

An Inside Look At a Dentistry Consolidator - The Success of MB2 Dental - Dr. Mauricio Dardano: Ep #522



Dr. Mauricio Dardano:

I'll tell you this, one of the things I figured out is typically an associate to go into an owner. There's two things really that they're looking for. Financial opportunity. Number one, when you become an owner, there's more financial potential there, and then number two is autonomy. Because now they kind of want to call the shots, and so if we can solve for those two things, it doesn't necessarily have to be that they have to go be the owner in their own practice, but if we can solve for those two things, typically we could check the box and put people in really good situations.

Dr. David Phelps:

Today I'm sharing a different kind of interview, one that sheds light on what it takes to succeed as a large organization with multiple individual businesses under its scope. Now you're hearing me today, my voice sounds a little bit deeper, a little bit raspy. It's kind of a sexier version of who I really am. Yes, I have a bit of a head cold, so enjoy this episode because you may never hear this voice again. What does the leadership look like? Is there anything we can learn for each of our businesses or partnerships, especially as dentists and practitioners? My guest today is Dr. Mauricio Dano, co-founder and senior managing partner of MB two Dental, the fastest growing dental partnership organization, also known as A DPO in America. MB two Dental can also be referred to as A DSO, A dental service organization partnering with hundreds of dentists and specialists nationwide.

MB two Dental combines the benefits of partnering with a larger organization like Shared Services and access to capital with the independence and autonomy of owning a practice. This interview is also a personal curiosity for me as I've worked with many doctors, Mauricio being one of them, who have partnered with MB two and have nothing but good remarks to say in this episode, expect to hear MB two dentals claim to success and how they're still growing, the impact of leaving autonomy on the table in a partnership, how culture impacts success, what associates are looking for long-term. If there's still room for the solo practitioner in dentistry and more, please welcome Dr. Mauricio Dano.

An Inside Look At a Dentistry Consolidator - The Success of MB2 Dental - Dr. Mauricio Dardano: Ep #522

Dr. David Phelps:

Hey, Mauricio, it's great to have you on today. I've been looking forward to having this conversation with you for some time, and just for our listeners backdrop to understand who you are before we jump into the context of our conversation, I'd like to get a little bit of your backstory. So with me today is Dr. Mauricio Dano. I've had the pleasure of knowing him, knowing you, Mauricio, for, I'm going to guess about five years, give or take. Got to know you better even the last couple of years and just a lot about who you are and about your family and your dad and where you came from, and we're not going to dig into all that today. What I want to say is that I like having people here that I really know something about besides the business and things that you do very well, which is what we're going to get into today, what people want to hear about. But backstory is important

Dr. Mauricio Dardano:

For sure.

Dr. David Phelps:

Backstory's important. So you're a dentist, but I don't know the last time you actually worked in the mouth. It's been maybe a little while. You graduated dental school, what year?

Dr. Mauricio Dardano:

Yeah, I graduated in 2007. Got to work. The process of finding a job was, it's a story in itself, but long story short, I ended up rubbing shoulders with Dr. Christina Villanueva, ended up working for him. In the process of that first year when I worked my initial year of working, I figured out something about myself and kind of saw this opportunity really quickly figured out that I was like, man, if I'm going to do well and the way I'm wired, I was working six days a week coming out of dental school and it kind of bugged my wife a little bit. She's like, oh, you just grinded to dental school and you were kind of absent a lot. I thought it was going to be a little bit different when you started working. And I was like, well, gosh, I can work six days a week and I can make money six days a week, so I feel like I'm behind the eight ball, so I want to take that opportunity.

So I was working quite a bit. I saw this opportunity in dentistry just by interacting with Dr. V, that there was this opportunity to the business side of dentistry where having practices, multiple practices could open some doors for me in my life that would be a little bit different than what I originally had planned when I entered dental school. So I came to this goal on my first year that I wanted to basically replace my chairside income by having multiple businesses, multiple dental practices replace my chairside income. So that first year I got to that goal, Hey, what's it going to take for me to do that? So as that kind of goal and that kind of desire got more intense that first year, I was more drawn to this concept, this idea that we started to talk about with Dr. V when my year was up, my agreement was up as an associate.

That opportunity came up and he said, Hey, you know, why don't we open up some practices and see where this goes? It was like a little centralized management team that I thought, Hey, I can leverage their skillset to do the things that I don't want to do and maybe I'm not even that good at and let me focus on the things that I am good at and see if I can help open up some dental practices. That's kind of how that kind of formulated into this, my original partnership that got me going with doing the group practice thing. It wasn't called MD two back then. That's a different story, but that's how we got going. It was actually DR being another doc, and I partnered with them and then started opening up practices and that's how that went.

