

How Cleopatra “the controller” kept Barney “barnacles” practice poor

By Graham Middleton, BA, MBA



“It’s a mistake to have too many surgeries operating with significant gaps in appointments. Better to tighten up so that operating surgeries are fully booked...”

Barney Baxter, known as “Barnacles” to his dental classmates, had long owned a practice in a regional city. Barney also liked theatre and music. Early in practice ownership, these activities set him aside and he was an active member of the local Gilbert and Sullivan amateur theatre group. He had purchased a practice which was working two and a bit chairs with fairly tight bookings. It had a fourth surgery plumbed and wired but not equipped. There was also space for a fifth surgery. The local recognition he had through his theatre activities meant that he attracted a following. The third surgery became full and without giving it much thought, the fourth surgery was equipped.

Barnacles hires Cleopatra

Barnacles loathed administration and looked for a practice manager. Cleopatra (Cleo) had just moved to the regional city following the promotion of her husband to manage the local

branch of a business. Cleo had had some experience in a couple of dental practices and applied for the job having padded out her curriculum vitae. She was attractive and did a good job of selling herself to Barnacles. Barnacles failed to ask searching questions of her experience and hired her on the spot.

The dental island

For a couple of years, things went fairly smoothly. Barnacles had good fees in his own surgery and took little notice of what was occurring in the others. Bit by bit, he ceded all control of the practice to Cleo. Cleo had little real experience of dental practice management but to Barnacles, she seemed a complete package. Barnacles thought he was lucky to have her and gave her generous pay rises. Little did he know that other practices in the same city were a lot more profitable than his and were doing it without the services of a full time practice manager! In truth, Barnacles operated a practice which was a little dental island.

The controller

Cleo was ruthless in manipulating the staff. She preferred to have several part-time dentists, several part-time hygienists and a part-time dental therapist, who all feared her because she controlled the practice receptionists who passed out the appointments. Dentists who thought they had generated some personal referrals and questioned why the receptionist had placed them in somebody else's bookings found that henceforth their share of new appointments dried up. Among the clinical staff, she was known as "the controller". Cleo approved rosters of chairside assistants and infection control staff. She could have had fewer dental nurses but chose to run a mix of part-time casual employees, who needed the work. They understood that in order to be rostered for reasonable hours and not lose what they

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had, they had to remain subservient to Cleo. If a dental nurse complained, they found themselves rostered for one day less per week and this could have a significant impact on their home finances. Cleo controlled the hiring and firing processes and if Barnacles raised a question about a staff member, he was quickly assured that Cleo had made the best decisions for the future of the practice. In any case, Barnacles didn't want to rock the boat.

Barnacles distracted on rehearsal nights of the local theatre group

Barnacles was so engrossed in his theatrical and musical activities that he couldn't wait to get out of the practice early on rehearsal nights of the local theatre group so he could hurry home, eat a quick meal and rehearse his lines in front of a mirror. In fact, Barnacles often left early and that suited Cleo who ensured that his last appointment slot was left vacant. It also meant that Barnacles rarely chatted to other clinical staff and that most communication between Barnacles and the clinical staff was via Cleo! This suited Cleo who followed a separate and conquer strategy.

Diana

Barnacles' wife, Diana, had reduced her work hours as an optometrist to look after their two young children but was puzzled that despite the size of his practice, there always seemed to be a shortage of money. She was astute enough to realise that it was often unwise for a wife to become involved in a husband's practice. Barnacles kept assuring her that the practice was doing OK. It was simply that the cost of meeting regulatory requirements and paying taxes kept the cash flow poor. Diana tried not to show too much concern and accepted Barney's assurances, which were really Cleo's assurances to him. However, she felt troubled.

Culture of early finishers

Within the practice, there was a culture of failing to push dental production hard. It seemed that dentists didn't start another procedure near to knock off time and chairside assistants had plenty of time to clean up, adjust their make-up and frequently left a little early. Nobody had told Cleo that dental profit was largely made at the margin.

Lavish staffing

The practice was lavishly staffed with a couple of receptionists on together and the chairside assistants were backed up by at least two steri nurses. Cleo had organised the fitout of the spare space as a fifth surgery and Barnacles signed the finance documents. She now had a combination of nine part-time dentists, dental therapists and hygienists working in four of the surgeries. She was far more interested in control than achieving profitability and she wanted to avoid having to personally relieve an absent staff member at chairside.

Meanwhile, Barnacles was doing reasonable but not spectacular fees in his number one surgery. Cleo made sure that he was booked up enough to keep him content but did not book his chair time to the optimum. Barnacles didn't understand, because he had too little interest in practice matters, that several of the other clinical staff were not performing. Even worse still, a couple of the part-time dentists were "practice destroyers". Few of their patients came back for follow-up appointments and those particular dentists were not generating personal referrals.

