Practice Production Series

Turn YOUR PRACTICE *Into a* GREAT BUSINESS

What Dentists Can Learn From Corporate CEOs Part 1

Roger P. Levin, DDS

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Levin Group Inc.

10811 Red Run Blvd

Owings Mills, MD 21117

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Introduction

A dentist who owns a practice is its Chief Executive Officer. We may not think of it that way, because the focus is on providing excellent clinical care with the doctor serving, first and foremost, as the practice's main producer. Yet the practice must also function as a business, and that business must have a leader… the dentist, as CEO.

Every CEO has a very complex and demanding job. Responsibilities include financial matters, strategic planning, investment decisions, staff issues, insurance and legal affairs, marketing, day-to-day operations—in short, everything that happens in the conduct of business. If the company does poorly, if employees do something illegal, the CEO bears the ultimate responsibility. And ignorance is no excuse.

Dentists must learn to think and function as CEOs because they have a high level of investment in the practice. Even an associate who is not yet an owner but expects to become a partner and eventual owner must learn how to behave like a CEO. And you don't learn it in dental school.

Another reason to think like a CEO—one often overlooked by dentists—is that the office staff will take their cues from the mood and attitude of the doctor. When the CEO exudes confidence and energy—or impatience and confusion—these characteristics are reflected in the atmosphere of the practice.

The Unique Challenges For Dentists as CEOs

Not long ago, I had the opportunity to teach a course to approximately 400 dentists under the auspices of a national dental organization. I spent more than six months researching and preparing the course, entitled The Dentist As CEO. It became clear that being a dentist and a CEO poses unique challenges that most business leaders do not face. Here are five complicating factors for dental CEOs:

1. **Dentists need to spend most of their time caring for patients.** FORTUNE 500® CEOs spend the majority of their day strategizing, meeting, directing and making decisions. They have staff members who are the company's producers. Dentists have staff support, and should use it fully through delegation, but they cannot delegate the actual dentistry.

2. **Dentists have had no real management or leadership training.** FORTUNE 500® CEOs have usually spent 20 or more years sharpening their business skills, undergoing training, climbing the corporate ladder, and learning from mentors, colleagues, authors and competitors. Dentists have been chairside, doing what they learned in dental school.

3. **Dentists do not have a board of directors.** They do not answer to anyone but themselves. FORTUNE 500® CEOs report to their boards… and are held accountable. While there is something to be said for having total autonomy and control, the lack of oversight and objective feedback can lead to serious problems. Major decisions about a company's direction, strategy and large investments are better thought out when they must be presented to and approved by an expert board of directors.

4. **A growing number of dental practices are partnerships or group operations.** In contrast with the solo practice, these operations typically have two or more doctors with an equal say in decision making. FORTUNE 500® CEOs, though accountable to their boards, do not have to share control with anyone else in the organization.

5. **Dentists seldom rely on outside advisors.** FORTUNE 500® CEOs routinely turn to independent experts for guidance when there's a lot at stake. Many dentists resent having to spend money—which they typically regard as their money—on advisory fees for something they believe they can do themselves. Consequently, they often grapple with daunting challenges that outside advisors could easily help them master.

These differences, along with many others, mean that books, articles and courses about how to become a better CEO fall short of meeting a dentist's needs. I started Levin Group in 1985 to fill this void for dental professionals and to provide business education to improve their skills in the same way that dental school taught them clinical skills.

As a third-generation dentist, I understand the challenges of being both a practicing dentist and a CEO. This book series presents numerous ideas that will help the dentist become a better business leader. As a dentist, I have been able to write with a true understanding of the dual challenges of providing excellent clinical care and overseeing all other aspects of the dental practice as a business. My hope is that, in reading it, you will learn new ways to increase practice production and profitability, doctor and staff satisfaction, efficiency and effectiveness—and create an environment that is sustainable and enjoyable.

This first installment of Turn Your Practice Into A Great Business will address how CEOs develop and implement practice strategies and culture. There are distinct methodologies and office cultures that help CEOs create and maintain success. This book outlines some of the most effective ways that you can create and implement these methodologies and cultures in your practice.

I wish you the best of luck on your journey to be the best.

Chapter 1:

CEOs Analyze Finances & Overhead

CEOs understand the financial side of their businesses very well, even if they rose to their position without a financial background. Dentists need to acquire a similar grasp of their practices' financial workings.

It all starts with the budget.

The financial cornerstone of any operation is its budget. Budgeting—the projection of what will be spent by the practice in a given year—is an indispensable skill for the practice leader.

In simple terms, there are two types of expenses in the budget—fixed and variable. Fixed expenses do not change based on how the practice performs. Variable expenses rise or fall based on the volume and nature of production.

Together, they represent practice overhead—the cost of doing business as a dental practice.

Analyzing expenses and projecting a budget can be accomplished either by the dentist alone or in conjunction with an accountant. The accountant's financial expertise justifies the fee charged, but keep in mind that few accountants are experienced in the specifics of building dental practices. Input from the dentist will be needed.

How does the budget compare, and can overhead be cut?

Think of budget and overhead as works in progress, subject to periodic review and change.

Once the budget projection has been set, compare it with the previous year's budget. How does it look in terms of national averages? As you track spending (in compliance with the budget), you will also be adding up the overhead. For a given period—monthly, quarterly, annually—you will add up all expenses. Compare that figure to the total gross income of the practice for the same period. You will arrive at a percentage…the practice's overhead percentage. Levin Group sets overhead targets for its clients. We know from our experience that these are healthy levels—and that they are readily attainable. The following chart shows the current Levin Group targets.

FIXED EXPENSES		VARIABLE EXPENSES	
Staff Compensation	30%	Lab	7.0%
Facility	6%	Dental Supplies	6.0%
Equipment Debt	1.5%	Office Supplies	2.0%
Insurance	0.5%	Marketing	1.0%
General Expense (phone, legal, licenses, etc.)	1.5%	Maintenance & Repairs	0.5%
Misc. Fixed Expense	1.5%	Continuing Education	1.0%
		Misc. Variable Expense	0.5%
		Total Overhead Target	**59.0%**

The goal is to reduce overhead, thereby increasing profit.

Most practices coming to us for consulting have higher overhead than what we recommend. However, as their production rises, variable expenses rise accordingly but fixed expenses do not. The result is a greater margin between expenditures and income, i.e., a greater profit margin. These Levin Group clients typically see a gross profit increase of $64,000–$88,000 per year—revenue that can go directly into the doctor's income.

Over time, budgeting shows you where you have been, where you are, and where you are headed. If you don't like what you see, the message is clear. You must either increase production, reduce expenditures, or both.

A Case of Spending Too Much

When Dr. Nick came to Levin Group as a client, his overhead was spiraling out of control. His fixed expenses were not prohibitively high but he had a serious spending habit. Expenditures on inventory and external marketing were out of control. For example, he was spending $86,000 a year on direct mail and radio campaigns that were yielding very little return on his investment.

His income was therefore insufficient to cover all of his bills, which included private school tuition for his three children, one of whom was college-bound soon. Something had to be done quickly to avert a major problem.