An Inside Look At a Dentistry Consolidator - The Success of MB2 Dental - Dr. Mauricio Dardano: Ep #522

Dr. David Phelps:

Great. So yeah, I want to make sure that we talked about Dr. V, Dr. Eva. This is the story of the MB two, and you were right there at the very beginnings as you've already laid out. So you were working for Dr. V coming out of school, graduating in 2007 as an associate doctor. You found him, he had a practice and were you one of several associates?

Dr. Mauricio Dardano:

There was three original practices. There was three original practices. Dr V worked in one of 'em, I worked in another one, and then one of my classmates I convinced to come on board Dr. Gabriel Shawan, and then he worked in the third one and then in that those practices also had a secondary associate as well in there, but that's how it got going. So we had the three original offices, myself and Gabe were just associates in, and then I started working before him. So my agreement came to an end before his, my partnership got started before his, so then I partnered with Dr. V to open up practice number four. It was Dr. V and the other doc that were the original owners of those three practices.

Dr. David Phelps:

So this is interesting. We're going to get to where things are today because you've got a lot to tell our listeners about where things are today in the environment. I want to go back again because I want to understand this. My experience, and I know the experience of a lot of dentists who wanted to do the same thing. As you said, dentistry can provide a very, very good living above average living if you're willing to get into work, and that's what you were doing. You got to out of school and you're a hustler. I'm going to work six days a week. I can make the money and you're trying to build up steam for your family, and it's what I think we all want to do, but then we're trading all this time for making the money and then our family's like, well, where are you?

And so Dr. V apparently already had some kind of a vision because when you joined him, as you said, you worked one practice, Dr. Gabe worked another one most of the time, and correct me if I'm wrong, but most of the time these ideas that a very good clinical or maybe a good operating dentist in one practice, so it builds it up, maybe even has an associate and several hygienists and it's going great. He's thinking the same thing. This is good, but boy, if I just had a couple extra practices and I just plugged in a couple associates, man, life would be great. How many times have you seen through the years without a proper system and plan, which is what you get to, but without what you guys have put together, how many times does that fail and not produce the results that that doctor really wanted to have?

Dr. Mauricio Dardano:

Gosh, it happens more often than not. More often than not. I've seen Dennis that I've talked to that have tried the multiple practice thing and it hasn't worked out for them and it's wearing on them. They're trying to manage and trying to do everything themselves and it's definitely a grind.

Dr. David Phelps:

So what was it back then that you today could really look back to 2000 7, 0 8, 0 9 when you guys were just at the forefront of this? What was it about Dr. V that you could say is different? There's something different.

An Inside Look At a Dentistry Consolidator - The Success of MB2 Dental - Dr. Mauricio Dardano: Ep #522

Dr. Mauricio Dardano:

Yeah.

Dr. David Phelps:

We know that to expand the basis and the culture of one good operating practice to satellite that out, that's where it breaks apart because you can't take that culture unless you're there. At least that's the way it seems to me. You're an associate at least for a short time. So was Dr. Gabe where you guys just happen to be the right people, do you think? Or did he have something that he attracted the right people and you were the right people? How do you think this happened for you guys and it doesn't happen for most others that try it?

Dr. Mauricio Dardano:

Yeah. Gosh, that is a great question and I look back at my career and think, gosh, was that luck coincidence? Was that fate? What was that? Right, so let's just call it, it's a little bit of everything. I'm going to brag on Dr. VA little bit here. He is an individual I don't think is the normal dentist or the normal visionary. He's got a skillset with people that is unbelievable. I'm going to say this in a good way. Steve is, I would say he is a master manipulator. He is just good. He is just good to making you feel good, and luckily the execution behind it as well will back that up. First and foremost, we became good friends. Myself and Gabe and Steve. We're still friends to this day, good friends. I would say some of my best friends, if not my best friends from his side that he saw in us.

It just happened to work out where a lot of times where I see what happens, where things have failed is the one doctor wants to have it all and wants to be kind of owner of the whole entire pie, let's say. And so Dr. V, he gave us enough share to where it was worth it for us to relieve him, let's say, of some duties that typically the original person or the main guy would have to kind of shoulder everything. I think then our own skillset, myself and Gabe's, we had enough room in there to be able to use that to help push that forward as well. So the partnership was in a way where nobody was resentful of each other. Sometimes you get in these partnerships and you're like, oh man, that guy, he's still doing this or doing that, or he's got more of this or more of that or whatever. But really at the beginning, we were all equal partners. We just had our individual responsibilities for each project that we did. We knew that going in and we were all fine with it and we were all happy with it. That really helps in kind of pushing things forward.

