You get what you measure

Ernie Wright reveals how to set targets, budgets and strategies for your practice, without resorting to pure hope

One of the most common issues I currently hear dentists commenting about is their concern over the number (or lack of!) new patients and how to keep the practice above water in these austere economic times.

At this point, I would love to be able to wave my magic wand and bestow upon dentists and their teams the golden key that will unlock the door to practice prosperity and success, but we all know it is never that simple! We can all get lost in profit and loss accounts, cash flow or fixed versus variable costs and become confused by jargon about creating a marketing proposition, or carrying out business process reengineering. After all, how can we be expected to be qualified accountants, expert marketers’ and professional management consultants, as well as qualified, expertly skilled dentists with an excellent chairside manner?

The answer is we can’t, so it is necessary to have professionals around us to support our business. However, we all need to do a bit of groundwork if we wish our business to (a) function and (b) make a profit. It takes more to manage your business than to simply check the bank balance at the end of the month and hope that your year-end set of accounts will be adequate, with enough money left to pay the tax bill.

I believe in keeping that groundwork very simple so that I, and everyone supporting me, understand it. This way I’m much more likely to make it a priority rather than something I dread and relegate to the bottom of my “To Do” list where it never gets done.

One thing I have noticed recently relates to a small core of dentists I work with who have struggled in the last year to run their practices profitably. They are now telling me that they have “just had a run of three months in profit” or “just had my best month for over two years”. Could there be a common denominator as to what these practices are doing differently that is reversing their negative trend of practice profit?

Yes, there is! They have started measuring and reviewing key activities in their business using a few, well-chosen Key Performance Indicators (KPIs). These particular dentists are almost allergic to numbers and the “S” word (sales), but by keeping it simple they are now able to focus on what is making their work (or not) and then make changes to keep it on track.

A very dear, wise and astute friend gave me the following...
advice several years ago and it revolutionised my life:

“Measure what you value, and you get what you measure”

This is exactly what the principal dentists I mentioned earlier have taken on board and made a part of their daily lives. We can apply this motto to both our businesses and our personal lives. For example, many of us make resolutions about losing weight, getting fitter or spending more time doing the things we enjoy. How often do we fail in achieving any of these goals?

I spent years wishing I was thinner, reading lots of books and articles about weight loss and occasionally actually doing something about it. Sometimes I felt good, other times I knew in my heart that I was fooling myself, such as those moments in my heart that I was fooling myself, such as those moments when my jeans seemed to be a tiny bit looser so I thought I must be on track (I wasn’t…).

Then I realised, once that advice had sunk in, that I had to:

• Value the importance in my life of actually being thinner (I wrote a lot down, which I still refer to regularly five years on and two children later)
• Stand on the scales (however painful that was)
• Write down my real current weight (and stop trying to stand on one foot to make it less)
• Set a target weight that I wanted to reach and when (realistically)
• Tell someone my current and target weight (ouch! Very, very scary as I had never admitted my weight to anyone before!)
• Stand on the scales each week and weigh myself, record my weight and tell my buddy the progress (or lack of)
• Assess (with the help of my buddy) if I’m losing weight and staying on track, what I’m doing or eating that’s working, and if I’m not losing weight and not on track, what I need to change or stop doing or eating
• Continue measuring even when I hit my target weight: keep measuring, reviewing and taking appropriate action regularly to stay on track

It is a natural law of the universe that once you start measuring something important to you, a high percentage of the time you will get what you want. The reason being is that the act of measuring and reviewing ensures a focus on the desired outcome, so you are far more likely to achieve it.

So, enough of the magic wands and laws of the universe, how does the losing weight analogy work for running a successful, profitable practice? Here’s how:

• Decide what things you need to measure in your business (KPIs) that are important for you to achieve your desired outcome. Start with a few simple, useful KPIs and evolve.
• Start measuring your KPIs by collecting the data. This gives you a starting point
• Set a target for each of your KPIs that you want to achieve in the next year
• Share those targets with key personnel in your business and your coach
• Measure your KPIs on a weekly or monthly basis (ie continue to collect the data), as appropriate
• Review the data on a monthly basis with your team and coach as appropriate and assess whether or not you are on target to meet your year-end goals
• Make decisions and take action. Make changes to ensure that you are on track to meet your year-end goals

It doesn’t matter how those first numbers are, you have taken a major step forward in your business because now you know exactly where you are. This is purely a starting point.

In my mantra of “keeping it simple, so I’m more likely to do it”, here is my minimum list of KPIs to measure in a dental practice:

1. Gross fees per fee earner versus target
2. Enquiries converted to new patient consultations versus target
3. Turnover versus target
4. Fixed costs versus target
5. Profit versus target
6. New patient numbers versus target

I am still surprised at the number of practices that do not set a forecast with targets and a budget for the year or measure and review how they are doing. Without these fundamentals, they are really relying on hope as a strategy (and it didn’t work for me in getting thinner). In the current economic environment, pure hope on its own is a very dangerous strategy.

About the author
Ernie Wright is a founding partner and the Managing Director of Breathe Business and has years of experience in the corporate world as a senior director for Reuters. With a background in results focused on marketing and sales, Ernie recruited and led successful business teams across three continents. Ernie is Breathe’s lead coach on people and business management, which translates to helping dental practices perform better through improved processes and focused motivated teams. Over the last 15 years, Ernie and the highly experienced Breathe Team have worked with more than 700 dental practices, helping them to develop and grow.

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