses, this dictates that we hold life



Sarah Cantwell advises physiotherapists to get professional advice to deal with the myriad of HR issues they will face.

insurance policies to pay the estate of a deceased shareholder, to buy their shares. And the shareholders' agreement also has important parts in it that outline what happens in the case of a dispute between partners and what happens if somebody wants to exit the business."

Hard work

Once you are underway, expect to work hard initially. That's because until you get the right people and systems set up, you need to make the final decisions in areas as diverse as HR and training, finance, marketing, legal issues, creditors, rosters, ACC and even interior design. The good news is that once systems and people are in place, things should get easier.

But be aware it will take time to make money. Grant says small business owners often make similar – or less – money working for themselves than someone else, and probably have less free time. Being your own boss sounds good, but it's more complicated if you have debt to service and/or are responsible for the welfare of staff. Accept that getting a tangible ROI might take three to five years.

Hiring staff

Before advertising a role, establish what your business needs. Sarah suggests drafting the key tasks for any role and determining how much time should be allocated to each task. What capabilities, experience and qualifications are needed to do those tasks? What are the market rates and what are you prepared to pay? Get advice if you need it whether that's from a recruitment firm or in-house expertise. "It's always easy to hire and it's very hard to fire," Andrew says. Even with the 90-day release period, Andrew says someone who is a bad fit can do a lot of damage in three months.

Marketing

What's your unique selling point? Grant says you need to establish what makes you stand out from the crowd. "Developing core values for your business is crucial in achieving this. Only once that is done do you look at formulating a marketing plan around it." A marketing plan can cover things like using social media, paying for Google ads, or even old-school print advertising. "Work out the marketing budget over a financial year," Derek says. "Do you spend it all in January, or do you space it out throughout the year? Do you employ somebody to actually do the marketing for you? "Naming your business is part of marketing. Do you need to promote what you do in your name? Or your location?"

Lastly, Derek has some sage advice for business owners.

"Make sure you set aside time for yourself and time where you can work on the business, not just in the business. If you don't do that then all your spare time that should be used for leisure will be used up, and then you're at greater risk of burn out."

Written by Kirsten Mills

Sarah's nuts and bolts

Once ready to advertise:

- Select an advertising platform. The online market is the best option, with Seek and Trade Me the two most popular job search engines. You may also consider newspaper advertising, Physiotherapy New Zealand, recruitment firms, asking your team for referrals, or using noticeboards (physical ones such as at universities and online using social media). Tap into the passive market of people not actively looking for a new job by using LinkedIn searches and reaching out to your networks.
- Draft an advertisement. Think about not just what you are looking for, but why would candidates want to work for you – what is your employer value proposition? What do you offer that's different and attractive? Be honest!
- Don't discriminate against age, gender, ethnicity, religion etc.
- Interview candidates. Think about what you need to know and draft a mix of behavioural ("give me an example when you...") and technical questions to get the answers.
- Reference checks. Do these for your preferred candidate and if you have any bad feelings, trust your gut.
- Paperwork. Provide a written employment agreement to your new employee, giving them time to consider the offer and seek advice.

Tauranga's Bureta Physiotherapy won the Trustpower Customer Service Award in the Westpac Tauranga Business Awards 2017. Co-owners Blair Jarratt and Jacinta Horan talk about the award and being in business.

Judging for the award took into account vision, values, financial performance, systems, as well as a live interview and a mystery shopper phone call. To win you have to nail it on every level.

The judge said our vision really came through. It's all well and good to have a vision, but you really need to be passionate, live it and work on it to create a great environment for staff, where clients also reap the benefits.

We always challenge our team to find a better way and not be complacent. Clients are savvy and you have to offer them something over and above what they can read on the internet and really add value. All physios can do this, but it takes regular upskilling, courses, reading and backing yourself.

Having an awesome front-of-house team is crucial. We have an amazing team which makes it a pleasure to come to work and I guess clients get that same experience when they walk in.

Don't be afraid to invest in yourself and your team – time as well as money. We regularly take the team away and have a great time.

Learning

You will make mistakes, but take those as learning points. There are plenty of good courses through your local Chamber of Commerce, but even sitting with a colleague over a beer or wine to discuss things is valuable.

I am lucky enough to be in partnership with Jacinta, buying into Bureta four years ago. We get together regularly for a couple hours to thrash through thoughts, issues, successes and failures. Having someone (with a vested interest) to discuss and bounce ideas off makes decisions easy and we can address things on a united front if need be. Also, it helps for us to see different views. You can ask for help when it feels like questions are getting on top of you. And you can leave work and go on holiday to refresh the brain knowing your business partner is there to deal with any issues.

Challenges

Failure to establish clear responsibilities is a pitfall – double handling will suck up a lot of precious time. When an issue comes up, you should know who is first in line to take this on.

Honesty is the best practice; keep your partner informed, but in a way that works. We both have young families, so we respect each other's family time and anything non-urgent will go in an email to be answered when we can.

Advice

Be prepared to work and become a jack of all trades: physio, payroll, HR, marketing, management, and leader. Know your customer base and get out there and speak to people.

Running your own practice can be hugely rewarding, but you must put the time in. Expecting the referrals to pour in is misguided - you have to work to get the work. Be prepared to step outside the box. If this doesn't sound like you then think twice about whether you want to be an owner or employee.

It takes time to flick from the employee to employer mindset, but it hugely increases your skill set, challenges you in many ways and is hugely rewarding.