Cleo and the accountant

Cleo kept the books and often visited the practice accountant, whose office was nearby. The practice accountant, Mr Jolly, had no other dental clients and was far from the sharpest pencil among the local bean counters. He liked the idea of having a "big" dental practice on his client list, but had no other dentists and gave very little practical advice concerning the practice. He liked Cleo, who was attractive and knew how to appeal to a boring middle-aged accountant. Cleo knew that she was in a comfortably controlling position within the practice. Barnacles signed accounts brought to him without question.

Costly purchases

Cleo controlled the ordering of stock and the representative of the dental supply firm she mostly ordered from played to her vanity. She also received a not insignificant gift off that supplier at Christmas time. Cleo could have demanded and received a better settlement discount and cheaper discount overall but she liked the rep and her Christmas presents. Barnacles never questioned the purchasing unless he was without a product that he needed in his own surgery. This happened rarely because Cleo tended to over-order.

In full control

Cleo was at the peak of her powers. The clinical and chairside staff now all referred to her as "the controller". She controlled the financial pipeline to and from the accountant, controlled the reception staff, controlled the appointments of the clinical staff, controlled the rostering of the nursing staff, controlled the ordering of supplies; and most of all, she controlled Barnacles, who was scarcely aware that she was doing so. She also hired and fired; basically by manipulating rosters to squeeze people out and bring in friends of her personal favourites.

Trouble on the horizon

Meanwhile the profitability of the practice remained very low and Diana was increasingly concerned. She sensed that Barnacles had ceded far too much influence to Cleo and that there

were problems inside the practice. When a social function was held to which several of the regional city's leading dentists were invited with their spouses, she listened to discussion about upgrades of their homes, or extensive renovating and to discussion of their recent purchases of new motor vehicles as well as the private schooling of their older children. It was obvious that their practices were a lot more profitable than Barnacle's.

Cleo takes a holiday

Cleo had long planned a five-week holiday with her husband and had set-up rosters in advance and had given specific instructions to the receptionists as to allocation of patients. Consumable stock had been ordered a fair way in advance and a receptionist had been told when to reorder off their supplier. The practice accounts had been signed off by Barnacles. As far as possible, she had bedded down the practice in the way that she liked it run before she took a holiday. She expected that the receptionist who was to act in her absence was too fearful of her to deviate from her instructions. Mr Jolly was available to assist if there was an issue with payroll.

Diana takes action

Meanwhile Diana had voiced her serious concerns based on what she had learned from the other dentists. She had quickly followed up by having lunch with the wife of an obviously successful practice owner. The two established a rapport and it seemed that the other husband's practice with three chairs was a lot more successful than Barnacle's practice of 5 chairs! Diana arranged to get a Synstrat opinion on the practice financials and was told that:

- It is a three chair practice spread over five surgeries;
- The profitability is far below benchmark for a practice of its size;
- There are far too many part-time dentists, part-time hygienists and part-time support staff;
- Barnacle's own surgery is not booked to an optimum degree;
- The purchasing costs appeared to be significantly higher than should be the case;
- They questioned whether a practice

of this size really needed the expense of a full-time practice manager as she appeared to be the root cause of the problems rather than providing effective solutions. They asked what does she actually do?;

- They asked what advice the practice had received from the practice accountant, Mr Jolly, to which the answer was obviously little or none; and
- Overall, the practice profitability was below Barnacles' opportunity cost. i.e., it was earning less overall than Barnacles would have been paid by another dentist to treat the patients in his own surgery!

Actions taken on report

The report came as a bombshell to Diana and Barnacles and after a heart to heart conversation, he agreed that she should take certain actions. With Cleo being away for the coming five weeks, Diana had a free hand and quickly got the receptionists to advise her which dentists received follow-up appointments and personal referrals and learned that the practice had two part-time "practice destroyers". The receptionists had long realised this but were afraid to mention it to Cleo. Diana increased the sessions of the good dental performers and advised the practice destroyers that their services were no longer required.

She next instructed the receptionists to:

- a. Ensure that Barnacles own surgery was well-booked; and
- b. To consolidate all other appointments inside four surgeries. The fifth surgery was to be closed indefinitely.

She then looked at the rosters of the chairside assistants and infection control staff and with one surgery closed completely and consolidation of functions, there was a significant staff saving. A number of part-time casuals were let go and a couple of the best staff were offered full-time hours.

She next looked at the hygiene and therapist appointments which appeared to have many gaps between them. This was wasteful as they were paid on an hourly basis. She instructed the receptionist to consolidate the bookings down to a lesser time and informed the hygienists and therapists what their new hours would be. She

indicated that if their bookings increased, their hours could be adjusted, but it was up to them to generate more work.

Diana quickly learned that with the tighter management of the appointment book, she could further reduce the surgeries and the fourth surgery could now be reduced to two and a half days per week. Further economies in the future were possible.

These economies were assisted by the fact that the appointment rate into Barnacle's own surgery had stepped up and he was now working long clinical days for four days and a solid half day on Wednesdays. Diana had taken to heart the message that:

1. The biggest profit producer in a practice should be the owner because another dentist is not being paid a percentage of fees to do the work that he can fit into his own surgery; and
2. The most profitable procedure of the day is the extra procedure that is squeezed in just before closure because there is no extra equipment or chairside assistant required and as a result, most of the fee for that procedure is pure profit.