Through the budgeting process, we were able to trim some of his expenditures and increase efficiency through implementing documented step-by-step systems. Within six months, Dr. Nick's overhead declined dramatically by over 20%, which raised his income to the point where he could:

- Afford his lifestyle
- Begin college tuition savings
- Reinvest in the practice
- Launch a retirement plan

As with many clients, Dr. Nick simultaneously lowered overhead and increased production due to the introduction of highly effective systems. Practices that can accomplish both will see the highest growth in income.

A Case of Spending Too Little

Now consider the case of Dr. Leonard, an older GP who presented to Levin Group as a new client with what seemed to be an impressively low 49% overhead. Once the practice was analyzed, we realized that this percentage was so low only because practice production was a dismal $325,000 per year. At this point in his career, it looked as if Dr. Leonard would have to work at least 10–12 extra years before being able to retire. In this case, extremely low overhead was seriously inhibiting practice growth. Dr. Leonard needed to budget for more spending—the kind that would get positive results—if he wanted to grow his practice.

As a client, Dr. Leonard replaced all of his management systems and implemented an internal marketing program consisting of 15 strategies to stimulate word-of-mouth referrals. The program doubled the number of new patients in the first four months, and by the end of the first year he hit the Levin Group target of having more than 40% of his existing patients refer at least one new patient.Production grew significantly by 61%.

Although Dr. Leonard's variable expenses went up, his fixed expenses stayed the same, giving him a higher profit margin on the additional production. Consequently, his income increased and he was able to fund his retirement at a higher level. If Dr. Leonard maintains his current production or increases it as expected, he will be able to retire within two years of the age that he had originally targeted.

Budgeting goes beyond the practice.

Too many doctors set perfectly good budgets for the practice, only to undermine their gains by making bad spending decisions in their personal lives. This behavior can easily lead to long-term financial disaster.

A dentist and friend once told me he was seriously considering buying a second home. I suggested he go through a basic budgeting exercise that encompassed both his practice and his personal life. It turned out to be good advice. The numbers made it clear that he would have to divert money he was currently putting into savings and college tuition accounts for his children.

Whether or not the second home would turn out to be an excellent investment, the timing was wrong. I pointed out that, according to the budget projections, he would probably be able to afford a second home in about five years—without interfering with other plans. Budgeting kept him from making what could have been a costly mistake.

Conclusion

Practice success depends on many factors. Budgeting and overhead control are among the most important. Many dentists and specialists will simply go along in their careers without analyzing their financial situations. As long as there is enough money to pay the bills, they accept the status quo. Unfortunately, doctors with this attitude will end their careers frustrated and struggling to fund their retirements.

Highly successful dental careers are founded on basic but essential protocols. For example, dentists and specialists should always take a set salary and be paid every two weeks like the rest of the staff. Without this, it is impossible to create a proper budget. Another example of good fiscal policy is to compare actual practice expenses to the numbers projected in the budget every month. This is the only way the doctor can determine whether the practice is—or is not—on target.

Analyzing practice finances is not some dry exercise to make accountants happy. The right budget allows you to live your life as you wish.

Chapter 2:

CEOs Take Risks and Make Mistakes

CEOs manage and lead by taking risks. You can't run a FORTUNE 500® company by sitting back and resting on your laurels. You have to always be looking for ways to innovate. What can be improved? What can be done faster or less expensively? What new service or product can be introduced that will generate new revenue?

Dentists have to be thinking along these same lines. How can I make the practice better? What services will patients want in the next year or five years? How can I ensure my practice will continue to grow?

In the past, dentistry moved at a slower pace, and dentists could be quite successful with few or no innovations. A dental license was almost a guarantee of financial success, providing excellent care was the mainstay of a financially successful practice, and the economics of supply and demand worked.

Today, the healthcare environment is more challenging. To create a growing practice, dentists and specialists have to be more willing to take risks. Of course, innovation in a dental practice is far more limited in scope than in a multinational company, but the principle remains the same. You can't just sit back and expect your practice to continually grow. It will not happen. The recent recession dispelled that myth, as the majority of dental and specialty practices experienced production declines during the last few years.

Don't be afraid to make mistakes.

In this new economy, practice success requires active leadership on the part of dentists and specialists. That means taking calculated risks to grow the practice. The truth is that many dentists are micromanagers and have a tremendous fear of making any mistakes. As a third-generation dentist, I understand this mindset. Perhaps it is because we are afraid of offending or losing a patient, having a case rejected, or simply receiving negative feedback. But trust me, no single patient will make or break your practice or career.

Due in large part to our clinical training, we also tend to be perfectionists in everything we do. As healthcare providers, we have been trained that making mistakes is nothing short of terrible. In fact, we even have a name for clinical mistakes—malpractice. The very thought of malpractice can dampen—whether consciously or unconsciously—many dentists' willingness to take risks.

The pathway to increased success is often built by appropriate risk-taking. The fear of making mistakes can delay a practice from ever reaching its potential. Ironically, a no-risk leadership style is in itself a risky proposition. I have never met a CEO who grew and developed in his or her role without making mistakes. Mistakes can be minor, moderate, or severe. The key is to avoid severe mistakes and learn from the minor or moderate ones and move forward. Dentists often struggle with this concept. They also need to make a conscious distinction between clinical mistakes and errors in judgment as the practice CEO. As much as the former are to be avoided, the latter must be accepted as part of the job.

Take advantage of mistakes as "learning opportunities."

As the CEO of Levin Group, I have seen practice owners make almost every type of mistake imaginable. In many cases, the error itself is not particularly harmful—it is what happens after the mistake is made that can set back a practice for years. Instead of learning from the misstep and moving on, dentists become afraid to take any risks. They overthink every decision, wasting enormous amounts of time. Eventually, this lack of decision-making (and leadership) on the dentist's part causes the practice to plateau or decline.

On the other hand, some dentists and specialists look at mistakes as learning opportunities. They recognize that errors are part of owning and operating a business. Nobody gets everything right the first time. Those who are willing to innovate, take risks, and learn from their mistakes have the potential for tremendous growth and development.

A Case of Embezzlement…and Overreaction

Dr. Linda became a Levin Group client about three years ago. Her practice was performing well, generating $922,000 in her fifth year. She had a relatively happy staff and new patients were joining the practice on a regular basis.

Her accountant had discovered that one of her front desk team members had been embezzling. Fortunately, the embezzled amount was small, but it disturbed Dr. Linda very deeply. She felt betrayed and was upset with herself for placing so much trust in the individual who stole from her. She was also afraid that it could happen again. All these feelings were understandable. The problem was that the fear caused her to overreact, and she became an extreme micromanager.

Within a year after firing the embezzler, Dr. Linda was spending 2–3 hours every night at the office, reviewing reports, looking for embezzlement or mistakes. She adopted an intense micromanagement leadership style, which had a profoundly negative effect on staff.

After two staff members left and told her how miserable they were working in the practice, she enrolled in Levin Group's Management Consulting Program.

Her consultant realized that the main problem was Dr. Linda's complete lack of trust in her staff. She admitted that she was highly stressed, exhausted and not spending enough time with her husband and two children. As the family's main income earner, she could not afford to leave dentistry, but she was extremely unhappy in her career.