Dr. David Phelps:

If you're interested in learning how to invest safely and profitably during any economy, any market cycle, whether it's up, down, good or bad, then just download my free report, the full cycle investing report below. There's been a lot of half cycle investors who have profited immensely, made great Gains in the last 15 years during the bull market we've had. However, the markets are changing. They always do. There's going to be a day of reckoning. You can either be prepared, take advantage of the opportunities and protect your wealth or put your head in the sand and do so many other people wonder what happened. If you'd like to be on the front edge of the things that are coming in the future, just download my free report, the full cycle investor report in the description below. I think that's such a key and I'm glad we got to dig into that a little bit because I agree. I think that most of the populists, most entrepreneurs, business owners, practice owners, and this is not a fault. It just is a scarcity mindset. There's a control factor that we want to control our own destiny, and it's really hard kind of been taught going through school. Wouldn't you say that if you're going to do it, you got to do it yourself. You don't get to collaborate on tests, you go do school, you can't collaborate on your boards. It's up to you. So we learned in life that if we're going to do something, we got to do it well, and so we're not really good team players.

An Inside Look At a Dentistry Consolidator - The Success of MB2 Dental - Dr. Mauricio Dardano: Ep #522

Dr. David Phelps:

I think that's where it breaks down what he's talked about. Dr. VI know him a little bit, not nearly like you do. I've had a chance to converse with him and meet him, but I want to get that because I think that's the fallacy is people think that they can take their ability in one practice and their skills and certainly in a small group you can build some dynamism and maybe have a decent culture that works, but boy, to expand that out, you've got to have an abundance mindset and you've got to be willing to empower and give a future, a real future and take the risk that you know what, not everything's going to work out. There's going to be a few people that you plug in whatever, that it's not going to work, and I think people are too afraid to take that risk.

But without that, anything less than that, the expansion model, it blows up. And so I just want to give kudos to you guys because I think that's the strength. And again, I want to say today I've never had the opportunity. I sold my practice before MB two wasn't around on it. I could have been a partner with you guys if I would've met you back in the day, sold mine without any of this kind of construct. What you've done today with MB two, and I honestly say that I know lots of doctors who currently have been or partners with MB two, and I've never heard a negative word of experience from anyone. And one of the reason I'm saying that is it goes back to what you guys started. That's why I want to go back there. What allowed this to happen? And so many people go in with good intentions. I want to build something, scale something good intentions. But you said it well that he's so good with people. I mean you are too. You've got to work with people well and give them a stake in something and let 'em run with it. And if they don't do it exactly the way you do it, you got to go. It's okay. We'll figure this thing out.

Dr. Mauricio Dardano:

I'll tell you, when I told my classmates that I was starting my practice and that I was a 33% owner, I was a one third owner, I said two other partners, they were like, why are you doing that? That makes no sense. You're giving up 66% of your practice. But in my mind I was like, this isn't my only project. I'm starting on this project, but I want multiple eggs and multiple baskets. I don't want to put 'em all my eggs in one basket. So from the very beginning, you're right, the response that I got when I got started was that. So yes, you're absolutely right that having the right mindset definitely helps a lot of ambi D doctors and they don't have anything negative to say and it's mostly good. That is 100% true. And it's crazy to me because in any of the forums that come up, typically if somebody pipes up a MB two, you're going to see multiple barners pipe in and say their experience, which is for probably, I would say 99.9% has been good.

The environment of MB two is that you have this, let's say support center that you can use to your advantage, however you're going to use it, but the reality is that you have so much leeway in how you run your practice that's still, there's going to be a big difference, can be a big difference between one owner to the next, right? Because MB two doesn't have a cookie cutter kind of, they're not stamping practices out, so it still really depends on the owner themselves. So the autonomy is with the owner and therefore the failure or the success still is going to be with that particular owner. I came into this and used the MV two platform a certain way and was able to do, let's say gain X, if you will. Even my associates that became owners, I've had the same opportunity to do the same thing.

An Inside Look At a Dentistry Consolidator - The Success of MB2 Dental - Dr. Mauricio Dardano: Ep #522

Dr. Mauricio Dardano:

Some people might think, oh, this is some kind of pyramid scheme, but it's not. I actually had an associate at one point that had more practices than I did. How is that right? Just a phenomenal operator and that happens today. So that's what I mean. It's still on the dentist themselves. I just don't feel that somebody can point the finger for the most part. Let's say MB two has a lot of people working there, they're humans and we understand that humans can make mistakes and maybe there was a little bit of oversight on something, but we learned from those, but for the most part it's on the dentist because they still have full autonomy of their practice.

