Australian Dental Practice - Article – July August 2003

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Home Truths about Dental Practice Management
There is probably no subject about which more impractical jargon has been written than management.

We can dismiss most of the management texts used in University MBA courses as being related to big business. Even a large dental practice still has the attributes of a small business and therefore big business texts are often inappropriate.

Dentists can console themselves that very few of the books on pure management theory have been written by people who have ever run a business be it either large or small. Most are written by academics who listen to what their MBA students say in tutorials and workshops. The students who are relating their work experience are conscious that their lecturers are listening to and assessing what they are saying and therefore the picture presented may be somewhat gilded.

Successful Practices are run by Control Freaks!
This might seem slightly exaggerated but it is universally true of small businesses. Take the proprietor out of a practice, even if covered by a good locum and fees drop alarmingly. Profit which is universally earned at the margin plummets.

Management consultants who repeat the mantra that a business should be able to do without its boss, exhibit little understanding of actual human behaviour. The things that the proprietor does, often semi automatically to give a practice its edge aren't attended to. If it were possible for a dentist to elect to take two or three shorter breaks over a year rather than one long holiday period, their practice will achieve better results overall. This simply reflects the fact that staff don't get long enough to let the practice unwind too far. Whether or not you have as enjoyable holidays by taking shorter breaks more frequently is a separate issue.

You Cannot Bottle Goodwill
Goodwill value is an economic benefit that can be passed on to another person. If it can't be passed on, then there is no value. An orthodontist who is able to pass over existing contracts and might also be in the habit of winning a significant portion of patients direct by advertising in the journals of private schools can legitimately claim to have goodwill. Another specialist who relies exclusively on referrals from a limited number of dentists cannot guarantee that those referrals will transfer to a successor and therefore may have nil or negligible goodwill.

Traditional dentists can be confident that their patients will continue to patronise their practice in a similar pattern to the past if a modicum of good sense is applied to the handover. There is therefore a transfer of an economic benefit.

The charismatic practitioners practice will have a proportion of patients who will continue with a successor and a proportion who will go elsewhere. If you buy off a super salesman the vendor cannot transfer the selling magic.

Some accountants and some dental suppliers believe that a practice has value tied directly to its fees. This is clearly not so, since some practices with significant fees cannot find buyers whilst others are sought after.

Imagine You Are Running a Restaurant
All good restaurants are run by their owners. Usually it is a partnership because of the hours involved. Good restaurants make most of their income from repeat customers and there is always a proprietor cruising around meeting and greeting regulars, making sure that they get seated and are served in a timely fashion.

The smart restaurant proprietor makes time for a few words with each of the regulars. It is the personal attention that keeps people coming back. Décor, menus and furnishings are also important. Eating is an experience which goes beyond the taste of the food. Going to the dentist is also an experience which extends well beyond the actual treatment. Most dentists can improve their standing. Nobody asks where you were placed at dental school, but they won't recommend their friends go to a practice which is poorly presented, even if they are prepared to put up with it themselves.

Good Staff Communication
Lots of staff meetings don't mean that there is good communication. Frequency and noise should not be confused with quality. Some well run businesses including some dental practices almost never have staff meetings, yet they have good communication. It is clear to everybody what has to be done and they do it happily. The breed of consultants who advocate lots of staff meetings have probably never run a business of their own.

Job Statements
Long list of duties don't improve management. Some well conducted large businesses ban them and for good reason. Too often they are used negatively:

> *"it is not in my duty statement therefore I won't do it!"*

It is better to judge outputs than inputs. Try giving a person a few key result areas that you are looking for them to achieve.

Job statements should not be confused with procedural manuals in key areas such as infection control.

Keeping It Simple
There are no new management theories only old ones recycled. The recycled ones come up with new names. There used to be people called Personnel Managers, who are now known as HR Managers. In the minds of the CEO's of companies, the two carry out an identical function. Big business had waves of management reviews, organisational development programs, human resource development programs, organisational reprogramming, linear re-engineering, total quality management and a host of other exotic sounding processes. What really happened was that management consultants kept reinventing themselves by changing the title of what they were doing. Mostly what they were doing was akin to the fish markets, periodically giving new names to the less popular types of fish so that more people will buy them. However, the fish still taste the same.

Financial Planning
Most consultants who call themselves financial planners work for a few major financial institutions or their subsidiaries, or are bound by licensing to them. There are relatively few advisers working in licensed organisations which are independently owned. Most financial plans consist of generic computer generated reports which are "authorised" by the institution concerned. The reports are lengthy but, the personal aspects are relatively limited. Surveys show that they overwhelmingly recommend the master trusts or wrap account platforms of the institution to which the advisers are licensed.