Within 90 days, several new systems had been implemented in Dr. Linda's practice. We worked with her accountant to set up checks and balances that would make theft almost impossible. Staff members were given new job descriptions and Dr. Linda began to delegate again, as she had before the embezzlement.

By six months, most of the major business systems were in place and Dr. Linda was no longer micromanaging. She had confidence in the new financial safeguards and no longer worked nights and weekends (which greatly improved her home life). The staff felt respected and reported much higher levels of satisfaction. As one staff member told us, "I don't know what you did to her, but it's made a world of difference."

Dr. Linda's case is not unusual. Any time we meet doctors who are going back to the office during off-hours to "catch up," we suspect there is an underlying problem. Fortunately, Dr. Linda was able to overcome the setback of having a trusted staff member take advantage of her.

I give Dr. Linda a great deal of credit for her willingness to try new systems. While embezzlement is a serious issue, she was hurting her practice through micromanagement and lack of delegation. Her fear of making another mistake had a negative effect on practice production which could have continued throughout her career. By implementing new management systems and adopting a new leadership style, Dr. Linda was in a much better position to grow her practice and take care of her family.

Good CEOs know that taking risks sometimes results in making mistakes. They accept them as part of the growth process and use them as learning opportunities.

Chapter 3:

CEOs Make Decisions Quickly

Sitting at a dinner with the CEO of a Fortune 500 Company, I asked him what single trait, more than anything else, was responsible for his success. He thought for a moment and then said something that actually changed my life.

He said that 98% of all the decisions he ever made in his life didn't actually matter… that his success was really about how well he handled the "2% decisions." He explained that 2% decisions are the ones that really matter. If you get them wrong, you will pay a significant price in your life or career. The other 98% just do not matter very much in the short or long run.

Take that message to heart, as I did, and you will be taking a giant step toward being an excellent practice leader.

First, let's quickly dispense with the 98%.

With 98% of the non-clinical decisions we must make, the best approach is to make them very quickly and not spend time second-guessing yourself or changing your mind. Ask yourself what the consequences will be—an hour lost, a bad meal, a small investment that doesn't pay off? In the long run, so what? These are not earth-shattering and do not merit much of your time. The CEO who explained this to me said he had made plenty of 98% decisions correctly, and some incorrectly. I now realize that the same is true for me—and if you think about it, it's probably true for you as well. With minor issues like what to eat for lunch, what movie to see, when to call a friend, and a thousand other examples, decide quickly and move on. Tomorrow, or a month from now, or next year, we will not be kicking ourselves for making a bad 98% decision.

Now, let's focus on the all-important 2%.

The stakes are much higher with the 2% decisions a practice leader must make. These involve such matters as relocating your office, bringing a partner or associate on board, or investing 20% of your net worth in a new venture. These decisions merit serious attention. In fact, given the potential rewards or losses, it usually makes sense to engage the services of an expert to help you arrive at the best possible decision. Good CEOs do this routinely. That's part of why they get most of these major decisions right.

Once I learned this 2% rule, I became a much better decision-maker. I make most decisions (98% of them) very quickly and easily, without anxiety. With the 2% I now have an excellent batting average because I never make them alone. I gladly spend money to get the advice of an attorney, accountant, consultant, certified financial planner… whatever kind of expert I need.

Is that a 98% decision… or a 2% decision?

Dentists make non-clinical decisions all day. Think about it. Whether it's handling an underperforming team member, figuring out how to care for a patient wants to come in right away even though there is no opening in the schedule, or dealing with a sales rep who suddenly drops by, there are many things that must be decided that don't directly involve a patient's teeth.

Unfortunately, far too many dentists treat the majority of their 98% decisions as if they were 2% decisions. This wastes time, distracts from more important issues, slows overall progress, and drains the doctor's energy. These consequences are much more damaging than making some wrong 98% decisions would be. In other words, on a cost-versus-benefit basis, you are better off if you quickly decide or delegate those decisions rather than agonizing over them yourself.

How do you know when you are confronting a genuine 2% decision?

First of all, all clinical decisions are obviously 2% decisions. Achieving an excellent clinical outcome, serving the best interest of the patient—these always deserve the dentist's utmost attention. However, relatively few managerial decisions fall into the 2% category. Here are several that meet this standard in most general practices, in the form of questions:

- Does the practice have documented step-by-step systems?
- Does the practice have an internal marketing program with 15 strategies in place at all times?
- Does the practice have a part-time internal marketing coordinator?
- Does the practice have proper insurance?
- Does the doctor consult a dental-knowledgeable certified financial advisor?
- Does the practice have a budgeting system to organize and monitor practice financial performance?
- Does the practice actively offer outside patient financing?

These are all 2% decisions because the wrong answer to any of them can be extremely costly to the practice and to the dentist personally.

Here's another, very simple way to draw the dividing line between the 98% and the 2%:

Pretend that you are at a Las Vegas casino. How much would you have to wager—and risk losing— before it becomes a 2% decision?

- $50?
- $500?
- $5,000?
- $50,000?

As you move down that list of numbers, when do you leave your comfort zone? Most dentists would have little trouble with the $50 level. You should not even be in Vegas if losing this much would hurt.

At $500, your reaction is probably a little different. You may well decide against risking this much money, but you make this decision quickly because it is a 98% decision. Losing this much money would not delay your retirement or otherwise cause significant harm to your finances.

How about $5,000? If you are a young dentist with major debts to pay off, this would most likely be a 2% decision. However, most established dentists could tolerate such a loss. It might be unpleasant but would not be devastating. In other words, it would be a 98% decision. I am not saying it's okay to squander that much money, just that the decision—which for me would be a resounding "No"—can be made very quickly.

The $50,000 question is clearly a 2% decision for all but the wealthiest dentists. Think about that amount of money invested in your practice rather than in a high-stakes game of Blackjack. The magnitude of the investment justifies careful consideration and probably also merits getting an outside expert or two involved.

CEOs make most decisions quickly, because they are in the 98% category. Dentists can benefit tremendously by learning this technique. Ask yourself throughout the day whether what you are facing is a 98% decision or a 2% decision. If it is a 98% decision, make it quickly and move on. You will have little to lose and much to gain.

Chapter 4:

CEOs Delegate Everything They Can

Delegation is one of the rudimentary skills a good CEO must have. Though the top executive of a company bears responsibility for the organization's total performance, that person cannot—and certainly should not—do everything. In larger businesses, it is physically impossible. In smaller ones, it may be possible but it is nevertheless a very bad idea.

Business leaders who fail to delegate are labeled as micro-managers, control freaks, and tyrants. Whatever abilities they have are diluted in a flood of detail work. Staff members never get to function as a team or take personal satisfaction in their careers. And company performance and growth will always be mediocre at best.

For various reasons, quite a few dentists fail to delegate. Some think that theirs is such a small operation there is no need. Others are perfectionists who sincerely believe the old adage that "if you want something done well, you have to do it yourself." And, since the Great Recession, many dentists believe that they must hold down spending in every possible way—which in their minds means doing tasks themselves rather than paying staff or outside consultants.