Dr. David Phelps:

Let's talk about selection of partners. Now I'm talking about partners to MB two, but this would go for anybody who's trying to select a partner for whatever they're trying to do, whether it's with a group or just bringing them their first associate. How critical is the selection of the potential dentist partner in their practice? You don't have to give me all the criteria. I know you've got criteria that you look at and there's numbers and things like that. What are you guys looking at in terms of attitude and mindset and how do you assess their culture of their practice? How do you get in there or is it basically nonfinancial? How do you guys sort of look at it from an overall scheme?

Dr. Mauricio Dardano:

I would say that it starts initially with looking at financial of a practice. We look at a lot of practices and we only partner with, we'll call it with a few relative to what we look at. I think we looked at something like 3000 last year or something, and I think we're partnering with let's say a hundred. There's a lot of practices that just don't pan out. It can be both ways, it can be both ways. Financial definitely is going to be the first one because there are parameters. We're trying to take good practices, great practices and making them better. We're not turning around guys. We don't take unsuccessful practices and try to turn them around, let's just say, not that we don't have the bandwidth, but that's not where MBT wants to spend. Its time, but then after that it's really about, there's so much interface with the actual owner that we can figure out if this guy is somebody we want to work with or not.

Just when you in your practice, and let's say you have a really successful practice, you might have this case that comes through and patient might need a lot of work that needs to be done, but you're like, man, I can just tell this person's going to be difficult. You're going to be like, you know what? I'm probably not the right person for you. I don't want to have that headache. So we have so much interface when we're talking to potential owners originally, they'll talk to a dentist like myself. I still do that. I still field calls for when we have the original inbound interest to join the partnership and I walk them through that. We have conversations, I talk about their goals, what they want, their current situation or whatever, and so then I can make a recommendation, Hey, I think this person would be good to work with and the financials look like they meet all the parameters, so let's take that to the next step.

An Inside Look At a Dentistry Consolidator - The Success of MB2 Dental - Dr. Mauricio Dardano: Ep #522

Dr. Mauricio Dardano:

And then they'll talk to, let's call it our business development team. They get in and go through financials and we'll ask questions about their p and l and really try to hone in and get down so we can provide a valuation for them. And so then we have probably another two people to interact with 'em at that point. There could be maybe some red flags that come up and maybe we are like, Hey, you know what? We'll drop this. That might be difficult to work with. After that, once they clear all that, then we still do what we call a discovery day where they come in interface with basically all the executives, whether it's in person or will we do it on Zoom. And so there's another opportunity to do that, and typically it'll end with them talking to Dr V as well. So there's multiple spots where we can figure out, Hey, we think this would be a good person to work with.

And the reality is that if it's a person you think you can enjoy and have a meal with, then we are more than likely going to want to partner with that person. And why the culture of MB two? I feel like it's a very social group. We do a lot of owners events and then we do a lot of intermittent trips with owners that sometimes are not even really, let's call it an MB two event, but it's like all MB two doctors. So this is kind of what we wanted. We wanted it to kind of be like, oh, this is your dental school class. You're kind of hanging out with everybody and it's well, a fun dental school class. It's kind of what we shoot for and that's why I feel like the culture is the way it is. I feel like we work so hard to develop those relationships and spend time with them and interface with our partners slash what I would say friends, it makes for a great time.

Dr. David Phelps:

You mentioned culture a number of times. Would you say that culture is one of the most important things?

Dr. Mauricio Dardano:

For sure.

Dr. David Phelps:

I would too. I would too, but beyond all the other CE and the technology and the great didactic skills that certainly play a part, but you've already said it. That's how you guys started how many years ago? 2007.

Dr. Mauricio Dardano:

Yeah,

Dr. David Phelps:

It is culture. It was culture that got this thing going and a lot of people just kind of push back culture and go, no, it's not it. But you've obviously shown that to be a critical part.

An Inside Look At a Dentistry Consolidator - The Success of MB2 Dental - Dr. Mauricio Dardano: Ep #522

Dr. Mauricio Dardano:

That also bleeds into staff that works at MB two and the accessory staff that comes in. We try to promote a very good culture in the practice, a fun environment in the practice at the MB two level, MB two interfacing with the practice, all that stuff. Just different events that we hold to help further the staff along as well. I mean, gosh, I can tell you that I don't know how many staff members I had or have started my offices that are now, they're up at the MV two level. They have been promoted and moved up and this and that. And so those opportunities as well with the culture and providing a career path I think really helps as well in the environment.

