

IT'S WHAT'S INSIDE THAT COUNTS

A case for junior partnerships and
how to make them work

By Rick Coakley, CLU, CFBS, CLTC, AEP

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THE PROS AND CONS

of succession strategies that pivot around the sale of a pharmacy to a junior partner have long been debated. The side of the argument that wins out always depends on several factors.


- The owner's desire to see their business survive beyond their watch
- The willingness to include another person's needs and goals in succession planning
- The ability of the owner to ultimately let go of the business.

Final Test of Greatness

A quick accounting of strategies chosen by pharmacy owners show that two out of three plans include selling to junior partners. This includes those who have successfully moved beyond life in pharmacy, and those who are actively working towards doing so.

“The final test of greatness in a CEO is **how well he chooses a successor and whether he can step aside and let his successor run the company.**”

— Peter Drucker



Though my experience may seem skewed toward junior partnerships, NCPA survey results confirm that the vast majority of owners want to sell to another pharmacist. Generally speaking, deep inside owners want their business to fulfill its critical role long after the sale is complete. Logically, there is a conflict between fulfilling this critical role and merely selling to the highest bidder. If, as Peter Drucker said, the final test of greatness lies in choosing and empowering a successor, junior partnership must certainly be considered.

Decide Now, Maintain Control Later

The first, most critical decision made at the outset of succession planning is simply the decision to do it. While it is an over-used maxim, the simple truth is you can take control of succession or it will take control of you; one way or another, succession will happen. Here again, it is what is inside of you that counts and to succeed, you must acknowledge your life in pharmacy will come to an end.

The second decision is choosing the path you wish to take. Generally speaking, your alternatives are:

- Selling to a big-box or national chain
- Selling to another independent community pharmacist
- Selling to a junior partner (or family member)
- Winding down the business
- Dying on the job and letting someone else pick up the pieces

With the exception of the last “alternative,” all the others can be optimized to your advantage by taking control well before they occur. This means making the decision to get out of your pharmacy, choosing a date for your exit, and then working whatever succession plan is most appropriate.

Life After Pharmacy

For each of the anticipated exit alternatives listed, outcomes will be enhanced by including and implementing a plan for your life after pharmacy. This is critical. Putting a plan in place gives you even greater motivation to make your pharmacy as successful as possible. At the same time, because it helps you clarify what is most important in life, it compels you to enjoy greater balance during your life in pharmacy.

Making your pharmacy as successful as possible while enjoying greater balance in life can be a challenging balancing act. It has been my observation that reconciling these opposing sets of demands is made easier when you choose to empower and leverage the intelligence, energy, and enthusiasm found in a junior partner.

Every successful succession plan begins with a clear, powerful vision for your future. This is not a vague, “someday I will...” type of vision. It is a practical, solid vision, containing these elements:

- The legacy your business continues to create after you are gone.
- Your personal growth, goals, and activities
- Your family relationships and how you will spend time with your spouse, children, parents, and grandchildren
- Your contribution to your community

Vision for the future: Imagine you are talking to a very good friend five years after selling your pharmacy.

What accomplishments and experiences that indicate you are living an enjoyable and fulfilling life will you be most excited to tell them about? Write these

down... it's a great beginning



Medicine Cabinet pharmacy owner Dan Bushardt (left) and junior partner Terry Blackmon have established an effective relationship. (See page 27)

- Your spiritual life
- Your overall lifestyle

One of the most important things you have to consider is how you will replace the meaning and purpose your pharmacy fulfills. I have learned that the pharmacists who experience the greatest enjoyment after they retire are those with a strong sense of purpose that has very little to do with the pharmacy.

Financing Life After Pharmacy

While a compelling vision and clear goals for life after pharmacy are critical, they are merely wishful thinking if you do not take care of the money side of the equation. Consider these questions:

- What is the pharmacy actually worth?
- What will it be worth?
- From where will the buyout financing come?
- What kind of taxes will you have to pay?

- Will your assets generate enough income to protect your family's security and lifestyle?

You must also realize that succession planning is not done in isolation, merely considering your business. Consider for a moment how much greater your options would be if you could finance your retirement independent from any revenue generated by the sale of your pharmacy.

A tip for turning your vision and goals into reality is to list your buckets. This means listing the different types of assets you can accumulate during your life in pharmacy. For example, most pharmacy owners identify and fill up five different buckets, including:

1. Pharmacy
2. Real estate
3. Retirement account
4. Investment portfolio
5. Life insurance

Once you have acknowledged that the actual and desired contents of your existing and desired buckets count, look at the role they will play in the achievement of your goals and vision. For example, to maintain or improve lifestyle after your life in pharmacy, you need to quantify the portion of cash flow each bucket will generate.

Empowering Junior Partners

As you can tell, I believe the climb up the ladder to community pharmacy success does not have to end in a swan dive off of the top. Instead, I know you can build a platform at the top that enables you to reach down and

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give a hand up to the junior partner.