These notions are all wrong. Every dentist will be much more successful, not to mention happier, when delegation becomes a natural part of practice leadership. To understand this, consider the progression dentists go through to reach peak success.

The Four Levels of Highly Successful Dentists

I have been teaching this concept to doctors for many years now, and it should provide some insight on the subject of delegation.

At this moment, every dentist is at one of four career stages. In simple terms, they are:

> **Level I** – This is the start-up stage, when the young dentist has just opened or joined a practice. Everything is new, exciting, and maybe a little intimidating. Income is getting off to a slow start, debt is high, and the emphasis is on practicing dental skills.
>
> **Level II** – The dentist moves into this stage when basic skills have been mastered. Competency and professional satisfaction are high, income is rising as the practice grows steadily… and administrative "issues" are showing up more and more.
>
> **Level III** – Dentists in this maximum-work phase have hit their stride. They seem to be doing well but, unfortunately, when most dentists arrive at Level III, they stay there. The systems that got them there are no longer working well. In fact, the systems are holding the practice back because they are obsolete and inefficient. Practice growth slows down, levels off and eventually declines. Level III dentists are working more and enjoying it less. Stress and fatigue are high. Any challenge they encounter while in this phase—such as new competition in their area, insurance changes, or a

recession—will result in the practice performance declining.

Level IV – In this phase, the successful dentist works through others as much as possible.

Nearly every successful CEO I have met is a Level IV leader, so there is clearly a lesson in this for practice owners. It's a matter of achieving more by doing less, personally. The key is delegation.

The Level IV dentist arrives at the office looking forward to a day focused almost entirely on dentistry. The practice team is in charge of everything else. The Level IV doctor refuses to do what the staff should be doing. With the right team members in place, properly trained and accountable for reaching performance targets, there will be no reason for the dentist to get directly involved.

Looked at another way, dentists who delegate well spend their time doing what they love rather than performing administrative matters, which they typically do poorly. The job satisfaction level goes up, and so does practice productivity. The chairside dentist generates production, profits and overall practice success.

Even when dealing with those critical 2% decisions, CEOs know the value of delegation. They do not hesitate to call in experts to crunch numbers, handle the legwork and, of course, make recommendations. In such a scenario, the dentist will make the final judgment, but most of the preliminaries and projections will be delegated. Reaching the point of decision consumes far less of the dentist's time… and the decision will most likely be the best possible one.

Delegation Leads to Greater Personal Financial Success, Too

The benefit of delegation also extends to the dentist's personal financial affairs. Many dentists who think they are financially successful are merely funding their current lifestyles. Instead, financial success means moving steadily and on a timeline toward financial independence. Most dentists have no idea how they are progressing in this regard. In fact, the majority of dentists fail to take a regular salary from the practice—making it impossible to develop and follow an operational budget for the practice. Highly successful CEOs in other business fields never make this mistake.

Level IV doctors are not only happier in their work but also in their personal lives. They go home with more free time and less stress.

A Level III Dentist Moves Up

Dr. Carlos owned a practice that was producing $680,000. He felt that it had peaked for some reason. He was exhausted and resigned to the idea that this was as big as his practice would ever become. At a meeting one evening, he met another dentist who was producing $1.65 million in four days a week and was not even going back to the office on evenings and weekends. As they talked, Dr. Carlos discovered that this dentist also had an efficient staff, an outstanding income, and a great love for his profession. Dr. Carlos had none of that.

Though he did not yet understand why there was such a contrast between his practice and the other dentist's, Dr. Carlos was encouraged. He realized that his practice could grow, although he had no idea how to do it.

Getting Expert Guidance

He hired Levin Group as a consulting firm. We explained that our approach was not to fix his management systems but to replace them with proven step-by-step systems. These would facilitate training and help staff members excel at their jobs, while quickly moving the practice toward specific performance targets.

Dr. Carlos liked the sound of this approach and asked if it would make it possible for him to match the other dentist's $1.65 million in four days a week. We could not predict that exact result but were able to promise significant improvement. His practice performance was slightly above average, his team was stressed, and his office operations were chaotic. This was good news in the sense that it meant there was much room for improvement—and we knew a systems-based program would transform his practice.

The problem was that Dr. Carlos was a Level III doctor. He had taken the practice to a certain level, but his personal involvement in administrative details rather than dentistry was holding the practice back. His team members were performing exactly as they have been asked to perform but had not received any significant training in several years. As new responsibilities came along, he took them on personally.

When we explained delegation to Dr. Carlos, it made sense to him and he became very excited about the prospect of becoming a Level IV doctor. We told him this would take about six months and that the largest challenge would be getting him to let the staff perform additional duties, knowing that initially they would make some mistakes—and learn from them. We assured him that, even with mistakes, the new systems would enable the staff to perform better than ever and that his production and profitability would increase significantly within 12 months.

It worked.

From Micro-Manager to Million-Dollar Producer

With new systems, a team well-trained to handle more responsibilities, and Dr. Carlos' commitment to change, the practice produced slightly more than $1 million in the first year. At the end of three years, the practice produced $1.45 million, and the doctor was well on his way to becoming a Level IV leader.

The rapid growth resulted directly from the fact that the dentist is the primary producer in the practice. For its GP clients, Levin Group establishes a target of 75% production by the dentist, 25% by hygiene. By keeping these professionals—especially the doctor—chairside as much as possible, a practice will move toward maximum productivity.

One comment Dr. Carlos made when looking back on the transformation of his practice is worth repeating here. He said, "The hardest lesson for me to learn was that other people would not do things exactly the same way I would, but it was okay. They managed to get the right results anyway, using our new systems and goal-setting methods."

Dentists are often perfectionists, which makes it harder for them to let go. Unfortunately, some cling to their old ways until late in their careers, only to discover that they will not be able to retire as they had planned unless they make radical changes fast. My advice is to do what Dr. Carlos did. Get on the path to Level IV leadership as soon as possible. Implement systems and training, rely on experts as needed, and delegate everything but what you love… dentistry.

Chapter 5:

CEOs Excel at Setting Goals

Goal setting is the secret of the most highly successful people in the world. CEOs use goal setting to drive performance and attain success. While vision describes where the doctor wants the practice to be in approximately three years, goal setting is the road map to achieving the vision.

Goal setting motivates individuals to turn aspirations into accomplishments. That's why it's one of the most powerful skills that a CEO can develop.

How does goal setting work? A goal describes a desired result. Goal setting opens the mind to possibilities. Many people never bother with goal setting because they do not know how to achieve what they want. They stop right there, not setting any goals or even taking the first step.

CEOs behave completely differently. They set goals, confident that they will figure out later how to reach them.

Here is the secret. Once a goal is set, the mind recognizes that there is a desirable result to be achieved. Reviewed regularly, goals stay top of mind and ways to achieve them begin to emerge. The leader who sets goals will come to understand how to achieve them. Goal setting is powerful. To make it work in your practice and in your life, follow these five simple rules:

1. Goals must be committed to writing.

I believe that doctors should have at least 10 goals for each important area of their lives. CEOs will set goals specifically for their companies, as doctors need to do for their practices. By setting 10 goals for the practice, doctors will cover the most important areas that will propel the practice toward their vision. Keep in mind that the purpose of goal setting is to achieve the vision.

