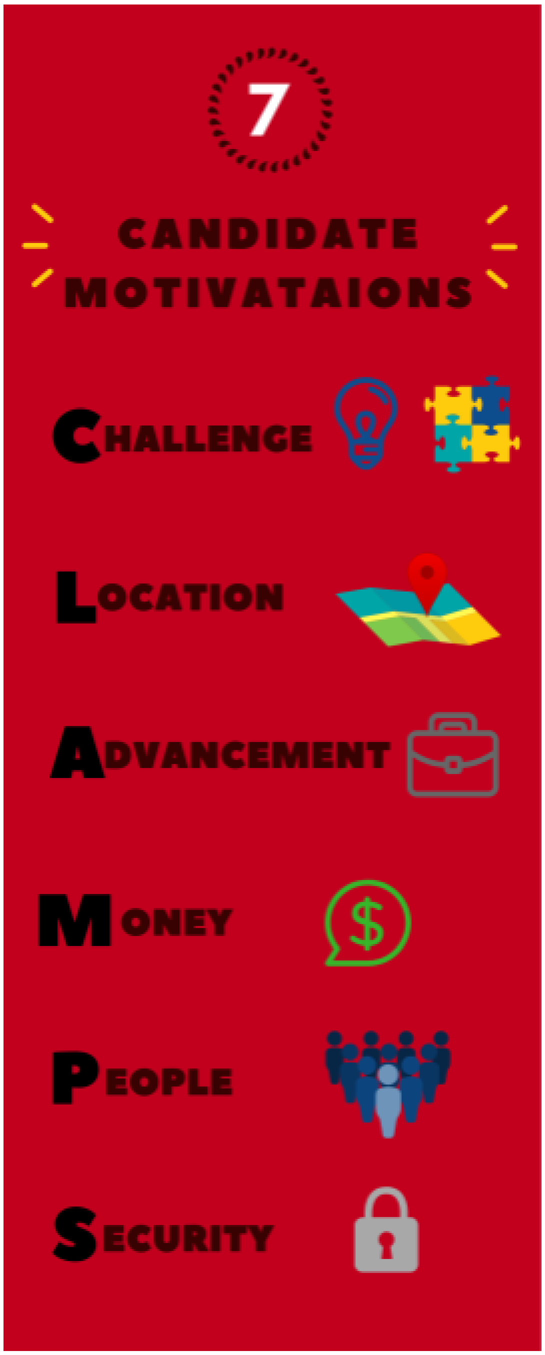
Ultimate Guide To Hiring, Retaining, and Compensating Associates

Background

The DEO (Dentist Entrepreneurship Organization) consists of 100+ members with mega locations, multiple locations, and/or DSOs. One of the biggest challenges we see among these growing dental businesses is hiring and retaining Associates. Why is this a problem? The answer is that quality Associates are crucial for growth because they allow you to get out of the chair. It's difficult to grow a business, establish culture, implement systems, etc. when you're stuck seeing patients all day. As such, it's crucial for any growth-minded Practice Owner to not only hire quality Associates, but to keep them as well. Below are essential elements every Practice Owner must consider when hiring, retaining, and compensating Associates.

Overview: C.L.A.M.P.S.



- It’s important to note that a lot of factors play into recruiting and keeping staff / Associates. Many Entrepreneurs run into the mistake of thinking that money is the only motivator for hiring and retaining employees. While it’s true that money is definitely one of the larger motivators, there are many other factors that prospects and employees consider when joining and staying at a company respectively.

- This “C.L.A.M.P.S” Model outlines multiple factors that drive new prospects to join, and existing employees to stay. As an Entrepreneur, you should highlight the things you do well on job applications, and improve on things that could be better to retain these hires.

Hiring & Retention Assessment:

Directions: Print the next 2 pages and write down how you think your business does in each category on a scale from 1-10 (1 = Very poorly, 5 = Average, 10 = Exemplary)

Enter a value from 1-10 on each line

Challenge: _____

“Complacency is the kiss of death.” - Shari Redstone
How good are you at growing and challenging your people? Doing the same thing every day becomes mundane, and this often leads to high turnover. Are you training GD’s to become super GD’s? Are you incentivising performance with some form of reward?

Location: _____

This value is subjective depending on the person. For example, millennial Associates might be more interested in nightlife options than older Associates. Either way, think of things like housing market, surrounding school quality, climate, closest metropolitan city, entertainment, proximity to attractions (beaches, museums, etc.) to estimate this rating.

Advancement: _____

This one ties into everything a little bit (Money, People, Challenge). How much room is there for your Associates to grow within the company from a position and compensation standpoint? Are you grooming your Associates to run their own operatories, or even practice(s) within your business? Do you address advancement with compensation bumps, bonuses, equity stake, or a combination of these? Use these questions (and others) to estimate this rating. As mentioned early, complacency leads to turnover. The same is true in this category.