To begin, think of the transition as simply the sale of the business over a protracted period of time. In bringing on a junior partner, you are not hiring a “key holder,” you are beginning the process of selling your pharmacy.

The next step is to acknowledge that the buyer has the right to see the real picture of your business before entering into an official agreement. Protect yourself with a non-disclosure agreement. If you are planning three or more years in advance, talk to your accountant about preparing your financial statements for eventual review by a buyer. What’s inside your business counts.

Giving someone the straight goods is made much easier when you find someone who possesses the characteristics and capabilities you believe are important for an ideal junior partner.

Certainly what is inside them at the beginning of the relationship counts, but do not lose sight of the fact they have time to augment their skills, knowledge, and capabilities during the transition from junior to senior partner. A person with great values, intelligence, and drive can learn and master what they need if they have a compelling vision for the future and are given

the appropriate incentive, means, and time.

Beyond choosing a junior partner with the best possible potential, you must also work with them to address the following:

- What you need
- What they need
- How differing expectations will be reconciled
- Going beyond the handshake (If you cannot create a contract from the outset, chances are you should be walking away.)
- Living with and keeping promises, as accountability cuts both ways
- The junior partner’s “career maturity.” (For example, if the partner is fresh out of school, you will need to be careful not to overburden that person with responsibility too soon.)
- How they will engage in an ownership mindset far in advance of full ownership (Having the junior partner write and frequently revisit and update a business plan is a practical consideration here.)
- Role reversal. This is a big deal! When the junior partner takes over, what will you, the ex-senior partner, do? How will you act when you no longer call the shots?

Most Common Obstacles

The old saying, “It takes two to tango” applies in any discussion about overcoming obstacles. As a buyer, the junior partner’s perspective can be one of fear, doubt, and trepidation if the following questions are not answered:

- Will the pharmacy be able to pay the debt and afford me a good living at the same time?
- What is the business worth at the outset?
- What does it need to be worth at the time of transition?
- Will the pharmacy be bearing the brunt of funding the senior pharmacist’s retirement?

For the seller, the inability to let go will be the greatest obstacle. That last two percent that tips the junior partner from 49 to 51 percent ownership is a critical milestone you may never pass if you have not committed to a vision and a workable plan for life after pharmacy.

One Final Thought

I have seen amazing possibilities come to fruition when

A Partnership That's Working

Profile: The Medicine Cabinet of Lake City, S.C.

What follows are the results of a brief interview conducted by Waypoint Strategic Advisors, LLC. Pharmacy owner (senior partner) Dan Bushardt and his junior partner Terry Blackmon are both highly regarded community pharmacists. Each has served a term as the president of the South Carolina Pharmacy Association Board of Directors. They have been partners for more than 20 years.

Dan Bushardt

Q: Why did you choose to go this route?

A: To carry on the legacy of the Medicine Cabinet. Also, when you sell to chains, a lot of times they move the prescriptions and the name doesn't carry on

Q: What sort of relationship do you have with your junior partner?

A: It helps that we are friends, have the same values, and share the same vision for the business. It is the closest thing to being married... which means compromise is very important. We've learned both partners need to be included in decision making.

Q: What will it be like when you hand over majority ownership?

A: I will not be a burden on the pharmacy, and, even though I will be available to fill in if necessary, once the change occurs, I don't expect to have any input unless asked.

Q: Any tips for other partners or would-be partners?

A: When you do a business valuation, bring in a third party. This gives you a good starting point for the relationship and it helps to eliminate animosity. We had several valuations done, threw out the highest and lowest values and then averaged the middle ones to come up with a number we both felt was reasonable

Terry Blackmon

Q: What advantages has junior partnership given you?

A: I am part owner of an established business and have avoided the risks associated with starting from scratch. I have been able to learn why the pharmacy is successful, and I am building on that success.

Q: Any tips for other partners or would-be partners?

A: Be sure to have something in writing that covers the length of the probationary period and when ownership is going to transition. It is a mistake to wait too long; when I become the senior partner, I will begin looking for a junior partner almost immediately. The partners can't be greedy; they have to embrace what being a partner means.

"The **net worth of a man does not of itself establish his credit.** The power behind that net worth is more important."

Edward Mott Woolley (From *The Junior Partner* circa 1912 and available in digital format on Google Books)

the senior and junior partners share a great vision for the future of the pharmacy. Figuring out how to get there as true partners, negotiating for greatness on both sides, and implementing a shared business plan, creates a win, win, win scenario. By counting on what's inside of each other, the senior partner wins, the junior partner wins, and every one around them wins. **ap**

Rick Coakley, CLU, CFBS, CLTC, AEP is a co-founder of Waypoint Strategic Advisors, LLC, a registered investment advisor, and its specialized consulting division, Waypoint Pharmacy Advisors. He is the managing partner of Waypoint's Summerville, S.C., office. Coakley was introduced to community pharmacy while working with family businesses in the rural communities of South Carolina more than 30 years ago. He can be reached at rick@waypointus.com