When goals are written down, they are no longer vague. They become something tangible and achievable. It is very difficult for CEOs (and that includes doctors) to maintain a list of goals in their head. By writing them down, goals can be easily remembered and reviewed weekly to determine if progress is being made.

2. Goals must be measurable.

When goals are established, they cannot simply be a generalized wish list. Make them measurable—meaning that at any point you can determine if progress has been made or the goal has been accomplished. It feels good to check off a goal that has been reached and then replace it with another, more ambitious goal.

Examples of practice goals include:

- Increase practice production by 18%
- Increase practice profitability by 22%

- Invest in new technology
- Reduce overhead by 3–5%
- Reduce taxes by 4%
- Hire consultants to replace outdated practice systems

These are some of the typical goals that clients set while working with Levin Group consultants. Each one of them is measurable, and so it will be easy to tell when they have been accomplished.

3. Goals must have deadlines.

In addition to being written and measurable, goals must have deadlines. No deadline, no goal. Deadlines create commitment. This motivates CEOs to work on solutions for achieving the goal. If you have forever to achieve a goal, there is not much motivation to accomplish the objective because there are always other matters deemed more important.

Conversely, if a goal has a deadline, the doctor feels motivated to come up with solutions. If progress is not being made toward achieving the goal, it may be time to get help from an outside expert. This is why I love Executive Coaching, which is a one-to-one activity with success-oriented doctors—I get to watch them achieve their goals!

4. Goals must be assigned to individuals.

One of the major mistakes in goal setting is that people create goals, write them down, set deadlines and make them measurable—but fail to make anyone accountable for reaching them. Highly successful people learn to delegate. They set the vision and goals and assign the responsibility of implementing systems and strategies that will reach those goals. Some will be assigned to the dentist, others to staff members like an office manager or front desk coordinator. During each monthly staff meeting, the first agenda item should be progress on vision, followed immediately by progress on goals. The responsible party for each specific goal to be accomplished that year should report on progress. Since goals are measurable, it is easy for that individual to state whether or not the goal has been met for the month or is on track for the year.

For example, a front desk coordinator may be given responsibility for reducing no-shows to less than 1%, keeping 98% of all patients scheduled at all times, reactivating 85% of inactive patients, etc. She would report on progress toward these goals and discuss plans for overcoming any shortfalls.

5. Goals must be read at least weekly.

Based on my own experience as a CEO and meeting and working with other CEOs, I have found that successful executives typically review their goals daily. If goals are not read often, they are soon forgotten in the press of business and new ways to reach them remain undiscovered. CEOs know that their time should be spent working on activities aligned with the goals they want to achieve.

For doctors, the situation is different. Doctors and hygienists are the primary producers for their practices and should therefore spend most of their time chairside, providing patient care. When they are not with patients, there is simply no production… and no production means no revenue or profit. Unlike CEOs, doctors do not have the luxury of spending hours each day working on ways to move toward their goals. This makes reviewing goals at least weekly and including them on the monthly staff meeting agenda critical. Doctors need to set aside specific times to focus on how to achieve their practice goals.

6. Surround yourself with experts.

Doctors as CEOs need to surround themselves with experts. All highly successful people recognize early that there is a point where they cannot do it all, and should not even try. Bill Gates didn't build Microsoft by doing everything himself. Just as they should delegate most non-clinical tasks to staff, doctors should also call in experts to help with major decisions. Whether it is because we are trained as do-it-yourself professionals or because of our personalities, doctors usually wait far too long to bring experts into their lives.

To find the right professionals to help you reach your practice and personal goals, ask yourself two questions: “Who can help me get there?” and “Who has done this before?”

Most CEOs surround themselves with experts. For the greatest practice success, you should do the same.

Conclusion

Goal setting is a critical activity for any CEO. To be effective and motivational, goals must be written down, reviewed at least weekly with the team, measureable (and measured frequently), deadline-driven, and assigned to individuals.

Setting and achieving ambitious goals is how you lead your dental practice to greater success. Are you on the path to fulfill your vision? Good CEOs use all available assets to reach challenging objectives and build highly successful businesses.

Chapter 6:

CEOs Set and Hit Targets

We all tend to use the words “goal” and “target” interchangeably. However, for clarity, we will make a distinction between the two.

Goals, as discussed in the previous chapter, are broader and longer-range in nature. They define where your practice will be in several years…when you will be ready to take on an associate… what profitability level you intend to reach… and so on. Goals, once they are attained, flesh out your vision. They are strategic in nature.

Targets are tactical. When you break down the entire process of operating a successful practice year to year, you end up with a set of targets. They are metrics… numerical and very specific. Targets reached are steps taken toward reaching your goals. Used properly, they guide virtually everything the doctor and team do each day in the office.

For the Best Results, Set the Right Targets

Think of targets as the driving force that will take your practice to the highest and most satisfying level. Levin Group teaches its clients how to accelerate practice growth by following this three-step method:

1. Set specific numerical targets.
2. Implement step-by-step systems to reach the targets.
3. Train staff with effective scripting to get optimal results using the systems.

Obviously, this whole process depends on defining the correct targets in the first place—based on the right component of production (e.g., case acceptance percentage) and an aggressive yet realistic annual number to be hit (e.g., 90% of all cases accepted). The specific set of targets will be unique to each practice based on the situation and vision. If the targets are achieved, the practice will grow and thrive. However, the immediate question is, "How can we reach these targets?"

The answer guides the design of new practice management systems that incorporate step-by-step protocols, scripting, and measurement techniques. Levin Group consultants work closely with their clients during this all-important stage, helping choose the targets that will propel the practice to the desired level of progress in nine months. Though critically important, the whole process is less complicated than it may seem—and the results make it well worth the effort. By using this method, the doctor—like successful corporate CEOs—creates clarity of purpose. All staff members in the practice know what they are expected to do, and exactly how they are going to do it.

Now let's look at some of the essential targets that successful practices are using.

Target: 98% of All Patients Scheduled at All Times

Dentistry is continuously changing. In the past, there were enough new patients showing up to compensate for poor management systems. Production and profit were sufficient to fund the dentist's lifestyle and allow for sufficient savings for the future.

Today we have new challenges:

- Reduced flow of new patients
- Decline in case acceptance
- Lower average production per patient
- Also lower average production per new patient

It has taken a while, but most dentists now realize that the status quo will never lead them back to the days of easy success. Nor will such measures as cutting expenses and reducing staff. The only solution is growth.

Any good CEO will tell you that the first place to look for additional growth is with existing clients (for you, current patients). They have already chosen you for dentistry so you have loyalty—established relationships—working in your favor. Retaining these patients will be easier and less costly than bringing in new ones. Current patients will probably be more amenable to considering new treatment opportunities, especially if you offer a range of financing alternatives that make treatment more affordable for them.

It takes three steps to keep 98% of patients scheduled at all times. They are:

1. **Schedule patients' next appointment before they leave the office.** Whether a follow-up or routine visit, the next appointment should be set while the patient is still at the office. The patient's motivation to schedule will be highest at this time. Measure this process.

