

MORE WITH LESS

During the recession, it makes good sense to shift the focus of your practice. For the majority of your years in practice, the focus has been on growth. Grow your practice by increasing its size. Grow your practice by moving into a larger office or a more attractive location. Grow your practice by increasing the number of patients you serve and the number of staff to service them. Grow your practice by adding new procedures, materials and digital technologies. Grow your practice by adding associates and partners so you can set larger goals and targets. The way to grow more is with more, more of everything.

More costs more. Growth has to be capitalized. That means greater overhead, requiring more money. To make more money, you have to do more work. To make more money by doing more work, you have to treat more patients, patients who have more money to spend on their dentistry. To grow, you need more, to produce more, so you can have more.

Growth has been going with the tide. The tide has been pulling you along the growth-route without much resistance. But the tide has turned. A recession is defined by prolonged negative growth, negative real economic growth. Pursuing practice growth is now going against the tide. And if you continue to go against the tide, it's going to cost you big time.

More for more is not a model that works in a recession. The focus in a recession should be doing more with less. In a recession, growth isn't going to happen without tremendous effort, if at all. Since you can't grow the practice, your strategy must shift to becoming more profitable by doing things better while spending less money to do it. How do you get more with less?

Rather than asking those questions pertinent to growth, consider asking questions that are pertinent to having more for less. How do you decrease no shows, cancellations and rescheduled appointments in both hygiene and your column and, at the same time, spend less time and money doing it? How do you keep your production levels sufficient even though patients are spending less on their treatment? How do you keep your margin healthy with less revenue? How do you spend less money without decreasing quality or timeliness? That's where I'd recommend you begin; how to you spend less.

You begin spending less by carefully examining your payables. Ordinarily, you get either a P & L or an income statement from your accountant. These documents rarely give you enough information to allow you to adjust your spending. We provide clients with our exclusive Mastery Money Management Utility. It allows our clients to document their expenses into three domains, whereas a P & L or Income

Statement can't discern expenses into similar distinct domains. Each domain must be managed differently to reduce costs.

Here is a screen shot of a portion of the Money Management System.

MASTERY Money Management System

WORKSHEET DATA	
Fixed Monthly Expenses	\$0
Variable Monthly Expenses	\$0
Variable Annual Expenses	\$0
TOTAL EXPENSES: \$0	

Projected Monthly Collections	
Actual Collections	
Collections "minus" Expenses (+ / -)	

ACTUAL EXPENSES			
JAN	FEB	MAR	APR
\$29,700			
\$200			
\$771			
\$30,671	\$0	\$0	\$0

ACTUAL COLLECTIONS			
JAN	FEB	MAR	APR
\$54,000			
\$49,000			
\$18,329	\$0	\$0	\$0

The first domain is Fixed Monthly Expenses. These expenses occur each month and are constant - debt, rent, leases, salaries, etc. It's a pretty short list. When things were "good" there was no reason to renegotiate these expenses. But for some dentists, this is now a great opportunity. For example, we have an orthodontist in Washington State who is the anchor tenant in his building. There are two spaces in the building that are unoccupied and his lease is up in two months. Do you think he can renegotiate his lease at this time? You bet he can!

Every vendor on the Fixed Monthly Expense list should be called about reducing the amount owed, the payment amount or interest rate. Now is the time. They need your business; they're in the same boat as you.

Then there are the Variable Annual Expenses, expenses paid yearly, bi-yearly or quarterly such dues, repairs, CE, etc. We have clients calculate the last 12 months to provide an estimated monthly average. Many expenses in this domain are ripe for the ax.

Then there are Variable Monthly Expenses which include vendors and suppliers you pay every month. Dental supplies, offices supplies, hourly wages, utilities, etc. This will be your longest list and one that you can address with staff and reduce immediately.

By utilizing this "money management" system, our clients increase their awareness about their actual overhead costs and where they can reduce these costs to become

more efficient (less), effectively generating "more" production per dollar spent.

Even if you are not feeling the pinch now, your patients are starting to feel it and it's only a matter of time before these economic stresses trickle down and impact your business. If you wait until that happens, it's going to be painful.

I suggest you start now by reviewing your expenses and challenge every dollar. At the same time, reassess your systems to see how efficiency and effectiveness can be improved. The opportunity of a recession is to reduce costs and improve performance. So what are you waiting for? Get to work!

For more information about the Mastery Money Management System, email us at Mastery.

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Comments or Questions - metrix@emisar.com

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