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Practice Management Articles



How to plan for success when opening a new practice

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Success doesn't happen by accident. Building a new dental practice, which is really starting a new business, is one of the biggest professional steps a dentist will ever take in his or her career. Unfortunately, many dentists open a new practice without clearly understanding the multiple roles they must fill for that business to grow and thrive. So they miss critical steps that set the foundation for long-term success. The hard work happens before you even open your doors to patients. But, with the right resources and the right team of experts, you can create your plan for success.

Creating your practice start-up squad

Dentists today have so many resources available to them to help shorten the learning curve and minimize mistakes. Don't be afraid or reluctant to tap into these valuable resources. Create a Practice Start-up Squad, which would consist of those individuals or businesses with the experience, insight and expertise to help you make the right decisions. Your team might include a transitions coach to help you manage change, your lender, your finance company and your equipment specialist. Also consider enlisting the advice of a local practitioner as a mentor. Then, ask as many questions of your Start-up Squad as you can, going beyond their specific area of "expertise." For example, your equipment specialist may have the inside track to a great location or an alliance with a real estate agent.

Developing a business plan lenders will fund

After you've gathered your team of experts, it's time to use their insight to help develop a strategic business plan. Although there is no set formula, there's a simple way to do what may seem to be a long, complex, and difficult project. I use the acronym "CREPT," which are the five engines that run every dental practice:

C - Capacity

R - Revenue

E - Expense management

P - Patient service

T - Team (yours)

“C” stands for the capacity of the facility. How many treatment rooms will you have? What will be your hours of operation? How will you retain patients and overcome cancellations and no shows from the beginning?

“R” stands for revenue. This engine includes the number of patients, new patient growth, and dollars per hour, as well as your collection success utilizing a financial policy.

“E” includes expense management - predicting your overhead and break-even point, which allows for healthy cash flow to pay your bills and debts.

“P” is for patient service, which means the type of demographic you will be serving, the technology with which you will need to be current, and the type of periodontal program you implement before and after you hire a hygienist.

“T” stands for team - your dental team. What roles will you need? Where will you look for good candidates? What types of personalities will be a good fit to reduce stress and help build the practice?

Think through each of these areas as you create your business plan, financial analysis, and cash flow projections. In addition to the areas identified in the CREPT model, you will also need to do a three-year cash projection and a budget for the initial construction. Your business plan helps the lender understand your goals and vision, and demonstrates that you've done your due diligence and research. This includes looking at locations, demographics, equipment costs, and market potential. The better the business plan, the more you can get through financing.

Leadership is a learned skill

The dentist is the leader of the practice; the one who sets the vision, the culture, the pace, and the tone for the whole team. Every dental practice is a “two-way mirror” reflection of the dentist. Even if the dentist has brilliant technical skills, he or she may have had minimal guidance on how to lead and manage a business. The good news is that leadership, just like any dental procedure, can be learned! It starts with understanding the type of leader you are (and want to be), and your strengths and weaknesses. Then, it's finding and utilizing the resources readily available in dentistry. There's a plethora of continuing education opportunities. Dentists can attend courses on leadership development, either inside or outside of dentistry, they can engage a leadership coach to work with them one on one, or they can bring in a leadership and team developer coach to work side by side with them and their team.

Setting and writing goals

Another leadership responsibility is to develop a set of goals for the practice. This is probably the most commonly overlooked step, but it is the foundation of establishing a predictable, successful practice. This is because all decisions should be made based on the goals the dentist has for his or her practice, including location, fee structure, staff, and marketing. So, sit down and take some

time to self-reflect. Ask yourself the hard questions. Where would you like to live? What type of patients do you want to serve? How much do you need to earn and how much would you like to earn? Be specific. These are only a few of the questions you need to consider.

I strongly encourage you to take your time at this critical step, because your initial decisions will affect the next 30 to 40 years of your career. And please, be part of the 3 percent of the population who write down their goals - goals that are specific, measurable, attainable, relevant, and trackable. Then, as you begin making those critical decisions, make sure they fit the goals you've set and written down. For example, if you want to be a fee-for-service practice, perform your due diligence and make sure you plant your practice in a community with a patient base that makes that goal attainable.

Building a high-performing team

A dentist can't survive without a high-performing dental team. There is significant historical information that indicates 85 percent of the success of a dental practice is based on the team's ability to meet the "human needs" of their patients. The remaining 15 percent is based on the dentist's technical ability. Developing your high-performing team is much easier when everyone buys into your vision and goals and knows their roles with clear, written job descriptions. Most new practices employ at least one administrative team member to manage the business office and one dental assistant to work chairside. Don't reinvent the wheel when it comes to developing compensation plans and personnel policies. Use industry benchmarks and the wide variety of resources available online such as Bent Erickson.com. They are experts in labor laws and personnel policies for every state. When recruiting and interviewing your potential employees, consider three major areas of characteristics:

- Do they have experience in their role-specific duties?
- What is their passion for people via their relationship and communication skills?
- Most important - assess their attitude and outlook on life.

Creating efficient and effective revenue drivers

Let's take a look at probably the most important revenue driver: the number of active patients. Without patients, it doesn't matter what facility you have and how good you are clinically, because there is no dentistry to do. To drive in new patients you will need to spend 50 to 60 percent of your energy and at least 5 to 7 percent of your collections in your first three years on internal and external marketing. Another critical lever is the practice's financial policy. To do it right, right from the start, concentrate on dentistry and stay out of the banking business - which means no accounts receivable. Especially for new practices, cash flow is critical to success and your ability to meet payroll. So, find an outside patient financing partner, such as Health Smart, who can be an advocate in helping you optimize your resources without putting you at risk for non-paying patients. Another important revenue driver is the new patient flow. You will need a minimum of 50 to 60 new patients per month to allow for optimal growth.

Ultimately, it's the planning that matters when you start a new practice. There is a saying: "If you fail to plan, plan to fail." That is especially true in starting any new business. Within the five practice engines (CREPT), there are 21 levers or "value drivers" that are operating every minute of every day in a dental practice. (For a list of the 21 levers, visit www.transitionsonline.com.) It's critical that each one of the metrics under each of the five engines are set up the right way from the beginning so your team members can succeed, and you will have an organized approach and a structured, systematic method for managing your business.

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