

Strategies for the Business of Dentistry— Part 1: Overview for Success



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Making money is not enough; businesses must be *profitable*. In dentistry, these profits must be sufficient to meet the following financial objectives:

- Provide an income that meets your family's current needs.
- Provide excess income for reinvestment in your business.
- Provide excess income for future family needs (e.g., college educations, second home, travel).
- Provide excess income for investments to provide the lifestyle you and your family need after your retirement.

The "big picture" question is, "What strategies must I develop and implement that will create sufficient profits to meet these four vital needs?"

Many dentists think emotionally; when this happens, you develop a "herd instinct" and follow trends or new ideas that may—or may not—benefit you.

That large question can be divided into four strategic questions:

1. What type of practice do I want?
2. What do I need to do to create that type of practice?
3. How do I need to think to sustain my practice into the future?
4. What do I need to do as I grow older and think about practicing less or retiring?

WHAT TYPE OF PRACTICE DO I WANT?

To meet the four financial objectives of excess income, you must first develop the skills to think strategically and not emotionally. Many dentists think emotionally; when this happens, you develop a “herd instinct” and follow trends or new ideas that may—or may not—benefit you. Thinking clearly about the type of practice you want to create is critical:

- Where do you practice?
- What types of patients surround your business?
- Who are the major employers in your area?
- Are you in a small community or a large metropolitan area?
- What size and type of physical facility do you need to create?
- How open are you to risk?
- What level of certainty do you need?

We believe that there are three types of practices that involve esthetic dentistry (to varying degrees).

PURE ESTHETIC PRACTICE

This practice markets heavily to attract those patients that are candidates for smile designs or full-mouth reconstruction. Hygiene generally is a secondary function, providing less than 20% of practice productivity. The pressure this style of practice creates relates to a “boom or bust” cycle, total dependence upon marketing, advanced enrollment skills, and high-quality dentistry. They are potentially highly profitable, with a small staff and lower day-to-day management stress, but are prone to sudden collapse should the market environment change.

“HYBRID” PRACTICE

The hybrid practice provides general dentistry with a major emphasis on esthetics. Marketing for esthetic cases occurs, but is less aggressive than in the purely esthetic practice. Reliance on esthetic cases from the general practice is equally important as external marketing. Hygiene plays an important role, providing at least 30% of practice productivity. Pressures come from a larger staff, a high daily patient flow, a significant role from insurance, and fee structures that are less flexible. The practice is less susceptible to market forces.

There are no wrong answers. There are, however, poor decisions.

GENERAL PRACTICE

This is a full-service practice offering most general dental procedures, with occasional esthetic cases (one or two per month). Hygiene plays a major role, generating 40% or more of practice productivity. Pressures relate to a large staff, high daily patient flow, insurance management, and a larger facility. This style of practice is essentially immune to market forces.

Design your business so that it best meets who you are. Avoid being driven by external forces, including the need for peer recognition. There are no wrong answers. There are, however, poor decisions.

WHAT DO I NEED TO DO TO CREATE THAT TYPE OF PRACTICE?

It is largely self-evident what types of environments are necessary for the three types of practices.

PURE ESTHETIC PRACTICE

This has three or four operatories; four or five elegant, well-educated staff members; stunning décor; and high fees with a very high market profile. The doctor is impeccably groomed, has great charisma, and communication skills. This is an advanced sales team focused on the ability to influence.

HYBRID PRACTICE

This type of practice has many of the characteristics of the pure esthetic practice. It is equipped with four to five operatories; a staff of five or six; and a functional, attractive facility. It is able to attract and enroll esthetic patients as well as the general population. The hybrid practice will have a well-groomed, attractive staff and a doctor who focuses on building longer-term relationships with patients and their families.

GENERAL PRACTICE

This practice is focused on marketing to the population at large and is driven by repeat business. The hygiene program is intense, designed to ensure that patients rarely leave the practice. There is a strong periodontal program. There is a large, functional facility with six or more operatories; and a minimum of two full-time hygienists and a total staff of six or more. Growth is a major focus to ensure profitability; and associates are added regularly to provide additional income centers. Pressures come from managing a large staff, high patient flow, and managing insurance. The general practice, when well managed, is a “bulletproof” business, essentially immune to the economic environment.

The profitability of these three types of practices is *not* a factor of the nature of the practice. It is haz-

ardous to assume that the purely esthetic practice is more profitable than the general practice. Profitability is the result of your leadership and commitment, the culture you create, the vision created by you and your team, and the application of strategic thinking and planning. Decide what you want and determine what you have to do to accomplish this: what training and education you need, what type of stress you can handle, what lifestyle you want, what types of people you want to surround yourself with, and what advanced coaching is available.

HOW DO I NEED TO THINK TO SUSTAIN MY PRACTICE INTO THE FUTURE?

Change is constant and accelerating; technologies come and go. The challenge is to develop our strategic thinking so that we embrace change to our advantage; don't allow change to rule us; and, most importantly, don't ignore change. The adage, "Change or die" has never been truer.

What is unique and special today, if sustainable, becomes the "routine" of the future. It wasn't many years ago that advanced esthetics burst onto the marketplace with the Las Vegas Institute, PAC-live, the Hornbrook Group, and many other post-graduate teaching teams providing the opportunity for general dentists

to augment their clinical skills and provide this life-changing experience to the public. Dr. Bill Dorfman and the "Extreme Makeover" team created further awareness of the benefits of cosmetic dentistry. If you opened a high-end magazine two years ago, you would find one or two advertisements for smile designs. Open that same magazine today and it seems that every other page is promoting advanced esthetics. So what has enabled purely esthetic practices to stay "unique"? Smile designs have evolved into full-mouth reconstructions, followed by a focus on neuromuscular functions, implants, sleep dentistry, and so on. Some purely esthetic practices are now even offering advanced denture design.

Develop the skills to work on your business, as well as in your business.

WHAT DO I DO AS I GROW OLDER AND THINK ABOUT PRACTICING LESS OR RETIRING?

The primary business concept to adopt is to think of your practice as a "cash machine." You are not building an asset for sale; you are creating a cash machine. Stop thinking about retirement. Regard work as "play" and think of life as a process. If you consider your practice as a cash machine and stop worrying about sell-

ing it, it will be much easier to plan financially for the future. For example, you have a practice collecting \$1 million per year and assume you could sell it for \$700,000 (\$520,000 after taxes). If you want to protect the principal, you put it in a safe investment earning 5% (or \$26,250 annually). You just sold a cash machine that was generating \$400,000 per year. Develop a strategy that allows you to keep the cash machine running as long as you possibly can. You can reduce the number of days you work, bring in an associate, and keep the cash machine running. That is a "big picture" look at how to get your practice to take care of you as you grow older.

SUMMARY

Think about the four strategic questions discussed at the beginning of this article. Design your practice and your life to enjoy the richness of your profession and to enjoy the riches it can provide to you. The pioneers of dentistry in the AACD have created change that has benefited both general dentistry and the public. Armed with this knowledge and the ability to think and strategize, you can now work on building your future. Develop the skills to work on your business, as well as in your business. *Ad*