Dr. David Phelps:

So true, so true. Alright, so let's tie it down with this. And I know this is a question that I'm sure you guys look at and you have sort of the answers, but a lot of people from the outside are thinking, sounds great. I might be in a position in my career, my practice where man, I'd like to be looking at some kind of exit that I could step into and have some pathway and maybe I'm a practice too, which this is a good thing, but then I want to see how it works out with me two. So I've got a practice and maybe like you guys started out early on, I've got an associate, maybe I got two associates and one's going great and the other one's kind of coming along. It's a typical thing, but nothing's bad, nothing's bad. I'm the senior doc, I'm the owner doc, I got these two associates and they're adding some productivity and it's nothing bad and I want to join forces MB two. What kind of conversations are had with the associates who are looking, oh, well working for Dr. Jones, the senior doctor and it's been fine, but now we're going with a bigger group. Do you have to do much convincing, much ethical persuasion, persuasion to help those docs? And maybe some docs go, well that's not for me and I'm going to go do my own thing. Maybe that's what they always want to do, but does this kind of help a doctor as associates make some moves and get things moving or where do you see this fallout?

Dr. Mauricio Dardano:

Yeah, that's also a great question and that comes up a lot. Number one, we start with the original owner, right, with the main owner and talk to them and make sure that they're good with everything. And then at some point, once we get down that process, it's time to talk to the associates. A lot of times we get feedback from the owner, what do you think your associates want? Are these people that you want to have long-term? If you want to have them long-term, there's different levers we can pull to help with that. It's not really so much persuasion but more of education. When there's change coming down the pipeline, people always tend to freak out, so you got to do a little bit of handholding and explaining and talking and things like that. But we have so much track history, we have so much history and we have such a vast track record as well that we can always point them to talking to whoever, whatever their situation may be.

In those situations, a lot of times owners will bring them and make them owners as well, associates that they want to keep long term that helps out the situation. There's different things that we do. I don't know if we want to get into the specifics of it, but maybe they just want to be associates and they're just going to continue to work and we obviously tell 'em nothing's going to change, but things are going to get better and that's the one path maybe we want to transition them into ownership. They get some ownership at this office with the ability to then have other offices that they can have ownership in. Some associates that are just going to be there long-term associates that don't want to have ownership. We've given those, that type of associate the opportunity to invest into, we call it a sidecar fund that we raise in MB two so that they do have some, like a financial incentive if you will, but also are getting to be able to participate in the wins as MB two wins because they're there and they're participating in that practice. And so we let them do that. And real quick, a sidecar fund is basically all the owners pull money together and buy a small percentage of every practice that M two partners in. That's what that is.

An Inside Look At a Dentistry Consolidator - The Success of MB2 Dental - Dr. Mauricio Dardano: Ep #522

Dr. David Phelps:

Broad diversification of a positive momentum that MB two has been caring for last couple decades and so you can be a part of that as well. So I guess what it comes down to is, as you said, there's no cookie cutters, there's no template. It's customizable for the right doctors, the right culture, but everything else is customizable. You've got lots of, you said levers, dials, you can turn pull to help that doctor or those associates or whatever do what they want to do and I think that's, having that optionality is a big part of what you guys have created.

Dr. Mauricio Dardano:

I'll tell you this, one of the things I figured out is typically an associate to go into an owner, there's two things really that they're looking for, right? They're looking for financial opportunity. Number one, when you become an owner, there's more financial potential there and then number two is autonomy because now they kind of want to call the shots. And so if we can solve for those two things, it doesn't necessarily have to be that they have to go be the owner in their own practice, but if we can solve for those two things, typically we could check the box and put people in really good situations.

Dr. David Phelps:

What you guys have done is solved a lot of issues in the industry. We see that in certainly other industries as well. Healthcare, even outside consolidation is like it or not, it's a part of what's happening in the world in this country and it doesn't mean everybody has to do it. A lot of consolidation gets a bad rap. Certain people have their feelings about it and that's okay, right? I mean everybody can choose what they want to do, but I guess my last question to you is with the magic crystal ball that I know you've got, I'm setting you up here, or maybe where does MB two see the environment of dentistry? Since we're talking about could you sort of fast forward five or 10 years and just what do you see the lay of the land? Do you have any idea, I know you guys talk about it. I mean, do you see greater consolidation? Do you see it having equilibrium at some point? What are your thoughts?

Dr. Mauricio Dardano:

Man, that is a good question. I'm going to reach, I'm going to really look deep into my crystal ball here, so this is a complete speculation, right? I know MB two really well and I feel really good about MB two and what we've done and where we're going, what the future holds. I feel like there's going to be more consolidation. I mean, I feel like it's coming, and by the way, you're absolutely right. This is not for everybody and I don't blame them to completely understand when somebody's like, Hey, I just kind of want to do my own thing and I 100% stand behind them and there's people that have been Uber, uber successful doing just that, and I commend them for that. I don't think that I could have done that, and so I really admire them when they're running their own show and they can do everything and know everything, every little thing about their practice, I think that's awesome, but at the same time, putting that aside, consolidation, there's just such a difference between group per group and obviously I'm biased, I'm with MB two, but we hear so much and see so much about other groups.