2. **If patients don't schedule before leaving, contact them within 24 hours.** Levin Group has created several One-Day Rules to help practices maximize production. In this case, the day the patient leaves without an appointment, front desk staff calls as a courtesy to find a good time for the next visit. A high proportion of patients respond favorably to this.

3. **Contact overdue patients within 24 hours to reschedule.** This technique is also quite effective in keeping current patients scheduled. We recommend calling the patient's cell phone number because you are more likely to get a response than you would with a land-line call or email.

The recommended timeline allows nine months for reaching the target of having 98% of all patients scheduled and then maintaining that level on an ongoing basis.

Target: 85% of Inactive Patients *Reactivated*

The previous target deals with active patients. Inactive patients—those who have not presented to the practice in 18–48 months—also deserve attention. Although these individuals are typically more difficult to get back on your schedule than those who are still active but unscheduled, it can and should be attempted. A significant proportion of inactive patients have not moved, passed away, or switched to a different practice. For many, dental visits have merely slipped down their list of priorities. With the right strategies, many can be reactivated.

Create a reactivation program to be implemented by front desk staff as their personal work schedule allows (but with specific weekly targets to keep them focused). A proven template for such a campaign incorporates the Rule of Threes. First, commit to offering a free initial exam to welcome these patients back to the practice. Any dentist who balks at the idea of giving away an exam should look at the cost of doing so (negligible) versus the potential lifetime income from a reactivated patient.

Reactivating patients requires persistence. Using a carefully scripted message that emphasizes the practice's concern for the oral health of the patient, a staff member should place three phone calls a week for three weeks, followed by three texts a week for three weeks if necessary, and then finally three emails each week for three weeks. Typically, 85% of inactive patients will respond to this reactivation strategy. Once they do, the practice will of course work to keep them scheduled at all times from that point forward, in compliance with the first target we discussed.

Any inactive patients who do not respond positively to this campaign should be removed from the practice's rolls.

Target: Collection of 99% of All Money Owed to the Practice

Increasing the amount of production will not help the practice succeed if payment is not received for treatment performed. Many dentists think they are collecting 99% of all money owed. However, practice books usually reveal at least 4% bad debt, meaning that they are only collecting 96%. In other words, for every $100,000 in production, the practice is losing $4,000. Sometimes it is much worse. In an $800,000 practice, that amounts to $32,000 lost in profit or income to the doctor. Most dentists would prefer to limit their losses to $8,000 instead.

An excellent system for accomplishing this is offering four financing alternatives. They are:

1. 5% off for cash or check upfront
2. Credit cards
3. A payment plan that specifies half paid upfront and the remainder paid before final treatment
4. Outside patient financing

All four options are presented to patients using excellent scripting that builds value and emphasizes affordability and convenience. Patients are asked to select the one they prefer.

This not only increases the case acceptance rate (see the next target) by offering financial flexibility and affordability, but also greatly reduces the financial risk for the practice. All but option #3 assure payment upfront, by different means. Option #3 does pose some risk for the second half of the fee… but the practice has leverage. The balance is to be paid before final treatment. If the patient is unwilling or unable to make the payment, treatment remains incomplete. This usually motivates patients to make the payment as promised.

WARNING: When patients arrive for final treatment claiming they did not bring the payment that day, do not treat them. They probably decided to pay bills other than yours and may, in good faith, offer to pay you next month. Unfortunately, the next month will probably by just as tight… and you will have a genuine collection problem on your hands.

If you fail to heed this warning and treatment is completed before payment in full is received, there is still hope. Contact the delinquent patient within 24 hours to request payment. If that fails, go to the Rule of Threes… three phone calls a week for three weeks, three emails a week for three weeks, and three letters a week for three weeks.

Remember, according to the Levin Group Data Center™, after 60 days the chances of collection are less than 10%, i.e., it is essentially uncollectible.

Target: Closing 90% of All Cases Presented

Like many dentists, you may believe you are already hitting this target. If you are, there may still be a significant problem. Studies show that 81% of all general dental appointments are for single-tooth treatment. These cases are easy to present and relatively easy for patients to accept. If a practice presents a higher proportion of comprehensive, multi-tooth dentistry, the acceptance rate would probably be dramatically lower. Therefore, within the 90% closing target Levin Group sets another target… increasing elective treatment within three years. In other words, the 90% target represents significant growth over what a practice earns with a schedule full of single-tooth appointments.

To achieve the target of closing 90% of all cases presented, practices need to implement new case presentation methods to accommodate more cautious, post-recession consumer buying habits. The Levin Group Data Center™ now indicates that 65% of patients receiving presentations for treatment costing more than $3,500 need two consults before making a decision. Of those considering recommendations for treatment that would cost $5,000 or more, 15% need a total of three consults. This may sound time-consuming, but if you look at it with the eyes of a CEO, you will recognize that the return on this investment (of time) is well worth it.

In addition to allowing for a greater number of consults, practices should also learn new methods of presenting comprehensive dentistry. A highly effective method is our Five-Phase Exam, which consists of:

- Periodontal Exam
- Tooth-by-Tooth Exam
- Cosmetic Exam
- Implant Exam
- Occlusal Exam

This requires no new clinical learning and can be implemented very quickly. Simply by reorganizing the entire treatment presentation based on the five phases of this examination, the doctor identifies ideal, multi-tooth treatment and presents it in a compelling way. By helping the patient accept treatment, this presentation technique enables the practice to close 90% of all cases, including ideal, elective dentistry.

Target: No-Show and Last-Minute Cancellation Rate of Less than 1%

When patients fail to show up for appointments or cancel at the last minute, they create non-productive gaps in the practice schedule. Front desk coordinators can be trained to shrink this problem to a manageable 1% level. The best technique consists of carefully “retraining” delinquent patients to value appointments and meet their obligation to present.

A typical six-month retraining program begins the first time a patient misses an appointment. Using carefully crafted scripting, the front desk coordinator creates demand by very pleasantly informing the patient that the next available appointment is in 10–12 weeks. She also promises to let the patient know if something opens up sooner. Then, in three weeks, she happily informs the patient that there is an opening. Everything about this scenario—the stated long wait for an opening, the unexpected opportunity to come in sooner (but not too soon, which would teach the wrong lesson)—all is calculated to emphasize the importance of keeping appointments,

If the patient misses again, the training escalates with a threat to charge. Noting that the practice charges a fee for missed appointments, the well-scripted front desk coordinator explains to the patient that the fee will be waived this time at the doctor's request. The patient invariably replies with a grateful "thank you," and all but the hardest cases will have been trained by this point. Beyond this six-month training program, any patient who misses two appointments in a year should be released from the practice.

Before you reject that recommendation, consider what the Levin Group Data Center™ tells us. In a 10-year study of habitual offenders, practices lose money in almost every case because of those unproductive gaps they create in the schedule. If at this point you're saying to yourself, "I can't afford to give up any patients," bear in mind that as you work toward meeting other targets—such as bringing in new patients through internal marketing—you will be populating your schedule with compliant rather than delinquent patients.

