

**To keep your business running smoothly, take a look at the three Ps—profitability, productivity and performance.**

Profitability, productivity and performance—these are the three pillars of a successful business. Understanding the interrelation of these indicators, and getting the balance right, is essential for the long-term growth of any business. This is especially true of dental practices in the current economic climate.

“There have been many changes in the profession,” says Tony Kalmin, head of NSW Commercial Finance at BOQ Specialist. “If you were opening a practice 20 years ago, there was an absolute guarantee that you would succeed. These days, dentists need to be more cautious when it comes to finance as there’s much more competition at the moment.”

Stephen Guthrie, director of Prosperity Health, agrees: “We have an emerging oversupply of dentists in Australia and there are lots of people out there willing to work,” he says. “However, you don’t want to be engaged in a race to the bottom on price.”

Taking a careful look at your practice profitability, productivity and performance—and adjusting accordingly—is the best way to ensure and maintain a successful business.

**Profitability**

Profit is simply the amount of revenue left once the expenses related to generating that revenue have been paid. Net practice profit is the total revenue minus total expenses.

Maximising profitability of a dental practice is a juggling act between income and overheads. Should you lower or increase fees? Reduce the marketing budget? Employ more staff? Purchase high-end equipment? All these decisions have an impact on profitability that can sometimes be counter-intuitive. If you cut fees will you attract greater numbers of patients to increase profits? Or will the same number

of patients simply enjoy cheaper dentistry leading to a decrease in income?

While some costs are fixed—rent, mortgage, utilities, etc—variable costs need to be carefully considered. Investing in expensive technology is one of the biggest costs a practice encounters. According to Tony Kalmin, who’s been working with dental practitioners for the past 15 years, it’s important to do the maths. “How many times will you use the equipment and what fee will be charged for the work being done. Look at the monthly payments and figure out if the equipment will actually pay for itself,” he says.

It’s also important to fully utilise the space you’re paying for—whether rental or mortgage. “Many practices end up with excess capacity that they’re not using,” says Stephen Guthrie. “Look at your practice across the course of a week—how many sessions do you actually fill? Quite often, there’s a low utilisation because someone’s only working two days a week in one room, or just a morning or afternoon shift. In these cases, 40 to 50 per cent of income earning capacity is being lost because available resources are not being used to their maximum.”

Look at the mix of services offered—such as diagnostic, preventative, surgery, cleaning and consulting. “You may need to introduce new services or you may need to skew your offering towards particular areas,” says Guthrie, who runs regular practice improvement workshops for dentists and staff.

**Productivity**

Dentists are most productive when they’re utilising their maximum skill level—ie. performing dentistry. Productivity drops when they spend time on tasks that should be delegated to other staff.

The same rule applies to all staff in a dental practice, whether practice manager, dental assistant, hygienist or receptionist. Productivity is maximised when they are utilising their maximum skill level completing

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tasks for which they were employed. Effective delegation of responsibilities is a critical element of productivity.

Chris Wren of Highland Financial, author of his self-published business book for dentists, *Financial Hygiene*, says that supporting your staff also keeps productivity working smoothly.

“Every voice should be heard,” he says. “It keeps staff happy and encourages them to contribute, rather than do just what they have to do.” In fact, he says that the new catchphrase in business is collaboration. “Collaboratively, amazing things can happen in a team. There’s no place for individuality anymore,” says Wren.

According to Guthrie, team alignment is essential. “We need to get the whole team—dentists, contracting specialists, therapists, hygienists, admin team—all aligned behind a central shared vision. We’ve found that if it’s just the practice manager or owner-dentist waking up in the morning and deciding that life’s going to be different, there’s going to be failure to execute. You need to identify the issues, and get engagement and alignment from the whole dental team in order to get everyone working together on the same strategy, in the same direction.”



## Performance

While it may seem difficult to quantify performance, it’s far from impossible. According to Wren, “You need milestones. Anything worthwhile is measurable. Work out what the KPIs [key performance indicators] are for every role in the practice, then measure each employee against their KPI. Fix the problem if staff fail and reward them when they reach or exceed the KPI.”

Have a good, hard look at how busy staff members are and how much of their time is actually spent seeing patients. “Top performing firms are averaging between 80 and 90 per cent utilisation of dental services assistants,” says Guthrie. If staff members are not seeing patients, if they’re not really busy, you have to work out why. It may be necessary to change the mix of when people are available to work.

Performance also comes from improving relationships with patients. “You can get a result straight away if the person feels like they’re part of the business,” says Tony Kalmin. “Not only will it improve staff longevity and turnover, the interaction with patients is improved when the receptionist and the dental nurse feel like they’re part of the business, and not just an employee of the dentist.”

Overall, to improve your profitability, productivity and performance, it’s worthwhile talking to a finance specialist well versed in the profession. While it’s undeniably important to get the right balance in your current practice, don’t forget to keep an eye on the future. Expanding a practice or opening a satellite surgery needs to be factored in. “It’s important to look at the long-term plans,” says Kalmin. “It’s simply a matter of due diligence.”

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