A document which has not considered the performance, efficiency, costs and potential opportunities offered by your dental practice cannot legitimately be titled "A Financial Plan". An adviser who cannot deal with your overall financial issues is stretching the English language by describing themself as a Financial Planner. Most of the advisers employed by institutions constitute what senior management believe to be "their product distribution network".

The questions which should be asked are:

> *"Is the organisation owned by the people who work in it?"*
>
> *And*
>
> *"Does it have its own licence as opposed to having representatives who are authorised by another organisation?"*

Who Manages Your Practice?
If you make the hire and fire decisions, take all significant financial decisions, set the fee scales, mandate the infection control standards, choose the preferred dental laboratory technician and the preferred dental supply company, it is clear that you are the practice manager. Perhaps you have a person sitting at the front desk who calls themself the practice manager but is

in reality the receptionist or perhaps has a very limited supervisory function. It is rare to find somebody other than a dentist who actually carries out a full management role within a dental practice.

Fee Setting & Health Funds

There is a simple reason why health funds restrict dental fees. It comes about because 15 to 20 percent of subscriptions to health funds disappear in administrative costs, particularly their own staff wages. Therefore in order to make a dental membership cost effective to the health fund member, they have to chisel 15 to 20 percent off typical dental fees so that the fund can break even. Any dentists who signs on as a health fund preferred provider is passing control of their practice to an outside organisation and bit by bit the health fund patients will displace ordinary patients. The fees foregone translate directly to the bottom line, since profit occurs at the margin after costs are met.

Good practices refuse to be preferred providers to health funds. In the long run it is likely to severely damage their goodwill. Whoever heard of a health fund carrying out a rigid selection procedure and considering only dentists who met prescribed standards before making them “preferred providers?” When was the last time that a health fund checked the infection control standards of all their preferred providers? Business Entrepreneurs don’t willingly pass control of their business to outside organisations and we are bewildered by the fact that some dentists do. Dentists considering buying a practice which is a preferred provider would be wise to consider carefully whether or not such a practice has genuine goodwill to sell.

In-Practice Consultancy

The message which they sell is widely known and often the practice gets an initial boost. This is because staff tend to filter out a lot of what their dentist says because they have heard it so many times. A fresh face from outside gets a lot more attention and initially habits are changed. The appointment system gets revamped; the dentist adjusts fee scales and spends a longer period with each patient. After a few months, the aura surrounding the in-practice consultant wears off as it must do. Staff realise that the message is being recycled and they no longer listen as attentively. The rate of gain to the practice drops away. Broadly speaking dentists have generally reported significant benefit in the first six months, but they receive very little in the second six months. Those who continue beyond that find that it is rarely effective. In some cases, staff resistance builds up the initial gains disappear when the in-practice consultant leaves and staff may no longer feel compelled to follow the same protocols. It comes down to the fact that all messages degrade with familiarity.

The key test is whether the gains were consolidated after the in-practice consultant moved on.

Setting Goals
Regular practice performance benchmarking causes you to measure your performance on a wider basis. It also enables you to set realistic goals and to monitor their achievement. On a golf course you would measure yourself against par. A dentist might measure themselves against average gross dental profit percentage and may marry this to an increase of gross fees. Well chosen benchmarks enable realistic goal setting and tell you where you are at. However, be wary about figures which come out of mail in survey questionnaires. Experience shows that busy practitioners have a tendency to discard survey forms.

Practice Size
In dentistry, big is rarely beautiful. The most successful practices run tight well controlled operations. As the management span of control of the proprietor widens, profit is dragged out of the proprietors own surgery because of the necessity of spending more time in a management role, or indeed in redoing work from employed dentists who have since moved on. Variable cost calculations on employed dentists don't present an accurate picture.

Some Lessons

1. Don't assume that your practice is good or bad, without having it properly benchmarked.

2. Many dentists are better at managing their own practices than they realise. However, elaborate management lectures at dental conferences are often misleading. Furthermore, dentists who are typically present at ADA study groups and the like are likely to be above average in the main, in their approach to practice. If you are moving in good company you can sometimes feel as though your practice is inferior to that which is in fact the truth.

3. Don't be swayed by recently invented management jargon. The jargon is forever changing.

4. An accountant who does not understand the dental profession sufficient to identify weaknesses in your practice will not meet your long-term needs.

5. A financial adviser, who doesn't understand the opportunities existing within your practice and the detail of its cost structure and opportunities, is also inadequate to your needs.

6. Most of the better performed practises are not overly large, but do have good fee levels, good profit levels and sound management. Sometimes better than the proprietor themselves realises.

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