More Thoughts About Targets

Many other targets come into play for dental practices, including:

- 40–60% of current patients referring at least one new patient per year
- Implementing 15 custom-selected internal marketing strategies simultaneously
- Increasing practice production by 18% in 12 months
- Increasing the use of outside patient financing by 15–20% every year
- Holding overhead to 59% of practice income for general practices

These examples are meant to demonstrate the range of possible targets and give you an idea of how they can be used to transform your practice. CEOs take advantage of this power of targets in setting the direction for their companies.

CEOs also understand that each target must be assigned to an individual who will be responsible for achieving it. With the right systems in place and appropriate training, individuals can work as a team to achieve the targets that will take the practice to the next level.

Chapter 7:

CEOs Build Value in the Business

The best CEOs are always highly conscious of the value of their companies. They measure it routinely so they can see where they stand, how their strategies are working, and whether any changes are needed. They look constantly for ways to build value. If it is a public company, this valuation process is made much easier by the fact that Wall Street analysts will ascertain value on a quarterly basis. For CEOs of dental practices, it is much more difficult to determine the value along the way.

The Complexities of Practice Valuation

Few dentists understand the complexity of a proper valuation process. There are many details to take into account and standards to be met, and the final valuation must be certified. It is a classic example of a task the dentist should delegate—not to staff but to an outside expert. Few people are qualified to determine the value of a dental practice. Hiring a dental experienced CPA is the only way to be sure that all accounting, tax and other protocols are followed and that the unique requirements of operating a successful clinical dental business are recognized.

As CEOs, dentists should always be seeking ways to build value in their practices. Short of performing a formal valuation, you can approximate the real value of your practice by monitoring key parameters. Tracking Key Production Indicators (KPIs) will indicate whether your practice value is increasing, flat, or decreasing, and it will also clarify ways you can increase practice value. Note that in performing valuations it is standard procedure to track KPIs over three years. This helps even out fluctuations and prevents practice owners from artificially inflating value by applying short-term corrective measures.

1. **Production** – Practice production growing for three years generally indicates an increase in practice valuation. However, it is important to compare your rate of growth to that of the industry. For example, if your production has been increasing at 4% while the overall average for the dental industry is 8%, your practice is declining in value.

2. **Profit** – Profit matters more than production for the purpose of valuation. A practice can have high production undercut by high overhead, resulting in low profit and practice value. However, when production and profit are both increasing, this is a very healthy sign for the practice. The three-year formula applies especially to profit. Otherwise, a dentist who decides to sell with one year's notice could simply tighten the belt for the year to reduce overhead. This would increase profitability but not practice value. Tracking for three years shows a trend rather than a snapshot.

3. **Quality and Reproducibility of Systems** – Practices with excellent systems merit a higher practice value. It's a matter of sustainability. CEOs understand that sustainability can only be achieved with reproducibility. Reproducibility occurs when the practice has efficient step-by-step systems that can be followed by current team members, new team members, and a potential buyer's team after the practice has been sold.

4. **Staff Longevity** – The longer the staff has been with the practice, the higher the value. This also gives some idea of how long the staff might remain with the practice after the sale. If several staff members plan to leave when the doctor sells the practice or retires, this would lower overall practice value. For this reason, many dentists do not inform the staff about the decision to sell the practice. Staff longevity suggests that they can provide continuity when the practice changes hands. It represents business sustainability.

5. **Staff Training** – A well-trained staff increases practice value. If the practice has a staff that lacks training or experience, value suffers. This situation suggests that the doctor has found it necessary to play a larger role in day-to-day practice management—and that a new owner will need to invest more in training. A well-trained and experienced staff makes a smooth transition more likely and can sustain a high level of performance during and after the transition.

6. **Physical Space** – The condition of practice facilities influences practice valuation. If the practice looks modern and well-kept, it increases practice value. If it is rundown and out of date—often the case when dentists have been planning to sell for some time—practice value decreases. In some cases, practice value can drop significantly if the physical space is sufficiently deteriorated. A general rule of thumb is to think about upgrading the physical space every five years. It does not have to be expensive, but fresh and modern go a long way toward increasing practice value.

7. **Lease** – The lease is a critical factor in practice valuation. If a purchaser knows that a practice will have to be moved within a year or two of purchase, the practice value goes down to allow for the moving expenses. A longer-term or renewable lease will have a positive impact on practice value.

8. **Number of Patients** – Most doctors believe that the number of patients reflects the general health of a practice. Valuations do not take into account how much dentistry remains to be done within the existing patient base. Consequently, a practice with a large

number of patients but low potential for more dentistry will tend to be valued more highly than one with a smaller base yet greater potential. Also note that practice valuations do not count inactive patients—those who have not presented within the past 18 months. Many dentists make the mistake of counting all patients seen over an extended period of time, such as 10 years. These numbers will be discredited when a practice valuation takes place.

9. **Number of Overdue Patients** – Not only do good CEOs want repeat customers but they also understand that regular repeat customers increase the value of the business. Having a low percentage of overdue patients affects practice valuations in two distinct ways. First, it indicates that after the transition there will be a steady revenue stream from a predictable number of patients coming into the practice. Second, though it does not directly affect practice value, it does indicate how much value patients place in the practice. Buyers also understand that overdue patients are more likely to leave the practice after it changes hands.

10. **Fees** – Patients may be pleased that your fees are below average for your area, but a prospective buyer for your practice will see them as a liability. If a buyer simply raised the fees, this would probably trigger a cascade of patients leaving the practice. Average to above-average fees will not influence practice value. Dentists should analyze their fee structure regularly, not only for practice valuation but also to adjust operational revenue and profit levels.

11. **Insurance Percentages** – The practice's participation with insurance has a significant effect on valuation. Key metrics include (1) percentage of insurance versus total revenue, (2) the percentage of each insurance plan versus total revenue, (3) the percentage of each insurance plan as a part of total insurance revenue, and (4) discounts to usual and customary fees. Insurance can add to or detract from practice value depending on how it is used, the levels of participation, amounts of discounts, and a host of other factors. Insurance in itself is not positive or negative for practice valuation, but the specifics in each practice do influence value.

12. **Accounts Receivable** – Accounts receivable are a critical part of practice valuation. While production dominates in practice valuation, uncollected—perhaps uncollectible—money counts heavily against it. The seller and buyer will need to negotiate who will be responsible for collecting the accounts receivable, how the receipts will be allocated, whether there will be a discount if the buyer collects them, etc. Anyone thinking of selling a practice in the next few years should clean up accounts receivable as much as possible, because they could have a disproportionate effect on practice value.

All of the factors discussed here go to the heart of properly running the business on a day-to-day basis. Obviously, the factors that increase practice value also relate directly to achieving better practice performance. As a good CEO, you must pay attention all these metrics… and more.

Even if they have no plans to sell their businesses, CEOs rely on market valuation as one way to measure their performance. Dentists should do the same. In fact, I advise young dentists to think about practice value right from the start. If the value is increasing, it is a very positive sign that the dentist is doing a good job as a CEO.

