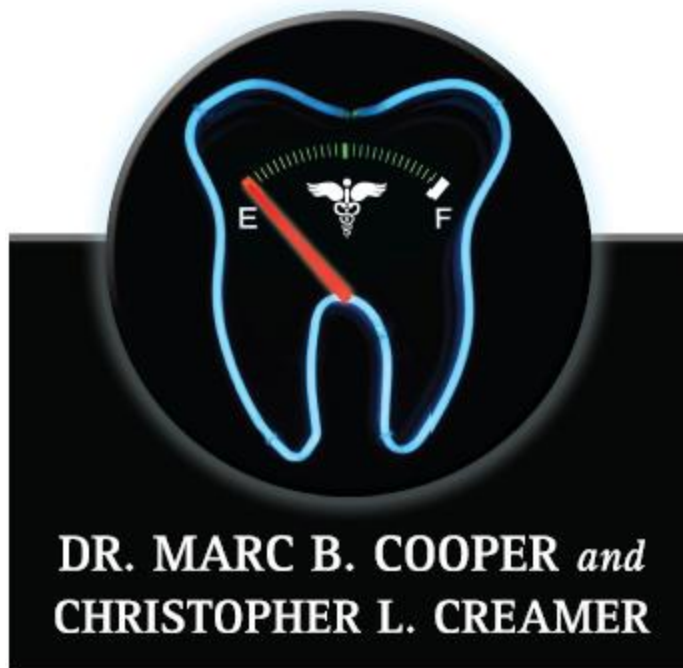


# RUNNING ON EMPTY

Answers to Questions Dentists  
Have about the Recession



DR. MARC B. COOPER *and*  
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Matt King edited all parts of the book, Running on Empty (2009), from which this chapter was taken.

Please feel free to forward this via email to whomever you believe would benefit.

Thank You!

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*Answers to Questions Dentists Have about the Recession*

*by*

*Dr. Marc B. Cooper*

*Christopher Creamer*

*2009*

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## CASH IS KING

*My practice is going downhill. I have no idea about what and how to manage it now. What do you recommend?*



How are you managing your practice in the face of the downturn that is deeper, more widespread and more sustained than anything you have ever experienced before? How have you adjusted your thinking about what your practice will look like and how it will operate during this slump?

The most immediate test dentists face is how quickly and decisively they can prepare themselves and their practices for the worst possible scenario. Why? Most dentists are overestimating how well their practice will do in the recession, because it is what they want to believe. This misplaced optimism can potentially lead to inaction and indecision and, potentially, serious consequences.

If you conscientiously prepare for the worst, chances are you will encounter circumstances less devastating than you imagined and, therefore, come out ahead when the economy rebounds. If you don't prepare for the worst, you put your practice and yourself at risk.

What do you focus on? First, you need to shift your focus from the income statement to the balance sheet. We can't emphasize this enough. Shifting your focus from the income statement to the balance sheet is a decisive step. Protecting your cash flow is your most critical challenge.

Before the crisis, success involved growing revenues through increasing market share, particularly the fee-for-service market, and selling higher-end dentistry. But now, the most critical metric is cash.

Pursuit of revenue growth must give way to understanding the cash implications of everything you do. You need sufficient cash to weather the storm. And given the capabilities of practice management software these days, you can and should know your practice's cash position every day.

Cash generation has four internal sources: 1) cash earned from the delivery of your dentistry; 2) cash from receivables; 3) cash from lease or rental of an asset, i.e. renting space to an endodontist on Fridays; and 4) cash from the sale of assets, which is rarely considered except in emergencies, i.e. equipment, recall practice, etc. Purchases you once considered relative to their return on investment must now be judged in terms of how much cash they consume, how much cash they can generate, and how soon they can bring in cash.

We recommend that you lower your break-even point as quickly as possible—for the worst case scenario. Break-even should be figured strictly on a cash basis. What is the money you absolutely can count on? Now run your practice with that figure.

We are asking our clients to plan for a 20 percent reduction in revenues. *Standing in 80% of their current practice revenues, what changes would they need to make to meet their obligations? What would they need to eliminate? Who would they need to let go? What changes would they need to make in their operations to generate enough cash to meet that lower break even figure?*

Once that plan is complete, keep it in the store room. But have it ready to bring out to the show room at any moment. If and when the practice demonstrates signs of a downturn over more than 60 days—a notable drop in new patients, a marked increase in no shows and cancellations both in your column and hygiene, a significant decrease in acceptance of higher utilization dentistry—then you ignite your break-even plan. Do it decisively and quickly.

This is a choice point and you are the chooser. You can choose what and who to believe. You can choose what path to follow. You can listen to consultants who recommend tips like expanding broadcast marketing, initiating a transition plan, and purchasing more and better equipment. You can hope that you have enough inertia to carry through the rest of the year and possibly beyond. However, the expression, "plan for the worst and hope for the best," is worth your consideration these days.

Remember the Governance Rule in *Rules for Change*:

*Every spending decision will be based on this practice's financial integrity being clearly and unconditionally upheld.*

*We will not spend more than we make.*

*All money spent must produce a clear return on investment.*

*We will stick to our budgets.*

*We will not incur any additional debt.*

*We will challenge every dollar.*



**BOOKS by Dr. Marc Cooper**

Mastering the Business of Practice

Partnerships in Dental Practice

SOURCE; The Genesis of Success in Business & Life

Running on Empty; Answers to Questions Dentists Have about the Recession

Valuocity; A Fable about Dental Practice (Fall, 2009)

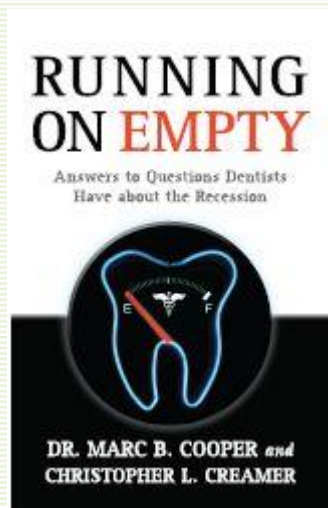
*Available at Amazon.com*

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***‘RUNNING ON EMPTY’  
ORDER INFORMATION***

*The book will be available July 31<sup>st</sup> at  
[www.Amazon.com](http://www.Amazon.com) for single copies.*

*For 50 or more copies, please contact  
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