It's hard because sometimes you just kind of can see where they just had a misstep and it's hard because some of our friends and colleagues end up in some places where I'm like, oh man, I feel for them. It just hasn't gone the way that it needs to go. I hope that if consolidation continues that it's in a way that it's really going to help out the individuals and it's going to be beneficial.

An Inside Look At a Dentistry Consolidator - The Success of MB2 Dental - Dr. Mauricio Dardano: Ep #522

Dr. Mauricio Dardano:

I would love to have other groups like MB two in the marketplace because I think it just helps the profession. I like that MB two, we try to be so transparent. We try to just put everything out there so that our colleagues can learn from us and sometimes we might be a little too much. We've had a lot of groups that obviously have tried to copy exactly what MB two does.

I have friends that have started groups that have said, Hey, we really we're just trying to do exactly what you guys have done, which is awesome. I don't think that there's going to ever be a point where there's going to be complete consolidation of our industry. I don't see it. It's not a new thing, but there's still quite a bit of pushback. I mean, you can see it on all the dental forums. I mean, it hasn't gotten to the point where it's not frowned upon, but some of our colleagues feel that way about it, and that's totally fine. So will there be more consolidation? I think so. I do think so. I feel like it's really beneficial this group in this environment, and it's just gaining steam and I'm just specifically talking about MB two. I feel like with MB two, the providers that have come in there and have had great success, I feel like then that gets out into their network and it just draws people to us, which is great for us. I think consolidation is going to still going to happen. I just hope it's successful for everybody.

Dr. David Phelps:

Again, it shows your abundance mindset, which is what's made you successful, so it's not a zero sum game. It's like, well, we have to get our pie and no one else. It's like, no, you guys always think about, well, how can we share and help everybody wins? Even all the way down to associates who never want to have an ownership stake, there's always a place for people to plug in if they see what matters to them, and again, that's a personal choice, so I really appreciate who you are. You've always been super transparent with all the discussions we've had about everything. I admire that about people. Nothing ever in life is perfect. There's always trade-offs and I think the fact that you're open and willing to say, Hey, we're not for everybody, but man, if this is you, we've got some opportunities to have a conversation. And by the way, what's the best way for people to have a conversation or get in touch with you?

Dr. Mauricio Dardano:

If you go to our website, there's ways to submit your information there and then somebody will reach out to them, and besides through here, I'm part of Food and Founders. If anybody wants to have a conversation about it, I'm happy to get on the phone and talk about anything MB two, their situation, any way that we can help out. But yeah, that's typically how people get in touch with MB two. They go through the website, submit info, and then somebody reaches out to them.

Dr. David Phelps:

Dr. Mauricio Dano, thank you so much for your time today. It's always a pleasure.

Dr. Mauricio Dardano:

Thank you very much for having me.

Dr. David Phelps:

You can learn a lot from other entrepreneurs and businesses. MB two Dental is just one example that seems to stand on solid ground. They're not perfect, but I do think they hold wisdom.

An Inside Look At a Dentistry Consolidator - The Success of MB2 Dental - Dr. Mauricio Dardano: Ep #522

Dr. David Phelps:

We can learn from another Freedom Founders member of mine brought to my attention an article written by MB two a while ago that explains the lessons of MB two, that what they've learned to become a profitable and successful business and some good practices and working with private equity that I believe apply to long-term investors. You can read the article yourself in the description of this episode now. Let's get into it. Let's talk about why establishing culture is so important. Years and years ago, Peter Drucker, famous for his works in corporate America, spoke about the fact that culture will beat processes and systems all day long. In other words, processes and systems are important to have in any business, but without the right people, the right seats to operate those processes and systems, really we have nothing.

I think there's even a bit of a taint toward the book, the E-Myth by Michael Gerber. I know a lot of people think that book is an awesome book, and I think there are points of reference within that book that makes sense. However, Michael Gerber's book, the E-Myth was written based on the industrial complex of basically plugging people in to a system of automation. That is not the business we are in today. We are a people business and serving people requires a culture to really create the experience to refrain the work that we do, our practices that we have from becoming commodities. Building a leadership team. Another point that MB two brings out in their article, leadership is everything and most of us as small business solar entrepreneurs really work from a top of the mountain all the way down, meaning we are the doctor, we're the owner, and we feel like therefore we're supposed to know everything and we need to manage and control everything.