Chapter 8:

CEOs Create Sustainability

Sustainability means having the ability to continue functioning indefinitely. Though we often hear this word in reference to natural resources and the environment, it also applies to human enterprises—from Fortune 500 companies to dental practices—and is a major topic of discussion in business schools.

The Sustainable Dental Practice

Sustainability is not something most dentists even think about, but they should. It relates directly to the ongoing success of the practice, during and after the tenure of current practice ownership. Most small business owners are so focused on day-to-day operations, income, and annual profit that they pay little attention to the question of long-term sustainability. However, the factors that contribute to future success are the very same ones that will increase practice production today. In other words, sustainability is synonymous with profitable practice operation.

Following are some examples of how sustainability can work to a practice's advantage:

- **Documented step-by-step systems make practice operations sustainable.** Without documentation of how practice systems are to be operated, the only guide is what's in the minds of the doctor and staff. If they are absent or staff members leave the practice altogether, no one will be sure of what to do—and costly system breakdowns will occur. Top companies always have extensive documentation of their systems so that any employee can immediately step in, understand how the system is meant to work, and continue operations.

  Given the challenges faced by dental practices, problem areas should be addressed by implementing and documenting step-by systems such as:

  - Focusing front desk staff on revenue-producing activities
  - Following up on all cases that have not been accepted
  - Identifying all potential treatment for patients
  - Applying a set of 1-Day Rules such as…
    - Calling any patient who is one day overdue for an appointment
    - Calling any patient who owes the practice money within 24 hours
    - Calling the day after a patient receives a presentation and does not accept treatment
  - Following the 1-Day Rules with the highly effective Rule of 3s…
    - 3 phone calls a week for 3 weeks
    - Then 3 text messages a week for 3 weeks
    - And finally 3 emails a week for 3 weeks

These are merely examples of the kind of documented, step-by-step systems that dental practices should now rely on. They are essential for counteracting the production-reducing pressures that characterize the new dental economy.

- **Measurement is critical for sustainability.** As the CEOs of their practices, dentists need to know key statistics. Unfortunately, most dentists do not. Although information overload certainly interferes with decision-making, ignorance of the key numbers is equally dangerous. Practice owners should look at the numbers that are critical for gauging the current state of the business—and for determining if operations are sustainable. If certain performance numbers are trending up, business is improving. If the trend is flat or downward, the business will not be able to sustain itself for long… and changes must be made immediately.

  Most dentists don't even see these trends—until it may be too late. They are not watching their numbers or analyzing them to determine why changes are occurring, or how quickly they are changing.

  One of the main reasons dentists are not watching their metrics is because, as the primary practice producers, they don't have time to track and analyze a full range of practice performance numbers… so they tend to skip it altogether. A better approach is to identify a smaller, select group of key production numbers and track them carefully. Some of the more commonly used metrics are:

  - Total weekly production per chair
  - Average production per patient
  - Average production per new patient
  - Case acceptance percentage
  - Percentage of all patients currently scheduled
  - Fee collection rate
  - Profit
  - Number of active patients
  - Number of new patients
  - Number of inactive patients
  - Overhead percentage

The set of numbers—customized to reflect the nature, financial health and goals of the practice— should be reviewed at least once a week. This can be done in about five minutes. In other words, it takes very little time… yet it gives the dentist a clear, timely picture of what's going on and whether changes are needed. Of course, the numbers will always go up and down. A one-month decline may not indicate trouble, whereas several months of consistent erosion could signal imminent declines in practice profitability and doctor income. By tracking the numbers, the dentist will receive early warning of emerging problems and have the opportunity to make changes that will turn the trends around quickly.

- **A well-trained staff is empowered to sustain the practice.**
  The role of the practice team in sustainable operation cannot be overestimated. By effectively preparing and leading the team, the dentist can give the practice the momentum needed to take ups and downs in stride. The practice will be in the best position to attain long-term sustainability—as well as immediate gains in productivity and profitability. The keys to achieving this level of staff excellence are:

  - **Training, Retraining and Cross-Training**
    Training is not an event. It is an ongoing process. Whether conducted in-house using scripts to learn step-by-step protocols, in formal C.E. courses, or expert one-on-one coaching, all staff members should be thoroughly trained to carry out their responsibilities confidently… and cross-trained to fill in for others. By the same token that practice systems should be replaced every three years in response to changing conditions, team members should also be retrained periodically to keep their skills up to date.

  - **Delegating Responsibilities**
    In many practices, the greatest limit on team performance is the dentist. As the primary practice producer, the dentist can raise production dramatically with the systematic delegation of virtually all non-clinical responsibilities to staff members. Just as important, delegation gives the practice greater flexibility in day-to-day operations, and it empowers the team to excel and take pride in their contributions.

Other Factors in Practice Sustainability

Sustainability is also affected by other, less measurable but no less important aspects of the practice's operations. These include:

1. Range of Services Offered
2. Office Location
3. Condition of Practice Interior
4. Equipment and Technology
5. Staff Composition, Training and Longevity

Each of these merits discussion.

1. **Range of Services Offered**
   Is the practice offering too many services? Too few? The right or wrong mix? The answers to such questions depend on the demographics of the current patient base… or the type of patients the practice wants to attract. Efficiency, versatility, convenience, profitability, even professional satisfaction are typically considered when making decisions about what services to offer and what will be most sustainable.

2. **Office Location**
   Leased or owned? Hemmed in by neighbors or zoning, or able to expand if needed? How convenient are parking or public transit connections? Is the local community stable and growing… or going the other way? These are the kinds of factors that can have a bearing on the practice's success and sustainability.

3. **Condition of Practice Interior**
   Similarly, how a practice looks has an influence on current and future success. A décor that looked nice 15 years ago is probably worn and dingy today. A doctor buying the practice would mentally subtract the cost of refurbishing before making an offer… and even if the practice will not be sold any time soon, its current profitability

may depend on updating how the practice looks. A less-than-attractive office will not appeal to prospective patients.

4. **Equipment and Technology**
   Many doctors have over-invested in their practices, acquiring expensive new technologies that are reducing rather than increasing profits. Smart business CEOs always insist on cost-benefit analyses before making major investments in capital equipment. Even if there is no plan to sell the practice, ill-advised expenditures on equipment and technology can stifle cash flow and saddle the practice with debt. The results of such careless investing are less doctor income, lower practice value, and poor sustainability. It makes sense to upgrade technology from time to time, but only if it will improve service or increase efficiency.

5. **Staff Training and Longevity**
   Dentists often over-estimate the value of their practices based on their own personal performance. The sustainability question is: How would the practice perform if the current dentist left and a new dentist took over? The answer has much to do with the staff, which can go a long way toward providing business-as-usual continuity through an ownership transition. A staff that is stable, well-trained and handling responsibilities smoothly adds to the value of the practice. Staff members are often the most important contributors to a practice's sustainability.

Conclusion

The concept of business sustainability gives the dental practice owner a clear picture of what factors contribute not only to the office's ongoing success well into the future but also to its immediate performance and profitability. The dentist, as CEO of the practice, should implement documented step-by-step systems, monitor key performance numbers and address other aspects of immediate and long-term practice success. Only in this way will the practice be able to sustain growth and profits in the new dental economy.

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