Money: _____

Money, or compensation, pertains to how well you can pay your staff and associates. A ranking of 5 would mean you pay the industry average. You can find this data all across the web on bls.gov, glassdoor.com, payscale, etc. Here are 2018 industry averages for Associate Dentists according to ziprecruiter.com. This rating should be higher if you have competitive commission and/or equity structures in place as well.

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People: _____

Use the following questions to estimate this rating:
How good are your people and how good is your culture? Do you you have A+ employees that excel at what they do? Do you have quality training that allows new hires to grow as individuals and professionals? Does everyone get along? Are your employees happy? Are your patients happy? How is your turnover rate?

Security: _____

With stifling student debt among other worries, Associates often worry about guaranteed compensation and getting enough patients to fill their schedule. How well do you succeed in keeping Associates busy? Do they ever express anxiety about job security and/or their stream of patients? How safe do your employees feel? (Use staff for this if you have no Associates.)

Finding Your Score

Add all of your ratings together to get your total out of 60

_____	+	_____	+	_____	+	_____	+	_____	+	_____	=	_____
Challenge		*Location*		*Advancement*		*Money*		*People*		*Security*		*Total*

Score > 50	**Score = 30 - 50**	**Score < 30**
High Rate Of Hiring and Retention	Mediocre Rate Of Hiring and Retention	Poor Rate Of Hiring and Retention

Note: This score is just meant to give you a rough idea of where you stand when it comes to hiring and retaining Associates. More importantly, use this assessment to figure out what to highlight when recruiting Associates, and what you can improve upon to retain Associates.

Hiring

Here are some tips to find / recruit quality Associates

1. Expand Your <u>Requirements</u>
   - Many companies run into the problem of narrowing down their potential pool of candidates too far, making it harder to fill a position. More specifically, a majority of Associates looking for work have less than 3 years of experience. If you require 5-10 years of experience, it might take you longer to find an Associate. If time is a factor for hiring an Associate, consider a less-experienced candidate and make sure there are training structures in place to get them up to your standards.

2. Cast A <u>Big Net</u>
   - Don't just rely on one source to pool candidates. For example, If you only rely on a single indeed.com job posting, chances are you won't have much variation in job candidates. Take advantage of as many mediums as you can: job boards, social media, referrals, etc. Having more diversity between candidates gives you a better view on what type of person you think will mesh best with your company, culture, and vision.

3. Don't Throw Away <u>Résumé's</u>
   - When you're screening applications, don't throw away résumé's even though you may only be considering 3-5 candidates. If you're looking for Associates with 2-5 years of experience, discarding information from candidates with one year of experience means you're throwing away future, potentially very warm prospects. In a year or two, these Associates will have worked long enough to fit your experience requirements, and could potentially be very warm leads because they've applied / shown interest in your business before. It's better to have and not need than need and not have.

4. Install A True <u>Interviewing Strategy</u>
   - Interviewing strategies at a great business will not only identify the best performers consistently, but also weed out 'toxic' personalities and establish strong core values fits with you and the rest of the team. Proper interviewing strategies allow great practices to hire quickly and fire quickly, fill voids fast, avoid 'time waster' candidates.

5. <u>Interviewing Tips</u>
   - If you have good Associate tenure, highlight that during the interview.
   - Try to include a shadowing opportunity in the interviewing process.
   - Consider covering travel for candidates that you really like. $1,500 is nothing if you get a $1m provider out of it.
   - Don't just try to sell them on your practice, sell them on the community as well. Take them out to lunch or dinner.

- Refer to your C.L.A.M.P.S. Model to figure out what to highlight during the interview.

6. Don't Talk About Offer Too Soon
    - Advertise the range of compensation your comfortable with when prospecting, but don't bring up offer too soon in the interview process. Make sure candidates are a good fit for the culture, the area, and just about every other aspect of your business before discussing compensation and benefits.

7. Keep Offers Simple Yet Enticing
    - Don't complicate your offer, but try to throw in perks beyond a simple compensation model to make yourself stand out. Things like loan repayment, malpractice coverage, equity opportunities, etc. all make your offer sound more enticing and it will make you stand out over other companies recruiting the same prospect. This is especially important in more rural areas.

8. Be Prepared To Negotiate
    - Most good prospects will have multiple offers, so you'll need to be prepared to negotiate. Know your limits so that when the time does come to negotiate an offer, you know what you can comfortably bargain with. If negotiations progress past your comfort zone, the Associate candidate may not be the best fit and you should consider making moves on your other options.

9. Start With An Offer Letter Or Term Sheet
    - Handle all of the nuts and bolts on an offer letter or term sheet before heading into legal contracts. It's much easier to handle negotiations and offers without all of the legal jargon, so handling this before will make for a smoother process all around. Make them agree to something in writing that is legible and easy to understand, then head into the legal contracts.