Barnacles had lifted his performance by \$2,500 per week simply by having his surgery well-booked and further fee growth is possible.

The receptionists

The two receptionists were told that their jobs remained but having two of them on the front desk all the time was a luxury and they would be required to assist with infection control and relieve at chairside as required.

New practice accountants were appointed

Their new accountants had pointed out that with fairly easily implemented changes, the practice should produce \$250,000 to \$300,000 more profit per year. Possibly more. There was no place in the new plan for Cleo. Barnacles and Diana would be able to pay themselves appropriately including making superannuation contributions and they could now plan on the necessary home renovations which Diana had long required.

Cleo returns home

No sooner had Cleo stepped off the plane than she received a call from an erstwhile staff member. After a sleepless night, she decided to consult her friend Mr Jolly and drove to his accounting practice to gather some information so that she could then confront Barnacles. She met an unhappy Mr Jolly who told her that he had been advised by another accounting firm that they had been appointed to take over Barnacles and Diana's accounting.

Cleo pulled into the practice carpark in trepidation. She walked in to find that Barnacles was fully booked and there was no way she could break in to his appointments to speak to him. All the other staff were busy and none of them had time to chat. There was a message on her mobile telephone to ring her friend the supply company representative, who wanted to know why a different supplier had been appointed.

She arrived at her office to find Diana sitting behind her desk. Diana informed her that as the position of practice manager was now redundant, she would be offered a position as a chairside assistant at a chairside assistant's wage. Cleo realised that it would be wiser to resign in order that she could record the position of practice manager on her CV rather than the position of dental nurse.

A year on

Diana has found that she can work part-time as an optometrist, be a part-time practice bookkeeper and only put minimum time in at the practice. The other remaining staff have risen to the challenge. Nobody has the title of practice manager but the receptionists have followed appropriate guidance in respect of booking of patients and importantly, Barnacles himself is producing significantly more fees in his own surgery. Everybody in the practice is busy and the practice has stepped back from teetering on the edge of failure to being profitable. Barnacles and Diana can now proceed with extensive home renovations, have normal superannuation contributions and look forward to being able to afford their children's education. Barnacles himself has learned some valuable lessons.

The practice now works three busy surgeries and opens Saturday morning. A fourth surgery is not booked but an occasional emergency is placed therein and given temporary pain relief until they can be jiggled into a dentist's surgery for emergency treatment.

The positive benefit from employing less staff with longer hours is that the practice is a much happier place to work. The old adage that busy staff are happier than those with time on their hands applies.

The lessons

1. In all efficient dental practices, it is the dental practice principal or principals who make the key decisions. Sometimes, a courtesy title of Practice Manager is given to a receptionist or bookkeeper cum general helper but the critical decisions must be made by dental owners;
2. Employee dentists have to prove that they are practice builders not practice destroyers;
3. Having fewer full-time staff is preferable to having lots of part timers;

4. It's a mistake to have too many surgeries operating with significant gaps in appointments. Better to tighten up so that as far as possible operating surgeries are fully occupied by patients;
5. Owners need to check purchasing regularly to ensure that pricing is correct and there isn't too much stock on the shelves depleting cash flow. Be careful that a supply rep is not ingratiating themselves with a nurse who does all your ordering;
6. Profits are earned at the margin. The last procedure squeezed into a busy day has the highest profit ratio;
7. As a general principal, morale is much better in a busy practice;
8. If you let it, profit leaks away one appointment gap at a time;
9. Dentists who don't know how their practice performance rates compared to a host of other practices are living on "dental islands" and in some cases, will be millions of dollars worse off over the practice ownership segment of their dental careers; and
10. Practice owners who hand over too much control of their practice to a practice manager do so at their peril.

About the author

Graham Middleton personally has been advising dentists on strategic, practice management, valuation and conflict resolution processes for 31 years, the last 24 as a founding partner and director of Synstrat Management Pty Ltd and Synstrat Accounting Pty Ltd. He was once a regular army officer and later Director Human Resources Management of the Attorney General's Department of Victoria. He is considered an expert on dental practice valuation and practice performance benchmarking. He has spent many years advising dentists in respect of their business and financial strategy and measuring their practice and financial performance. He is the author of Synstrat Dental Stories, the Synstrat Guide to Practice Management, 50 Rules for Success as a Dentist and Buying & Selling General & Specialist Dental Practices. He is a long-term contributor to the Australasian Dental Practice magazine. The Synstrat Group is an independent data-based organisation providing management, benchmarking, valuation, financial and accounting services to the dental profession. Synstrat Management Pty Ltd is a Licensed financial services company. Both Synstrat companies are owned by the same directors who work within the Synstrat Group. Call Tel: (03) 9843-7777 Fax: (03) 9843-7799 visit www.synstrat.com.au or email dental@synstrat.com.au.

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