When is the right time to take a risk?

Introduction
Every dentist’s career is marked by choices. Some decisions are not only career-defining, they could make or break the doctor financially. These decisions include opening a practice, buying a practice, expanding an office, purchasing expensive equipment, or joining insurance plans, to name a few. The doctor rightfully asks himself or herself, ‘Should I take the risk? Do the benefits justify the risks?’ The fact is, success always involves risk. As the old saying goes, nothing ventured, nothing gained. For dentists who want to increase profitability and reach their potential, mastering the art of timing and weighing risks is critical.

To gamble or not—risk takers versus averse to risk

Most dentists are by definition entrepreneurs because they open or purchase dental practices. The question of which risks should be taken is one that every entrepreneur faces. Whether a practice develops modestly or grows into the doctor’s vision hinges more on the level of risk a doctor is willing to take, rather than luck or experience. Without question, dentists have varying comfort levels—ranging from those who avoid all risks to those who are risk takers by nature.

Taking risks often sounds glamorous when we watch television interviews of billionaires—individually who may have bankrupted one or two companies and then hit it big. However, this is a dangerous strategy for a dentist. Engaging in extremely high risks can create a practice with spiraling costs and no way to capitalise on the investment. One example would be a dentist with a patient group which is more than 50 per cent insurance-based, who makes the decision to become a purely cosmetic dentist. While some dentists have done this successfully, usually it’s an ill-advised, impulsive move.

Conversely, being risk-averse can be extremely limiting. In my 25 years as CEO of Levin Group, I have frequently found that dentists who are risk averse have practices performing below their expectations. Being risk-averse may sound like a smart, conservative move until one realises that it keeps the practice from reaching its potential. Too many doctors operate day-to-day on a risk-averse basis, without investment or growth. This tendency can significantly lower the doctor’s satisfaction, along with his or her lifetime financial potential.

The risk assessment scale
To help dentists make the right decisions, I recommend dentists use a risk assessment scale—similar to one we developed for Levin Group’s Life Plan course. The scale demonstrates how at different life stages, in various situations, your level of risk varies. These major risk factors are highlighted:

- Age
- Financial position
- Health
- Family
- Social status

As these factors change over the course of your lifetime—that is, as they age—they impact relative to risk changes, precisely because of how the major risk factors change over time.

For example, imagine a 26-year-old single dentist with moderate debts making a decision about purchasing a practice. At this stage, the dentist can afford a higher level of risk than he has very little to lose. Imagine five years later when this dentist is married, has two children, and a mortgage. This dentist is contemplating spending $700,000 to purchase a practice in a somewhat declining neighborhood—a problem he believes he can overcome. Now this dentist is in a position of having much more to lose by making the wrong decision.

Levin Group has found it helpful when evaluating the wisdom of particular decisions to analyze the level of risk:

- Moderate risk means that you have virtually no chance of a failure. One example is leasing an apartment versus purchasing a condominium or home. By leasing there is virtually no risk as long as rent is paid. Conversely, owning a home could be perilous if the mortgage payment balloons at a certain point, making it difficult to maintain mortgage payments.
- Low risk comes with situations that will most likely work out well. For example, buying a partnership in a successful practice where you know the doctor, team and patients generally has low risk. The odds are definitely on your side in this scenario.

Conclusion

Every dentist would benefit from using the risk assessment scale to evaluate decisions. By analysing where a potential move falls on the scale and factoring in financial position, age, family, health and social status, a larger perspective view will emerge.

Too many dentists miss opportunities due to a failure to take risks during their careers. Doctors who manage their practices by remaining strictly in the no-risk or low-risk zones often miss out on their true potential. The risk assessment scale can be an extremely useful tool in determining the proper timing for a major decision. Using this scale, doctors can determine which ventures fall into medium to high level risks and have a better chance of making intelligent decisions.