10. Trust The Input Of Your Team
    - Asking your team about a potential candidate will give you an idea about how well he/she will gel with your current staff. It will also give you other refreshing viewpoints on the candidate. Moreover, this practice will make your current staff feel more empowered because their opinions carry weight. This can bolster company morale and employee engagement. It's a win-win.

11. Interview For The Present And The Future
    - This can be used as a tip for both hiring and retaining Associates. Use interviews to figure out if candidates are a good fit for the company both presently and in the future. For instance, using the question, "Where do you see yourself in the next 3-5 years?" might let you know if potential candidates are looking to own their own practice one day. If so, you'll probably have to be prepared to offer equity sooner than later to this prospect and/or you'll have to be prepared to lose him/her at some point. You don't just want to find good Associates, you want to keep them as well. In addition to seeing if they're a good fit now, also try to determine if a candidate is likely to stick around during the interview process.

Retention

Here's some tips to keep quality Associates

1. Hire The Right Candidate
    - Use the C.L.A.M.P.S. Model to play to your strengths and hire the right candidate(s). Ask prospects, "what's your biggest motivator?" or "what do you value the most in a company?" Their answer(s) may give you an idea on your ability to retain them. For instance, say a candidate answers the question above stating that they're tired of Midwestern weather and they want to live in a nice climate permanently. If your practice is located by a beach in Southern California, your business is already aligned with this candidate's biggest motivator. As such, your propensity to retain him/her may be variably higher.

    - Do the same thing for weaknesses. Using the same example, say the candidate answers the "biggest motivator" question stating that he/she is crippled by student debt and is therefore, looking for an aggressive compensation structure. If your C.L.A.M.P.S. Model shows that you're just average or below-average in this category, your propensity to retain this prospect may be variably lower.

2. Improve Lacking C.L.A.M.P.S. Areas
    - This was stated above on the C.L.A.M.P.S. Model Overview and is being reiterated here because it's quite important. Even if your company's strengths align with an Associate's biggest motivator, that doesn't mean you can become complacent. You should try to improve upon lacking areas as told by your C.L.A.M.P.S. Model to retain Associates. If your practice(s) are lackluster in providing advancement opportunities for example, work on improving this area of your business. Although you may be able to get Associates in the door through alignment between strengths and motivators, that alone may not be enough to retain them. A variety of parameters play into employee and Associate satisfaction, and neglecting one or many of these could lead to higher rates of turnover.

3. Improve And Compensate For Personal Lives
    - This one is often overlooked, but it could be a huge factor in retaining Associates. Find a way to offer perks at work that affect the personal lives of your Associates in a positive way. A good example of this would be a daycare. Many Associate Dentists are at the age where they're starting families or already have families. Having a daycare onsite or offering a stipend for offsite daycare addresses a problem that many young families face in their personal lives. Offering something like this at work makes your business more appealing to join, and harder to leave. Other examples could be: PTO, gym memberships, dog walking services, etc. The possibilities are endless and they offer a creative way to stand out to job seekers.

4. Give Yearly Employee Engagement Surveys
   - Employee engagement surveys allow the business leader to consistently monitor how ‘engaged’ employees are, how happy they are to show up to work, and ultimately determine if the team is hitting it’s potential. Great businesses have highly engaged teams who are happy to show up to work and are operating near potential. An employee engagement survey system will help identify and monitor these areas regularly. Any deviations that raise red flags can be assuaged and, if caught early enough, improve retention among employees and Associates.

5. Recalculate Share Price Frequently When Growing
   - This only applies to owners who have decided to issue company stock as a way of compensation to key performers (discussed later); however, it’s a good retention tool for those going down this path. Assuming your company is growing, it might be a good idea to recalculate share price frequently. This will make your Associate and employee shareholders excited, especially when they see their net worth trending upward. If you’re growing fast, consider doing this every 90 days. Otherwise, bi-annually and annually is okay too.

6. Build A ‘Legacy’ Not A ‘Done And Gone’ Practice
   - Many owners run into this dilemma as soon as the thought of exiting becomes more apparent. Owners have this idea of selling high then riding off into the sunset. Unfortunately, thinking in this way is detrimental for retention. When your focus shifts from people to numbers because you only care about impressing potential buyers, you’ll find that your way of leading will change, and employees will start to leave because they feel like tools rather than people. Fix this by building towards a legacy when considering your exit. Be parental in your leadership style such that when you eventually depart, both you and those who inherit the practice will feel good about it. This altruistic mindset and way of leading will help you to retain both employees and Associates.