That's our nature problem is there's no leverage, no positive leverage in that until we can empower, engage, and uplift the right leaders, the right people within our practices, we are really in a place in life where we cannot go any further. We run out. We don't have the time to put the diligence and the operational aspects into every part of our practice. We live it. The people that serve us or serve our patients in a way that they can't go further in life. Bringing the right people on with the right attitude, the right aptitude, they can be trained to do anything within their area of expertise or their skillset sets or talents. That's something we have to measure. We have to learn to do that. Once we do that, people will be happy in their positions because you're allowing them a place of growth to actually have ownership of something to feel good about the outcomes that they're helping create as a whole.

Overzealous managing, controlling people is something that is a downs struck of many, many practices that just get ahead in their productivity, in the lifeblood of the actual practice, institutionalized lessons by never making the same mistake twice. How often is it that we show up on Monday morning ready to go in our practice with a likely busy schedule and what happens? We walk in the door and number one, an assistant is calling in to come in late because of a sick child or a flat tire or ran out of gas or Starbucks line was too long. Patients call in and they got mixed up about their appointment, didn't take their pre-meds. All kinds of things happen or the pre-authorization for the insurance company wasn't done. The lab case didn't come back, no one checked it off. There are so many things that are disruptive in a practice that a doctor who has enough stress on their hands just dealing with the day-to-day of patient treatment and patient care doesn't need to have yet.

Why does this happen over and over again? Because we don't have the bandwidth. We haven't put in the systems, the processes. We haven't built the culture and the leadership to offset these problems that come up every day. It's like Groundhog Day. Every day is the same day over again. Just different problems, but they're really the same problems.

An Inside Look At a Dentistry Consolidator - The Success of MB2 Dental - Dr. Mauricio Dardano: Ep #522

Dr. David Phelps:

Institutionalizing those lessons, taking the time to build out the systems whenever something comes up so that it doesn't happen again is the key to a successful business. Many times we just want to sweep it under the rug, close our eyes and hope it never happens again. That's not the way to solve those issues. Lastly, establishing predictable cash flows. Cash flow is the oxygen to any business. Without cashflow, we can't remain profitable. We can't remain productive. We can't provide the service to the experience that we want to for our patients.

Valuations of businesses practices that some point are going to be sold or partnerships sold are based on those valuations are based on the recurring repeatable, predictable cash flows. If we have too much up and down in our cash flows because we haven't put in the systems, the processes, the marketing, the experience, the referral aspect, if we have too many ups and downs, that kind of unpredictability, that uncertainty drives valuations down. At the same time, it causes stress for the owner who has to make up for the downside and make sure that payroll is covered and expenses when the cashflow is not there. Understanding why cashflow is so important and how to build the recurring steady stream of cashflow is one of the elements that most doctors don't look at because they think the patients will just show up and be there if they just give great treatment.

Great treatment is a prerequisite to having a great practice, but these other elements must be in place before you have any kind of sustainability. In the same article, MB two describes the lessons they've learned working with private equity or other investors', money that I think could also help us invest more securely and wisely in our own right. This is actually very similar to what we do at Freedom Founders, the very principles that we've utilized in doing the due diligence, underwriting, and vetting of how we invest our capital through other people. We do not choose the highest bidder. MB two talked about the fact that they will not try to outbid other competitors for buying practices. They know what the numbers are. They have criteria. They have a buy box, if you will, and they stay within that buy box. We do the same thing at Freedom Founders.

We look at not just ROI perceived ROI return on investment yield. I talk about never chase yield, never go for what Someone says, well, I can get you this or this or this. You have to look at the underlying elements of what the structure is of the investment and be practical in terms of your belief, your understanding that this particular investment can produce the results that you're ascertaining. MB two has to do the same thing. When they vet and look and underwrite their practices, they may buy, they have to look at the underlying supporting structures of the practice, the culture, the systems, the processes, the recurring sustainable income, the track record of the doctor. So many things have to be in place before they'll actually make their bid to invest in a particular practice. We're willing to walk away every day from investments that don't meet our criteria, and the same thing for MV two because they are very careful and scrutinizing the very best practices to make sure that their overriding responsibility to their investors, which is every practice that they buy, to make sure that they have a sustainable, predictable, long run with their capital.

Same thing with us in Freedom Founders. We want to make sure that we are investing only with those investments that have the value, the basis for high predictability of producing the results, and in worst case, have a risk mitigation, a downside risk protection in place so that even when market cycles occur, we don't have a big fall, a big drop in our investments.

An Inside Look At a Dentistry Consolidator - The Success of MB2 Dental - Dr. Mauricio Dardano: Ep #522

Dr. David Phelps:

We do not over centralize. That's another one of MB two's key criteria. Same thing with us. We are not in Freedom Planner dependent upon just me. If it was just me doing all the work, bringing all the deals to the table, operating all the investments, well, there would be a big problem. We don't do that. We create relationships, affiliated partnerships with curated people that we all as a community get to look and underwrite and vet. It's not just me, and that means if something happened to me, there would not be a downfall in terms of the ability of the tribe, the community to carry on.

