

Strategic planning: How does it apply to me?

William P. Prescott, Esq., EMBA

MOST PRACTICE OWNERS NEED HELP managing the business side of their practices. If you do not manage your practice as a business, chances are you will not be happy. While clinical excellence is vital, it is not enough to help you remain passionate about dentistry throughout your career.

THE STRATEGIC PRACTICE PLAN AND SYSTEMS

The purpose of a written and often updated strategic practice plan is to help you understand your practice as a business in order to maximize patient care and long-term profitability with minimal stress. The strategic practice plan is a set of guidelines to identify and achieve predetermined goals, both practice-related and personal. This means making important decisions that affect your practice and its systems in light of your vision and practice form. Strategic practice planning choices are sometimes made unknowingly through actions or inactions. Yes, completing the planning process for the first time is time-consuming. Annual updates, on the other hand, are relatively simple.

If you do not own your practice, the strategic planning process is important to turn your vision into reality. The process involves

Editor's note: This is the third of a three-part series that considers the necessity for strategic planning by dentists as existing and future owners as well as current associates. Two common elements of strategic planning for dentists are exit and entry choices and risk management, which were covered in parts one and two.

an ongoing assessment of your position in light of other opportunities, including the restrictive covenant and termination of employment provisions in your employment agreement, as well as practice leadership and management, patient flow, and total compensation.

Your written mission statement is your continuing purpose statement, and you should live by it. The practice goals and objectives should be written and should support the mission statement. The mission becomes more challenging as the number of owners and locations increase. Practice owners should not admit any partners who do not share their vision and mission.

Define the organizational structure of the practice. Although this step is relatively simple for a sole practitioner, it becomes much more complex in practices with multiple locations.

MANAGEMENT SYSTEMS

Strong systems provide the rule book or guide for staff and doctors to perform their responsibilities with minimal stress. In addition, quality systems assist in comparing future decisions, system evaluation and controls, and implementation of decisions based on the practice mission. In other words, it's important to plan and calculate your choices.

Practice owners will go broke quickly if they run their practices without any systems

in place. Without systems, dentists and staff will not do the same tasks the same way every time. Poor systems lead to doctor and staff stress and dissension, low profitability, high staff turnover, and patient dissatisfaction and turnover.

An example of a management system is job design, which includes cross training and helps staff do each job function consistently. When staff members take time off, your practice will continue to operate. Job design is also a financial system and should reduce staffing costs.

Marketing is a management system. Never implement any type of marketing or branding effort without the ability to quantify the return on investment. A common mistake that all types of professional practices and other businesses make is not quantifying the anticipated return on investment. Because it costs the practice, marketing is an example of both a management and financial system.

FINANCIAL ANALYSIS

For practice owners, the financial analysis includes the continued use, yearly preparation, and ongoing updates of the balance sheet, cash budgets, and financial statements. The balance sheet measures the net worth of the practice (practice assets less its liabilities) as of a specific date. A cash budget measures cash inflow and outflow over time periods; e.g., monthly. A financial statement measures the net income or gross revenue minus operating expenses between time periods—monthly, quarterly, and yearly. Financial tools are useful, provided they are regularly prepared and used.

One financial tool that dental offices seldom use is the cash budget. This helps determine your ability to repay a loan, purchase technology and equipment, and more. The cash budget is prepared by starting the time period—for example, the calendar quarter—with the beginning cash balance, either positive or negative, and adding revenue. Operational expenses are deducted from this amount by specific category. The resulting amount equals available cash. From this amount, loan payments, doctor-specific expenses, and owner compensation are further subtracted. The result is the ending cash balance, either positive or negative, that will carry over to the next time period. The analysis reflects the basic premise that unless an expenditure provides a measurable return on investment, the expenditure should not be made.



IMPLEMENTING STRATEGIC DECISIONS

The practice analysis should be completed in written form and is comprised of both external and internal factors that affect the practice. Some external factors are the economy in your geographic area, private and corporate competition, and regulation. Some internal factors are procedures performed, staffing, and school and other debt.

Measure applicable external and internal factors with regard to opportunities, threats, strengths, and weaknesses. Identify defensive, neutral, and aggressive alternatives or decision-making choices in light of the

practice analysis. The alternatives should be both qualitative and quantitative and attempt to measure the return on investment for each decision. Then compare alternatives and make decisions. Consider how decisions will be implemented and the time frame for doing so.

The bottom line is that without having a vision, a mission, and systems in place, you won't be happy as a practice owner or an associate. While clinical excellence is very important, systems management, through strategic planning, greatly assists in maximizing patient care and long-term profitability with minimal stress. **DE**



WILLIAM P. PRESCOTT, Esq., EMBA, of Wickens

Herzer Panza in Avon, Ohio, is a practice transition and tax attorney and former dental equipment and supply manager and representative. His most

recent book, *Joining and Leaving the Dental Practice*, is available through the ADA Center for Professional Success. ADA members can download the e-book for free at success.ada.org/en/practice-management/joining-and-leaving-the-dental-practice. For this and Prescott's other publications, visit prescottdentallaw.com. Contact him at (440) 695-8067 or wprescott@wickenslaw.com.

The Strategic Practice Plan*

1. Implement, confirm, and update the practice mission consistent with your vision.
2. Review and update the organizational structure and records.
3. Implement, confirm, and update the management systems.
4. Complete the financial analysis through and with an experienced dental CPA to analyze profitability.
5. Complete the practice analysis.
 - a. External factors; e.g., economy, competition (private and corporate) and regulations.
 - b. Internal factors; e.g., procedures performed, staffing, and school and other debt.
6. Identify and analyze practice opportunities, threats, strengths, and weaknesses.
7. Analyze strategic decision alternatives.
 - a. Defensive
 - b. Neutral
 - c. Aggressive
8. Compare decision alternatives and make decisions.
9. Evaluate, control, and update systems in light of practice analysis.
10. Implement decisions based upon the practice mission and systems.

* **Note:** It is fairly simple to update the strategic practice plan on a yearly basis after its initial and time-consuming preparation.