7. Be A Leader That Speaks To All Generations
   - No matter what generation, people want their lives to matter. They want to make a difference. They want to know their contribution matters. They want to feel their involvement will impact others. If leadership brings a powerful vision present, a future that is achievable, a future that others can wholly commit to achieve, a future they can see themselves part of, then the generational differences are greatly diminished. At the top of Maslow’s Hierarchy of Needs is Self-Actualization, also known as achieving one's full potential. Leaders who who are actively encouraging their Associates’ self-development journeys may do a better job at retaining them even if compensation has some room for improvement.

Compensation

Compensating Associates to Improve Hiring and Retention

1. Utilize Aligned Incentive Structures
    - At some point, you'll probably have to give up some equity to keep Associates long-term; however, you can use other compensation tools in the meantime to keep them around if you're not ready to give up any equity. Great businesses have all employees, managers, and leaders aligned in unified incentive structure, where everyone wins and everyone loses together. Your business needs to include an incentive structure that is 'profit focused' where the team makes more money when the business makes more money. This could include a profit share, ESOP, or various other forms of shared compensation. This strategy can be useful as you can implement it with both Associates and key employees.

2. Offer Phantom Equity To Great Players That You're Still Uncertain About
    - Phantom Equity is a way to give equity without actually giving equity. It's essentially profit sharing. Associates have no voting rights, access to financials, etc, and when they leave it all goes away. This is a great stepping stone for good Associates / employees who have been with you for a little while (~1 year), but still haven't proven that they're worthy of legitimate equity yet. Phantom Equity can buy you a little more retention time to assess an Associate before either offering them real equity or letting them leave.

3. Offer Equity Stake To Key Performers
    - This point is related to both compensation and retention. Ownership is one of, if not the biggest determinant related to retaining key Associates. Dentistry is inherently different from a lot of other career paths in that many people enter the industry specifically because it offers a higher propensity for ownership than most other healthcare fields. Ownership allows one to control their own destiny (ie. control own hours, work-life balance, control over business decisions, etc.) Many people enter dentistry for this reason, so withholding equity options could lead to turnover.

4. Consider Paying On Production Rather Than Collections
    - Regardless of whether you're giving equity or not, consider paying on production rather than collections if you can. Income is more predictable when paying on production than when paying on collections. As such, paying on production may assuage some income insecurity (One of the C.L.A.M.P.S. categories). Rising student loans and expenses have Associates wanting safer, more predictable income, especially if they can't get equity right off the bat.

5. Consider Issuing RSUs
    - Consider offering key performers RSUs (Restricted Stock Units). This is a method used by many large organizations (Walmart for example). It allows you to give key performers equity based on their performance and the company's growth. Things to note: Don't set the bar too low or too high for Associates to be eligible for stock options. Also, consider implementing a vesting period of 2-5 years depending on how significant their stakes are. RSUs offer you a way to distribute ownership while implementing safeguards to buy shares back under certain circumstances to regain equity.

6. Draft A Shareholders Agreement
    - Even if you're the 100% owner of your company, if you plan to give up equity to key performers at any point in the future, you should have a shareholders agreement written up. Shareholder agreements give you the opportunity to establish voting rights, which allow you to maintain total control over your business (one of the main worries about giving up equity). They also allow you to establish the following: limitations on who sees financials, establishment of buy-back triggers on shares, repayment agreements, distribution agreements, non-compete clauses, etc. Shareholder agreements set up a safe way to distribute equity while diminishing the chances of you getting burned in the process.

7. Use Vestment Periods To Retain Associates
    - As mentioned earlier, RSUs are essentially stock options that are given to key performers in your company. A good thing about RSUs is that they give you the opportunity to take advantage of vestment periods as retention tools. That is, in your shareholders agreement you can make it such that an Associate must still be employed by the end of their stock vestment period to access the market value of their shares. For example, if you establish a vestment period of 3-5 years for some RSUs you're planning on giving an Associate, there's a good chance you'll retain that Associate for at least 3-5 years since they won't be able take advantage of any increased share value until then.

8. Be Wary Of Providing Ownership On The Practice Level
    - Be wary of providing equity on the practice level, especially if you have multiple locations. It might work at first; however, it could hurt you in the future when you're trying to exit or sell. Potential buyers might stay away from these kind of deals because it's a lot of work. Buyers may be far more enticed if ownership is handled at the DSO or top level. Things are less convoluted, and thus, more enticing when there is only one place where equity needs to be addressed.

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Bonuses:

1. 2018 DEO April Webinar - How to Recruit, Hire, and Retain Associates - Charles Moser

2. Hiring And Retention Assessment (Printable Version)

Next Steps:

The DEO helps dentist entrepreneurs achieve their visions of building a thriving dental group through peer learning and collaboration. All of the information given to you on this guide is a culmination of teachings and trends from our 100+ DEO Members and Partners. We strongly believe in growth through community, and the DEO is a catalyst for that. This guide just covers Associate hiring, retention, and compensation; however, there are far more parameters that go into building a successful group practice. Learn more about how the DEO can help you by filling out an application form:

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