



Four Decisions

It comes down to FOUR critical decisions that you must get right to ensure your practice is growing, profitable and valuable. Find out what they are.

When growing your dental practice, there are four critical decisions that you must get right. Otherwise you risk leaving significant revenues, profits and time on the table. These four decisions are: *people, strategy, execution* and *cash*.

Even though most growing practices face continual challenges in all four areas, at any given time the challenges in one of these areas are substantially more significant than in the other areas. Therefore, your first decision is to determine which one of the four to focus on immediately.

1. PEOPLE

You should focus on getting the right people doing the right things with clear accountability and metrics.

When the author of *Good to Great*, Jim Collins, was asked, “What’s changed since you wrote *Good to Great*?” he responded, “The one thing that hasn’t changed is that *people* is still the most important question.” Getting the right people on the bus and

“Eventually addressing all Four Decisions is the key to a practice that is growing, profitable, and valuable when it comes time to execute the exit strategy.” – Wayne Kurzen



DID YOU KNOW?

The rule for hiring and firing is: be slow to hire and quick to fire. Unfortunately, most business owners and managers get it backward—quick to hire and slow to fire.

in the rights seats is key. Moreover, getting rid of your “C” player—sometimes called *on-board terrorist* — is equally important.

People challenges impact your happiness and can be either a source of energy or an emotional drain. People issues can include conflicts with a partner, a key employee who is disrupting the rest of the organization’s effectiveness, or challenges at home. Or you might simply lack the staff to adequately serve your patients—though I advise dentists and executives to avoid tossing employees at problems. Until you settle these relationship issues, they’ll continue to consume a tremendous amount of emotional energy, making it difficult to focus on the other three main decisions. Make sure you have the right people on board in the right positions and let go of your “C” players who can inadvertently sabotage production and success.

2. STRATEGY

If production is not growing as quickly as you’d like, then it’s time to re-examine your strategy, including, both internal and external marketing.

From an external point, you need to know and clearly articulate your “value proposition.” What is it that your patients get from your service? People buy both the tangible and intangible results, and their decision to seek treatment is usually 80 percent emotional and only 20 logic, so you need to appeal to their emotional side. For example, if you are promoting a full-mouth restorative treatment, don’t try to sell “a healthy mouth and long-term retention of your natural teeth.” Rather, sell the emotional results; “improved confidence and self-esteem that come from a great smile,” or “you won’t have to worry about eating in public anymore.”



You also need to determine your unique selling proposition (USP) or brand promise. Ask yourself what distinguishes you from your competition? Why would someone want you for a dentist? You know you've nailed your USP if production is growing as rapidly as you want. Without a defined USP, you end up competing on price rather than value, and may be inclined to accept insurance plans that poorly reimburse. Consequently, you spend *more* time and make *less* money.

Turbulent economic times tend to expose weak strategies. That is why we're seeing many dental practices and other companies re-examining their business models.

It is also essential to know who your core patient is, and then get the marketing strategy right; know how to reach and influence your core patient. Identify your patient's needs and execute a strategy which promotes your unique ability to meet those needs.

Some of the greatest potential for increased production lies within "internal marketing." It's important to concisely articulate your strategy so you can get everyone on your team aligned and on the same page without wasting energy on activities not useful to the practice. I've seen improved internal marketing (without advertising) increase production by 30 percent in just four to five months.

The over-arching concept in internal marketing is that everything is marketing: phone answering protocol, appearance of the office, individual and team performance, team vision, collection procedures, appointment follow-up, a formal referral program, and a performance-based monthly bonus program that reinforces increased production.



3. EXECUTION

By simply refining your execution habits, you can dramatically improve gross margins and profitability while reducing the time it takes for everyone to complete their work.

Execution challenges surface when your increasing production is not generating increasing collections and profits; you are seeing more patients, but not making more money. I've seen many practices significantly increase their revenue—because they have capitalized on a differential advantage—only to see their profitability drop because of the sloppiness of their execution.

The key to strong execution is measuring your Key Performance Indicators (KPIs).

“You cannot manage what you do not measure.” Examples of important KPIs include: scheduling utilization rate (both dentist and hygienist), collections vs. production, percent of collections from hygiene, percent of patients making their semi-annual cleaning appointments, dentist per hour and per day production, hygienist per hour and per day production, and others. It is one thing to measure, and it is another thing to review and note trends in the changes of the KPIs. Most major decisions regarding staffing, advertising, marketing, major purchases, etc. should be based on this collection and analysis of KPIs.

Make sure your financial reports are relevant to your KPI review so that you can readily make assessments crucial to KPI decisions.



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4. CASH

And the last challenge is cash. Cash is the “oxygen” the runs the business. The first law of entrepreneurial gravity is “Growth Sucks Cash.” This is especially true if the practice is accepting insurance payments. The bigger the productions, the bigger the accounts receivable, The more cash strapped a practice can become. Profit is theory and cash-flow is reality!

We encourage companies to calculate their Cash Conversion Cycle (CCC) which measures company-wide how long it takes between when you spend a dollar (marketing, equipment, rent, wages, etc.) until you get that dollar back.

In the early days of Dell, the CCC was running 63 days and caused Michael Dell, founder and CEO, to almost run out of cash. By focusing on decreasing this cycle, Dell is now running close to minus 35 days. This means the faster they grow, the more cash they generate, which is why they have more than \$9 billion in the bank, up from \$6 billion when they got in trouble.

We believe all growing practices can accomplish this, or at least dramatically improve their CCC, which will subsequently provide sufficient internal cash to fuel their growth. And The Kurzen Group has a tool which outlines the cash cycle and helps you create concrete ways to double operating cash-flow in the next 12 months.

YOUR DECISION

Now it's time to choose; which of the four key decision areas will be your primary focus?

In the many years of working with dental practices, we have found that the primary focus varies from practice to practice. However, eventually addressing all Four Decisions is critical to a practice that is growing, profitable, and valuable when it comes time to execute the exit strategy. As a dentist, you should grow a practice that supports the lifestyle you are working so hard to achieve. Frequently, it is the little things that stand in the way of achieving the results you want.

Through a practice evaluation (provided free of charge), we can help you get these Four Decisions right and take advantage of the recent economic downturn to grab market share and shore up your market dominance. To schedule a free practice evaluation, *click here*.



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