If you want true freedom in life, you have to learn how to partner with other people, partner joint venture affiliates, whatever it may be. You have to learn how to do that. Doing that well is both an art and a science. It takes some work to do that. Not doing it because it didn't work out one time means you'll probably never get to where you want in life. I'm sure MB two has stories about certain practices that didn't work out exactly the way, one or two, but those are few and far between. We learned through those lessons, we learned through making some mistakes or errors of judgment. That's part of the process. Don't let failure or a setback cause you not to go forward. MB two certainly hasn't done that. They've refined their processes just the same way we have done in Freedom Founders to continually increase the caliber of the investments and the partners and the sponsors that we work with where we want to invest our capital.

Improved data collection and analysis capabilities, so due diligence and connections to a community with leverage are paramount today. Having a community where we can leverage the entire group to do the larger financial reviews, underwriting due diligence is something an individual just cannot do. It's too costly, it takes too much time, but as a group, we can come together, coalesce and then bring it on the people to do that heavy level underwriting that we all want to provide a sub level of safety, sub level of certainty, never guarantees, but this level of due diligence is what provides me and others capacity and capability to make investments and feel that I'm on the right track and understanding where market cycles are. I can also allocate my capital appropriately based on where I think the tailwinds are, the opportunities and also where the headwinds are where I don't necessarily want to be.

I also think that this article by MB two did a great job on the mindset, yes, the mindset we should have not only for dentists potentially looking to sell their practice, but also for the general marketplace of investments ahead. I'll leave you with an excerpt from the conclusion of this article. The feedback on not just the dental space but all physician practice management sectors, is that the roaring twenties are over. Obviously making a contrast back to the roaring twenties of the 1920s, right prior to the depression of the thirties and m and a. That's mergers and acquisition fueled environment has already produced some catastrophic failures in which companies saw the value of their equity go to zero. As a result, this has paved the way for a new set of investor expectations. The investment committees that are responsible for deploying private equity funds capital are smart investors.

They're good at pattern recognition and learn their lessons quickly. These investors have already recast their expectations as to what will define a successful DSO in the future. We must all anticipate what will be needed to sustain success for the rest of this decade. Let's say that again, we must all anticipate what will be needed to sustain success for the rest of this decade.

An Inside Look At a Dentistry Consolidator - The Success of MB2 Dental - Dr. Mauricio Dardano: Ep #522

Dr. David Phelps:

That goes not only for our practices and our sales, whether to DSOs or to private buyers, but also our actual investments, the capital, the equity, the net worth, wherever that may be in 4 0 1 Ks, taking the harvesting, the equity from the practice tax brokerage accounts, real estate, wherever we are. We've got to understand that the rest of this decade will not relive the boom period that followed covid. They go on to say, blaming weaker capital markets as the root cause of a DSOs future demise is an easy scapegoat, but all companies must navigate the same market dynamics.

If you are a doctor who's selecting a DSL, be sure you look to the path that that group is setting for itself. That will be the greatest predictor of future success. That is so well said, and again, I take that back to what we look at in Freedom Founders as how we are setting our sites on what the markets will deliver, not what we want the markets to deliver because too many people do that. They look back with what I call recency bias. Well, in the past, this marketplace has done this. My 401k has done this, real estate sector has done this, and therefore I think it'll do the same thing. Big mistake, and that's what the article is alluding to here. Private equity knows that there's shifts in the capital markets, interest rates have gone up. That changes the dynamics of everything. It doesn't mean there's still not prudent ways to invest our capital, but the ways are different. The methodology is different. If you don't understand that today, it's a prudent imperative. I would say even that you start to understand the dynamics of the marketplace because even though it may not be interesting to you or feel like it's applicable to you today, it's definitely relevant. Stay on course to your freedom. You've got to take it on and be your financial advocate.

If you like this conversation, click that, subscribe or follow button. It lets us know what you want to hear more of and pushes this episode out to more people. One more thing. One of the greatest joys of my life right now is helping others take control of their lives in every aspect and watching them reshape their lives. Most believe in order to do this, you must first achieve financial freedom, and yes, it's incredibly helpful once you no longer have to work for your income for yourself, however you can start making progress on your freedoms and your desired life today. Yes, achieving such a life requires getting your finances in order and replacing your income little by little, but it also requires mindset shifts, working with your spouse or significant other, having the hard conversations, getting educated and creating the relationships that will help you along the way. These are all keys I found in my life and I want you to have the same thing. If you're ready to take action and take control of your life today, then my team would love to discuss how we can help you. Go to freedomfounders.com/discover. Schedule your call. That's freedomfounders.com/discover. I hope to hear from you soon.